

Assessment of implementation of the green investment scheme projects in Ukraine





NATIONAL ECOLOGICAL CENTRE OF UKRAINE

Pankivska str. 6-B, 01033 Kyiv
tel.: (+38 044) 238-6260, tel./fax: (+38 044) 238-6259
necu@necu.org.ua, www.necu.org.ua
box 306

Assessment of implementation of the green investment scheme projects in Ukraine

Author: Andrii Zhelieznyi

Editor: Irina Stavchuk

© National Ecological Centre of Ukraine – Kyiv, 2013

This report has been prepared with the financial assistance of the Air Pollution and Climate Secretariat, European Union and UNDEF. Its content is the sole responsibility of author and can under no circumstances be regarded as reflecting the position of European Union.



This report may be copied or reproduced for non-profit use without special permission of NECU, however the provision the reference of the source is preferable.

Distributed for free of charge.

Executive Summary

Under International Emissions Trading mechanism in 2009-2010 Ukraine managed to sell 47 mln. tons of CO_{2e} to Japan and Spain and has been obliged by the contracts to implement projects on emission reduction. Experts of the National Environmental Center of Ukraine in May-July 2013 visited a total of 13 objects in three regions of Ukraine and Autonomous Republic of Crimea where projects are being implemented. Findings from analysis of the available information and related state policy lead to following conclusions:

- **In general, decision to use funds received from emission trading under Kyoto Protocol to finance energy saving measures in building sector is reasonable.** Wall insulation of buildings and installation of energy-saving windows allows to reduce energy consumption by 35 % in average and improve the comfortable living conditions.
- **There is lack of information concerning the distribution of the full amount of funds received.** The state budget of Ukraine received approximately EUR 470 mln from Japan and Spain, however the State Environmental Investment Agency and the Government of Ukraine has approved financing of projects worth only EUR 350 mln; the another expenditure of rest 120 mln. euros is not reported officially.
- **Implementation of green investment scheme will bring insignificant reduction of GHG emissions.** In case all the scheduled projects worth EUR 350 mln are implemented, the expected reduction shall be as little as 117 thousand tons of CO₂ or 0.03 % of the total emissions in Ukraine.
- **Projects under the green investment scheme are not cost-efficient.** The cost of achieving 1 ton of reduction amounts to: EUR 2 674 for energy efficiency in buildings measures; EUR 3 491 for boiler or heat supply system reconstruction, and EUR 3 370 for other types of projects. A number of the projects to be implemented under the green investment scheme are unjustifiably expensive and have low efficiency of emission reduction. It's impossible to assess the justification of project costs as the State Environmental Investment Agency fails to disclose detailed project information.
- **Objectivity of cost estimate on green investment scheme seems doubtful.** The costs of projects under the green investment scheme has increased by more than 40 % compared to initial project information in 2012. At the same time the number of projects on energy efficiency in public buildings has been reduced from initial 933 in 2012 to 537 in 2013.
- **Heat rehabilitation projects financed from emission trading under the Kyoto Protocol are considerably delayed.** Since 2011 altogether 127 heat rehabilitation projects were implemented out of 529 scheduled ones. Funds from international emission trading were received in 2009-2010, however the payment for works are significantly delayed. The selected contractors of multimillion projects failed to complete the works before the winter 2012 and suspended their activity till 2013, however on many projects the works have not been finished.
- **Lack of control and monitoring of quality of implementation of the projects under green investment scheme.** When transferring a project to a balance holder there's no control of compliance with relevant national building regulations. Failure to comply with rules and improper execution of works using poor quality materials reduce the efficiency and durability of insulation.
- **Conditions for possible corruption are created.** The green investment scheme in Ukraine involves a project approach, where the government selectively implements separate projects out of the big number of initial applications. Regarding to the established procedures - each project shall be agreed and approved for financing during a long period of time thus lacking transparency. Approval of certain projects may depend on interested parties, particularly MPs and there is no way to investigate why specific projects have been selected or rejected. Needs to be underline that tendering procedures have signs of unfair competition when competition announced in 10 days and were held among the limited number of participants without representation of local companies: as a result, only one company could participate in tender.

Recommendations

The recommendations concerning the practice of introducing the green investment scheme in Ukraine largely relates to other public instruments of encouraging energy saving practices. Therefore the above mistakes should be considered and the following recommendations ought be taken into account when approving decisions by executive and legislative authorities:

For government officials

- Prime Minister and Vice Prime Minister of Ukraine, State Financial Inspection of Ukraine, and other interested institutions have to scrutinize the activity of private and public institutions engaged in implementing of projects under the green investment scheme. It's necessary to investigate if the cost of the project implementation corresponds to the quality of works and efficiency of handling of public funds in general.
- The State Environmental Investment Agency and other executive authorities must ensure public access to the information about the projects implemented by the public cost and under any other programs. The following information should be disclosed: a complete list of the works scheduled, expected reduction of CO₂ emissions and energy consumption, estimated costs, audit opinions etc. Public access to information and monitoring of project implementation status would enhance the transparency of the use of budget funds and encourage responsible selection and efficiency of project implementation.
- Stop practicing approval of each separate project. Criteria of projects eligible for public funding should be defined on a legislative level. A project's compliance with criteria should entails its implementation. Executive authorities should only examine the proposals for compliance with requirements, rather than give preferences on a selective basis.
- Establish the minimum permissible project requirements that quantify the feasibility threshold for implementation of measures taking into account the volume of emission and related costs. Such norms would enable public financing of the projects with the highest environmental and economic effect only.
- Secure legal obligation of energy audit for facilities where energy-saving projects are to be implemented using public funds. Development of project design documentation must be based on the results of instrumental measurement of conditions of the building to reflect opinion of energy auditors and recommendations regarding the use of best measures and technologies.

