



**Audit on
mitigation of climate change and
implementation of Kyoto Protocol in Slovenia
2005 - 2008, conducted by
the Court of Audit of the Republic of Slovenia**

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Subject, scope and objectives of the audit

Audit objectives:

- to assess national policies on mitigation of climate change if they represent appropriate and sufficient basis to achieve objectives set and for effective and efficient performance of measures set;
- to assess efficiency and effectiveness of auditees at performing measures

General information about Emission Trading Scheme (ETS) ⁽¹⁾

	Period 2005-2007	Period 2008-2012
Number of installation operators (number of installation operators in Energy Sector)	98 (6)	96 (6)
Number of allocated allowances	9.138.064 in 2005 8.691.991 in 2006 8.245.914 in 2007	8.298.937 (on average per year)
Verified emissions (together)	8.720.550 in 2005 8.842.182 in 2006	/
Share of all GHG emission in Slovenia covered by emission trading scheme	56 %	41,6 %
Method of allocation	100 % free of charge	100 % free of charge

General information about Emission Trading Scheme (ETS) ⁽²⁾

Number of installation operators with surplus of allowances	74 in 2005 and 64 in 2006	/
Share of the biggest installation operator's emission in the ETS in total amount of emissions	52, 87 % on average	/
Share of the smallest 25 % of installation operators' emissions in the ETS in total amount of emissions	0,9 % on average	/

Key audit findings

- Slovenian emission trading scheme (ETS) is very small – less than 100 installation operators, thus some specifics should be taken into consideration
- Formula for allocation of allowances among installation operators was not based entirely on scientific evidence and data - there were many influences from installation operators in ETS from Energy and Industry Sector
- Public debates about allocation of allowances in both periods started too late.

Weaknesses in allocation for the period 2005 – 2007 ⁽¹⁾

- allocation is based on the highest annual emissions in the period 1999-2002;
- allocation is based on not entirely verified emissions and forecasts of emissions made by installation operators;
- early action is not sufficiently considered in the formula of allocation;

Weaknesses in allocation for the period 2005 – 2007 ⁽²⁾

- too high influence of grandfathering and very limited influence of BAT-benchmarking approach;
- very low influence of incentive for cogeneration of electricity production and heating;
- together certain surplus of allowances for 2005 and 2006.

Weaknesses in allocation for the period 2008 - 2012

- Distribution of allowances for the period 2008 - 2012 was not sufficiently transparent - not all the evidence about distribution are available to confirm the correctness of allocation of allowances among installation operators;
- Methods of allocation are not transparent - it is not indicated clearly when to use each method
- Allocation of allowances for the period 2008 - 2012 took place too late

Allocation for the period 2008 – 2012 (compared to the period 2005 – 2007)

- less allowances were allocated compared to previous period (- 5,25 %)
- allocation is based on the average emissions for the period 2002 - 2005 (improvement compared to the period 2005 - 2007),
- allocation is based on verified emissions (verified by certified auditors),
- the method of BAT-benchmarking is considered to a higher degree, but still not enough incentive to most environmentally conscious installation operators,
- some more influence of incentive for cogeneration compared to the period 2005 - 2007

Some conclusions from our questionnaire sent to ETS participants⁽¹⁾

- 30 % of Slovenian ETS participants have traded with allowances, others haven't;
- 64 % of those who traded bought or sold allowances in Slovenia, others traded internationally;
- 56 % of those who traded, think there are not enough information about sellers and buyers;
- there have been 53 of purchases and 9 sales of allowances among participants of ETS.

Some conclusions from our questionnaire sent to ETS participants ⁽²⁾

An overall conclusion:

- There is a very small market of allowances in Slovenia (only 96 installation operators);
- Most ETS participants are not aware enough what allowances actually mean because they had sufficient quantity of allowances in the first period and they do not have sufficient information about ETS.

Thank you for your attention