Implementation of GIS in the CR: Audit evidence and criteria – experiences from the audit

Jana Zahradníčková
Details on audit

- **Title of the audit:** Trading of surplus Assigned Amount Units and use of such funds received from the trading

- **Auditees:** Ministry of the Environment (MoE), State Environmental Fund of the CR (SEF)

- **Covering:** the period of 2009-2010

- **Launched:** September 2010

- **Concluded:** May 2011
Trading of AAUs

- **Background of emission credits trading:**
  - Kyoto Protocol
  - International Emission Trade
  - Green Investment Scheme (GIS)

- **Situation in the Czech Republic:**
  - 100 million of surplus AAUs, up to CZK 25 billion
  - Green Savings Programme (GSP)
Green Savings Programme (GSP)

- Launched in April 2009
- Administered by the State Environmental Fund
- Funded from gainings from the emission credits trade
- Originally focused on households, public sector buildings added
- Promotion of energy efficiency, heat production from renewable resources, passive energy buildings construction and capacity building
### Areas of subsidy

<table>
<thead>
<tr>
<th>Areas of subsidy</th>
<th>Available for the owners of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy savings in heating (thermal insulation)</td>
<td>family houses, multiple-dwelling houses, <strong>multiple-dwelling panel houses</strong></td>
</tr>
<tr>
<td>Construction in the passive energy standard</td>
<td>family houses, multiple-dwelling houses</td>
</tr>
<tr>
<td>Renewable energy sources for heating and hot water preparation (low-emission biomass-fired sources and efficient heat pumps, solar thermal collectors)</td>
<td>family houses, multiple-dwelling houses, partially multiple-dwelling panel houses</td>
</tr>
<tr>
<td>Energy savings in heating (thermal insulation) – public sector buildings</td>
<td><strong>public sector buildings</strong></td>
</tr>
</tbody>
</table>

Expected GSP benefits (compare 2013/2008)

- Reduction in CO$_2$ emissions (also the GSP target): 1.100.000 tons
- Reduction in local dust pollution: 2.200 tons
- Increase in heat generation from renewables: 3.7 PJ
- Increase in energy savings in heating: 6.3 PJ
- Creation or retention of 30.000 jobs
- Improvement of housing conditions for 250.000 households
Audit objective

The examination of:

1) the AAUs surplus trading and

2) the setting of The Green Savings Programme in the Czech Republic
Key audit questions (Issue analysis)

1) Did MoE set up the emissions trading scheme properly on the national level so it ensures maximum benefit for green savings activities?

2) Does SEF provide efficient utilization of time-limited funds received from the international emission trading scheme?
Findings 1

- Target values of CO\textsubscript{2} emissions savings were not defined as binding
- Criteria for assessing the efficiency of applications were not defined
- Target values of expected benefits were not monitored at all
- Timely and reliable information about the substantive and financial development was not available
Findings 2

- The administration of application was not monitored and assessed, it was delayed.
- Tenders either failed to demonstrate economical benefits or resulted in uneconomical expenditure.
- Programme’s conditions were changed.
- Monitoring Committee did not fulfil its obligation to oversee the implementation and assessment.
- Management Committee did not take a timely action to suspend applications’ submission.
1) AAUs surplus trading

- **Economy**
  - costs of consultants.

- **Efficiency**
  - setting up and adherence to rules,
  - AAUs registering process,
  - financial management of received funds.

- **Effectiveness**
  - trading strategy,
  - monitoring and evaluation.
2) Green Savings Programme

- **Economy**
  - administrative issues and costs, incl. contracted partners.

- **Efficiency**
  - setting up and fulfilling of set indicators.

- **Effectiveness**
  - setting up and fulfilling of objectives – maximalization of greening effects and other benefits.
International agreements

- **The United Nations Framework Convention on Climate Change** (CZE ratification in October 1993);
- **UNFCCC Kyoto Protocol** (CZE signature in November 1998, CZE ratification in November 2001);
- **Bilateral arrangements on co-operation** regarding the implementation of the UN Framework Convention on Climate Change and its Kyoto Protocol in accordance with Articles 6 and 17 of the Kyoto Protocol.
Sources of audit criteria 2

National legislation
- Act No. 388/1991 Coll., on the State Environmental Fund of the Czech Republic
- Act No. 695/2004 Coll., on terms of trading with and handling greenhouse gas emission allowances;

Policies and programme documents
- Green Savings Programme (contracts of purchase, Programme documents, incl. Guidelines for Applicants, internal regulatory documents)
Audit evidence

• **Documentary sources of evidence:**
  - unreliable managerial evidence (e.g. expenses reports, calculations),
  - confidentiality about AAUs purchases (contracts with purchasers, internal MoE communication).

• **Analytical sources of evidence:**
  - not ready/available data – provided access to Programme´s information system in order to verify evidence by SAO.
Obstacles

• Confidentiality of the AAUs surplus trading procedure
• The absence of information: high staff turnover, incomplete archives
• Changing situation: Programme was in the middle of its run during the audit
• Difficult assessment of efficiency: data on emission savings insufficient and incomparable
• Difficult assessment of effectiveness: no interim target values set for emission savings
Conclusion of the audit

Follow-up

- internal audit of MoE (spring 2011) confirmed audit findings

Final audit report

- published in May 2011, incl. recommendations

GSP time-schedule

- in operation until 31 December 2012
Thank you for your attention!