



National Audit Office of Lithuania

Public Audit Report

Trading System of Greenhouse Gas Emissions Allowances

6 August 2012 No VA-P-20-9-11
Vilnius

Summary

Audit started: 7 November 2011
Audit completed: 6 August 2012

Full audit report in Lithuanian is available at the
National Audit Office website www.vkontrole.lt

The National Audit Office of Lithuania together with Supreme Audit Institutions of Denmark, Finland, Latvia, Norway and Poland takes part in the cooperative audit and conducts a performance audit “Trading System of Greenhouse Gas Emissions Allowances“. The objective of the cooperative audit is to determine the efficiency of emissions trading system, as well as efficiency of Clean Development and Joint Implementation projects; to analyze the operation of greenhouse gas emissions register. The audit is being conducted in accordance to 2012 agreement of the Supreme Audit Institutions.

Main conclusion

In 2010 Lithuania reduced national greenhouse gas emissions by 56.9 per cent relative to 1990 level and meets the requirements of the Kyoto Protocol to the United Nations Framework Convention on Climate Change.

Lithuania meets the long-term objective of National Strategy for Sustainable Development to achieve a situation when the growth of emissions of pollutants and greenhouse gases is two times slower than the growth of gross domestic product (over the period 2005 - 2010 GDP grew by 27.2 per cent and emissions decreased by 10.1 per cent). Nevertheless, there is a need to invest in greenhouse gas emissions mitigation measures, but the possibilities are limited.

National Allocation Plan and reduction of emission allowances for each period for the country encourages operators to reduce GHG emissions.

31.1 million emission allowances allocated to operators for the period 2008 - 2011. Operators haven't used all their allowances due to decline of GDP and increase in electricity import and still have approximately 7.4 million surplus allowances.

In some cases, funds received from the sales of emission allowances are used for measures not directly related to GHG emissions reduction. Operators do not always provide the correct data in a timely manner. The Regional Environmental Protection Departments conduct insufficient monitoring of spending in order to avoid such situations.

The Ministry of Environment planned for 450 million Lt in revenue for the period 2010 – 2011 and for 298 million Lt in 2012. In the period 2011 to 20 July 2012 the Special Climate Change Program received 252 million Lt in revenue of which 0.2 million Lt used by the end of 2011. These funds have been allocated to projects for GHG emissions reduction but due to the loss of projected revenues and the ongoing preparation of projects the implementation is delayed to a later period.

As a Party to the UNFCCC and in compliance with the Decision No 280/2004/EC of the European Parliament and the Council Lithuania annually submits National GHG Inventory Report (NIR) to the European Commission and the UNFCCC secretariat. The Ministry of Environment has not ensured substantial improvements in a timely manner for the national system of Lithuania to be able submit sufficiently transparent, consistent, comparable, complete and accurate NIR. Therefore, on 21 December 2011, the Enforcement Branch of the Compliance Committee suspended Lithuania's eligibility to participate in the mechanisms. This has led to negative consequences: operators couldn't trade emission allowances and Kyoto units with foreign countries in the period 21 December 2011 to 20 June 2012; until the suspension will be cancelled Lithuania can't trade assigned amount units (AUs) and won't be able to receive funds to the Special Climate Change Program.

Companies are poorly informed about the opportunities to develop Joint Implementation projects.

Recommendation for the Ministry of Environment:

To revise the implementing regulations of the Climate Change Management Financial Instruments Law;

To enhance monitoring and control of funds for the GHG emissions reduction measures;

Promptly allocate and use funds of the Special Climate Change Program;

To put in place adequate arrangements and capacity necessary for the national system to meet the requirements of Article 5, paragraph 1, of the Kyoto Protocol and the requirements and guidelines decided there under;

Take steps to ensure that more companies become aware of the opportunities for Joint Implementation projects.