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CO₂ certificates for climate action

The Ukrainian Government is introducing emissions trading to restrict the huge volume of greenhouse gas emissions produced by industry.



The challenge: heavy industry leaves a big carbon footprint

Today, anthropogenic climate change is already having tangible impacts all around the world – and posing major challenges for national governments. Emissions trading systems are intended to help avert the impending climate catastrophe. The principle is that governments set an upper limit for greenhouse gas emissions in their country and issue companies with emissions allowances. These allowances permit a defined quantity of emissions. The companies can either use the allowances themselves or sell them on. The total number of allowances – the ‘cap’ – is continuously decreased in order to gradually reduce emissions.

Heavy industry has traditionally played a dominant role in the Ukrainian economy. Relative to its economic output, the country emits three times as much carbon dioxide as the EU average. Even in a global comparison, Ukraine’s emissions are twice the international average. This is one reason why the country has committed itself to changing its climate policy.

The Association Agreement with the EU also requires the introduction of an emissions trading system, making this one of the conditions of Ukraine’s accession to the EU.

Project title:	Support for the establishment of an emissions trading scheme (ETS) in Ukraine
Commissioned by:	German Federal Ministry for Economic Affairs and Climate Action (BMWK)
Implemented by:	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Lead executing agency:	Ministry of Environmental Protection and Natural Resources of Ukraine (MEPR)
Project area:	Ukraine
Overall term:	2017 to 2026
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The Ministry of Environmental Protection and Natural Resources of Ukraine is responsible for implementation. While this task presents a serious challenge, it also offers opportunities for knowledge transfer and international exchanges of experience.

Our approach: introduction of an emissions trading system

On behalf of the German Federal Ministry for Economic Affairs and Climate Protection (BMWK), GIZ is supporting the Ministry of Environmental Protection and Natural Resources of Ukraine (MEPR) in setting up a national emissions trading system (ETS). Our project advises MEPR on modernising legislation and establishing a data management system. Among other things, this will lay the foundations for a reliable emissions database that will maintain a precise record of companies’ greenhouse gas emissions and regulate those emissions.

Specifically, we are assisting MEPR to develop the necessary legal framework and subordinate legislation. For example, we are supporting efforts to revise the law on the introduction of a new monitoring, reporting and verification (MRV) system, which needs to be adapted to reflect the consequences of Russia’s war of aggression.



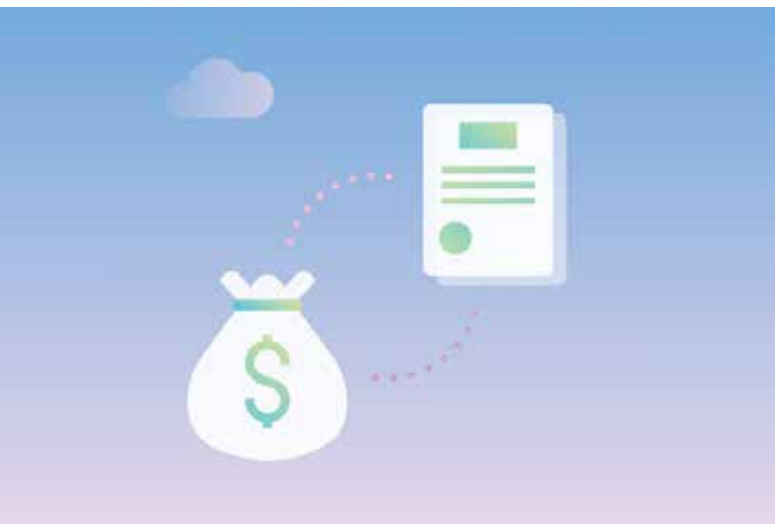
Caps on greenhouse gas emissions help to mitigate climate change.

Our experts are also advising MEPR on setting emissions caps and on the Carbon Border Adjustment Mechanism (CBAM), as well as the impacts these might have on the Ukrainian economy. Moreover, we are supporting the organisation of an authority to implement the ETS, and we provide training for its employees and other state actors.

To ensure the ETS is developed with the broadest possible public support, the implementation process involves all key stakeholders from the political sphere, the scientific and academic community, the private sector and civil society. We are currently developing a strategy that clearly defines the steps and timeline for introducing the ETS.



Every tonne of emissions must be accompanied by one emissions allowance.



The emissions trading system puts a price on greenhouse gas emissions.



‘An important step towards the country’s environmental transformation’

Svitlana Grynychuk, Minister for Environmental Protection and Natural Resources of Ukraine:

‘The introduction of the ETS opens up new prospects for Ukraine in adaptation to climate change and integration into the European green economic area.

Our results: successful launch of emissions trading

- The law on the introduction of a new monitoring, reporting and verification (MRV) system came into force in 2021. To support this, we conducted training events for employees of MEPR and the National Center for Accounting of Greenhouse Gas Emissions. The training sessions focused on the implementation of Ukraine’s monitoring, reporting and verification system, in particular the registration of installations and the implementation of monitoring plans. We also organised a training for operators of installations.
- The MRV system was successfully introduced in 2021 and ready to cover all Ukrainian industrial installations obliged to report.
- To enable the competent authorities to analyse, process and store emissions data professionally, we developed an emissions database that also benefits companies. The online platform provides a way to register installations and submit monitoring plans and emissions reports.
- In 2021, with the support of the project, MEPR launched a series of events with the aim of getting different stakeholders involved in discussions surrounding the introduction of an emissions trading system. The last of these meetings took place online as a high-level event in 2023. We also organised study trips to Germany and Turkey for MEPR employees in 2024.

The ETS is a tool that will not only reduce emissions but also attract investments in climate-friendly technologies, modernize production, and maintain the competitiveness of Ukrainian enterprises in international markets. The next step will be to create an efficient emissions trading market that will allow companies to invest in green development and prepare for the implementation of CBAM.

The ETS is not only an economically viable tool, but also an important step towards the country’s environmental transformation.’

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On behalf of the
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