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Newsletter for the international community providing views and analysis from the Bloc of Yulia Tymoshenko (BYuT)

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## Speaker Appointed, PM Vote on Tuesday

Ukraine's democratic coalition passed its first test on the road to forming a new government by securing sufficient votes from lawmakers to appoint Arseniy Yatsenyuk as the new Chairman (Speaker) of the Verkhovna Rada. Mr Yatsenyuk, the 33-year old former-foreign minister and banker, was President Viktor Yushchenko's preferred candidate and received 227 votes from the 450-seat parliament to secure the position. On Friday Mr Yatsenyuk confirmed that the Verkhovna Rada would vote on the prime minister position on 11 December.



▲ The catalyst for change. Yulia Tymoshenko, Leader of the Opposition signs the Coalition Agreement with Vyacheslav Kyrylenko of the Our Ukraine - People's Self-Defence Bloc. This has opened the way for Arseniy Yatsenyuk to be voted in as Speaker and for the vote on the prime minister position on Tuesday.

Mr Yatsenyuk declared, "Whatever the circumstances, a vote will take place on Tuesday on the candidature for the prime minister of Ukraine and on the make-up of the government."

Earlier last week, Yulia Tymoshenko was formally nominated as prime minister by the democratic coalition which comprises her eponymous bloc (BYuT) and the pro-presidential Our Ukraine - People's Self-Defence Bloc.

### Stern Test Passed

The democratic coalition's ability to secure the speaker slot was seen as a stern test as it has only a 2-seat majority in the parliament.

Ms Tymoshenko congratulated Mr Yatsenyuk with a bouquet of roses and expressed optimism for Ukraine's future. "We have taken another step closer to realising a new, truly democratic government with a bold agenda to bring about the systematic and deep reforms this country needs. I trust Ukraine will soon see a government that is both measured and accountable," she said.

The road to forming the coalition proved much longer than many predicted. The Party of Regions did its best to ferment discord between the democratic forces and made concerted efforts to broker a grand coalition with OU-PSD.

Several weeks ago Ukrayinska Pravda published video evidence that purports to show Party of Regions members attempting to bribe BYuT lawmakers. According to BYuT officials, there is ample evidence of attempted bribery to get lawmakers to switch allegiance. The bloc has requested that the State Security Service (the SBU) investigate the cases and has pledged to hand over evidence to the new Prosecutor General when elected.



"I ask my opponents from the Party of Regions to stop bribing national deputies and end this disgraceful practice once and for all," said Ms Tymoshenko in response to the news.

The appointment of Mr Yatsenyuk as Speaker was a body blow to the Party of Regions, particularly after one of its spokesmen was reported to have rated Mr Yatsenyuk's chances of securing the post as, "One thousand times less than that of a meteorite landing on your head." Notwithstanding its dismay, the Party of Regions lawmaker Elena Bondarenko said, "We will not impede the government's formation." She hoped that the Cabinet would form soon and begin its work.

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## **Kyoto Windfall Could Green Mines and Improve Safety**



In the past three weeks there have been three explosions at the Zasyadko mine in the Donetsk region. Five rescue workers died and 66 were injured after an explosion in the mine on 2 December. This latest tragedy comes only weeks after 101 miners perished from an explosion which took place 1,000 metres underground. That explosion – the worst mining disaster in Ukraine's history – is

believed to have been caused by faulty electrical equipment that ignited methane gas. While methane is a huge problem in Ukraine's deep coal mines, the real killer is not the flammable gas but a lack of capital investment and maintenance. Yet it does not have to be like this.

There exists a way to improve the safety of the mines while swelling the state's coffers; a way that reduces harmful methane greenhouse gas emissions – for which Ukraine is a premier league polluter – and at the same time fund other environmentally friendly energy projects. Sounds too good to be true? Read on.

The story begins with the Kyoto Protocol which Ukraine ratified in 2005. The goal of this international treaty is to reduce emissions of greenhouse gases by setting up country-level emission quotas and the international trade of emission rights. Under the auspices of the protocol, Ukraine pledged to keep its emissions in 2008-2012 at 1990 levels.

The emission reduction commitments are defined as a cap on the volume of greenhouse gases that can be emitted and are quantified by Assigned Amount Units (AAUs) allocated to each participating industrial country.