For State Environmental Investment Agency

- Check the status of heat rehabilitation projects at public buildings and ensure completion of repair and construction works to the full extent.
- Introduce mandatory control and verification of the completed works during commissioning procedure. Upon completion of repair or construction works, introduce mandatory requirement for thermal imaging of facilities and state control of the quality of heat insulation and recording the inspection results in the Facility Readiness Certificate. Thermal imaging requirement after insulation works as well as capital repairs should be properly regulated by the regulatory and legal framework.
- Ensure transparent and fair conditions for regional companies' access to bidding of project implementation with involvement of local labour force. Engagement of the local employable population will contribute to even development of the economy and improved social situation in the region.

Status of implementation of thermal rehabilitation at buildings with social value

Municipal Clinical Hospital #6 of Ambulance – Simferopil, Gagarina st. nb, 15

Main unit with floor area 13978,7 m²

Section with Autopsy has floor area 1034 m²

Food unit with floor area 618 m²



Total cost of project implementation	6 912 535 UAH
Expected GHG emission reduction	322,59 t. CO _{2-eq}
Deadlines for implementation	Implemented in 2013

Educational complex «School-lyceum» #3 named by A.S. Makarenko – Simferopol, st. Lermontova

Building volume consists 46 754 m³



Total cost of project implementation	7 283 927 UAH
Expected GHG emission reduction	167,72 t. CO _{2-eq}
Deadlines for implementation	Rehabilitation of the walls performed in 2011

Міська поліклініка для дорослих № 1 – м. Луцьк, пр. Волі, 66-а

Heating volume of the building: 28 965 m³

Floor area of the building consists: 7 416,4 m²



Total cost of project implementation	3 354 787 UAH
Expected GHG emission reduction	134,56 t. CO _{2-eq}
Deadlines for implementation	August 2013

Manevichi's regional hospital – village Manevichi, Nezalezhnosti (Independence) str. 1, Volyn region



Total cost of project implementation	15 759 829 UAH
Expected GHG emission reduction	863,36 t. CO _{2-eq}
Deadlines for implementation	Works started in April 2013 and it was expected that project would be implemented by August 2013. Replaced windows and doors, insulated the roof and one wall of the hospital.

Surgery Department with Clinic of the Central regional hospital – Khmelnitsky region, Starokostiantyniv, Pushkin str. 47



Total cost of project implementation	3 189 054 UAH
Expected GHG emission reduction	145,20 t. CO ₂ -eq
Deadlines for implementation	Information not available
Total cost of project implementation	Implementation expected by August 2013

School #7 – Khmelnitsky region, Starokostiantyniv, Prokopiuka srr. 6

Floor area: 5 790 m²

Building volume: 19 829 m³



Total cost of project implementation	2 539 871 UAH
Expected GHG emission reduction	128,60 t. CO ₂ -eq
Deadlines for implementation	Works started in August 2012 and lasted by the end of a year. Already performed replacement of windows and doors, insulated part of hospital frontage. From December 3 till July 5, 2013 works were suspended.

**AR Krimea: City clinical lying-in hospital #2 –
Simferopol, 60-anniversary of October str.**



**AR Crimea: School #4 –
Simferopol, Aralska str. 57-a**



**Volyn region: Regional Hospital of Infection –
Lutsk, Shevchenka str. 30**



**Kyiv region: School #3 –
Obuhiv, Myru str. 12**



**Kyiv region: Special School #5 –
Obuhiv, Lermontova str.**



**Khmelnitsky: Block #2 of Regional hospital –
Pilotska str. 1**



«We have prepared everything for thermal rehabilitation in the early summer. 11 million UAH (1,1 mln euro) has been allocated to our building. So from the beginning of the summer, as the saying goes, the horse has not been even lying! Nothing was done.»

Engineer at Berdichev Central Hospital,
Interviews at newspaper Mirror Weekly (Dzerkalo Tyzhnya), November 20, 2012

«...And to go to the place, to check, or perform any other inspections – it does not concerns us.»

Vladyslav Yakubovskiy,
ex-Head of State Environmental Investment Agency,
Interview to TV-chanel TVi in the story "Energy-refurbishment of buildings with social value on Mykolaiv region: poor quality and out of time", April 2, 2013

«At present, the works performed by 60 %. The quality could be better. Ebb has not been installed, slopes have not been made, both as external and internal. Windows sometimes can not be closed. The hospital became even colder than it was before.»

Chief Doctor at Lyubeshiv central regional hospital Bohdan Ivaniv,
Interviews at newspaper Vidomosti.UA, October 17, 2013



NATIONAL ECOLOGICAL CENTRE OF UKRAINE

box 306, 01032, Kyiv, Ukraine
tel.: (+38 044) 238-6260, tel./fax: (+38 044) 238-6259
necu@necu.org.ua, www.necu.org.ua