The AAU baseline was established in 1997 and is based upon actual emission levels in 1990. Some 17 years ago Ukraine had a hugely carbon intensive economy, which, in the intervening years, has shrunk considerably. Consequently, Ukraine finds itself in the enviable position of sitting on approximately 2.5 billion surplus AAUs.

AAUs have become a valuable commodity. Article 17 of the Kyoto Protocol allows countries to sell their surplus AAUs to countries in deficit (one AAU is equivalent to one tonne of CO<sub>2</sub> emitted). Japan is one such country eager to buy Ukraine's AAUs and has already concluded a deal with the Slovak Republic. Canada, Italy and Spain are other countries that maybe interested to purchase AAUs.





Such is the surplus of Ukrainian AAUs that the government could afford comfortably to trade 500 million a year. With an estimated price of somewhere between 10 and 20 euro per AAU, the government could benefit to the tune of between 5 and 10 billion euro a year.

According to Vadim Diukanov, Executive Director for the Foundation for the Development of Environmental & Energy Markets, as they stand Ukraine's AAUs are likely to expire by the end of 2012. However regulations may change that would allow countries to carry-over their surplus from the first commitment period reserve to the next period. "Currently we don't know the rules of the game for 2013-2017," said Mr Diukanov, "things will change as the rules for the next 5-year period come into place by the end of 2010."

It therefore appears that Ukraine needs to make use of its windfall opportunity. However, there is a catch. The proceeds from AAU transactions can only be used for projects or programmes that reduce greenhouse gas emissions or provide other tangible environmental benefits.

A draft report prepared by Vertis Environmental Finance and Climate Focus for the Government of Ukraine and the World Bank noted: "The amount of funds Ukraine (and the other economies in transition) can mobilise through the sale of AAUs depends largely on the development of a transparent and credible programme which attracts interest among countries (and potentially private entities) interested in the purchase of AAUs."

### **Green Investment Scheme Needed**

The report recommended adoption of a well-defined Green Investment Scheme, which would ensure the "strategic and planned management of AAUs and guarantee that funds from their sale would be applied to the environmental benefit of the country."

The proceeds from AAU sales would be channelled into projects that either effect lower greenhouse gas emissions – so called "hard greening" – or which otherwise build the necessary framework for this process which is known as "soft greening."

One such area ripe for investment is the recovery of methane from coal mines. Methane is one of the top three greenhouse gases and Ukraine is the world's third largest emitter of methane from coal mining. Each year several thousand million cubic metres seep into the atmosphere from the nation's 200 coal mines.

"This is a win-win situation for the Government," said the representative in Ukraine of a Swiss-based international trading company, "the government has the opportunity to recover methane gas for commercial sale and improve significantly the safety of miners. Our company, for one, would welcome such an initiative and be willing to assist the government with the finance, technology and infrastructure it will need."

**"Given the corruption that blights our energy industry, such a scheme is necessary to win the confidence of prospective purchasers and ensure that the money goes where it is needed."**



Before this could happen legislation will need to be passed in Ukraine to authorise AAU trade and establish a Green Investment Scheme. Any scheme would be closely monitored and audited with transparency the operative watch-word."



“Given the corruption that blights our energy industry, such a scheme is necessary to win the confidence of prospective purchasers and ensure that the money goes where it is needed,” said Hryhoriy Nemyria, BYuT deputy chairman and Ms Tymoshenko’s foreign affairs adviser. “Any scheme must be consistent with government policy regarding trading and green initiatives and possess sound procurement, financial and environmental monitoring and reporting mechanisms.



▲ More explosions have taken place at the Zasyadko coal mine since the 18 November tragedy. On Sunday 2 December an explosion killed 5 rescuers and injured 33 miners and 33 rescuers.

“We will back the President one-hundred percent in honouring our obligations under the Kyoto Protocol. We support reductions in the consumption of natural gas and oil and favour greater utilisation of brown coal and synthetic fuels. BYuT has long-called for investment in coal mining and the means to make our mines safer. At the same time we plan to strengthen collaboration and coordination of energy policy with the EU.”

The potential for a windfall from the Kyoto Protocol could go a long way to reducing the nation’s carbon footprint. By helping the country meet the figures prescribed in its commitment to the Kyoto Protocol it could improve another statistic. That is: in Ukraine three miners lose their lives for every one million tonnes of coal brought to the surface. Perhaps changing this one statistic would be the most fitting memorial to the fallen miners of Zasyadko.

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