

**Directive 2003/87/EC: opportunities and recommendations for the
implementation in the Republic of Macedonia**

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Proposal for amendment of the current legislation

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For:

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1 Proposed amendments to the existing legislation

Before starting the process of design of the Law on Greenhouse Gas Allowance Trading – to be undertaken by the MEPP coordinating the Interministerial working group on climate policy - and therefore to transpose the EATD into national legislation, a few amendments to the existing framework Law on Environmental Protection and to the drafted framework Law on Energy are desirable. Such amendments are suggested in order to establish a first legal basis for the implementation of an Emissions Trading scheme in the Republic of Macedonia.

2 Amendments to the Law on Environment

The Law on Environmental Protection adopted in 2005, refers in many articles to the prevention of global warming and to the protection of the climate and it already represents the legal basis for the introduction of an Emissions Trading scheme in the Republic of Macedonia. References to the climate problem and measures to protect the climate in the text of the Law on Environmental Protection follow:

- Article 2: scope of the law;
- Article 4: objectives of the law;
- Article 5: definitions;
- Article 16: international cooperation;
- Article 63: national environmental action plan;
- Article 174: purpose of the funds;
- Article 187: national plan for mitigation of climate change;
- Article 188: national inventory of anthropogenic greenhouse gas emissions by sources and sinks;
- Article 189: action plan of measures and activities for prevention of the causes and mitigation of negative effects of climate change;
- Article 190: implementation of the national plan and reporting on the implementation.

With regard to the transposition of the EATD into the national legal system, the existing Law on Environmental Protection already contains a few insights which may generally be considered in line with the provisions of the EATD, namely:

- Article 5: definitions (emissions limit values, installation, existing installation, change in the operation, substantial change, project, investor, best available techniques, operator, permit);
- Title XII on integrated environmental permits.

The following amendments (highlighted in red) to the current Law on Environment are proposed:

Article 5

Definitions

Certain terms used in this Law shall have the following meaning:

1. **Environment** shall mean the space with all living organisms and natural resources, i.e. natural and man-made values, their interaction and the entire space in which people live and in which settlements, goods in general use, industrial and other facilities, including the media and the areas of the environment, are situated;
2. **Environment protection and improvement** shall mean a system of measures and activities (social, political, economic, technical, educational etc.), which provide support and create conditions for protection against pollution and degradation of and impacts on environmental areas and media (protection against depletion of the ozone layer, prevention of harmful noise and vibrations; protection against ionising and non-ionising radiation, protection against odour and use and disposal of wastes, **protection against climate change** and other types of environment protection;
50. **Greenhouse gas emission** shall mean release of carbon dioxide (CO₂), methane (CH₄), nitrous Oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆) into the atmosphere from sources in an installation;
51. **Allowance** shall mean an allowance to emit one tonne of carbon dioxide equivalent;
52. **Tonne of carbon dioxide equivalent** shall mean one metric tonne of carbon dioxide (CO₂) or an amount of any other greenhouse gas with an equivalent global-warming potential;
53. **Greenhouse Gas Allowance Trading** shall mean the trading of greenhouse gas allowances, subject to certain conditions which comply with the requirements established by this law.

Article 64

Contents of the local environmental action plans

(1) The local environmental action plans, based on the assessment of the level of environmental pollution in specified area, shall contain medium and long term measures and activities for protection of the environment and human health which are of interest to and under the competence of the municipality, the City of Skopje and the municipalities of the city of Skopje, in particular on:

1. protection against pollution and improvement of the quality of air;
2. supply of proper quality drinking water in sufficient quantity;
3. protection of water against pollution, treatment of waste water, progressive reduction of harmful discharges and gradual elimination of the emissions of hazardous substances into the water and mitigation of consequences resulting from harmful activity of water and from shortage of water;
4. waste management;
5. protection against noise and vibrations resulting from economic and other activities and interventions;
6. **protection against climate change;**

7. urban development and spatial planning;
8. development of the local public transportation and traffic in the area;
9. energy efficiency improvement;
10. development of the eco-cultural tourism and its impact on the environment;
11. biological diversity protection;
12. natural resources management and use;
13. public awareness raising and development of the environmental education;
14. environmental impact of the economic development;
15. competent entities for implementation of individual elements of the plan.

XIIbis. INTERMINISTERIAL WORKING GROUP ON GREENHOUSE GAS ALLOWANCE TRADING

Article 129bis

Interministerial working group on greenhouse gas allowance trading

(1) The Minister managing the body of the state administration responsible for the affairs of the environment shall establish and maintain the Interministerial working group on greenhouse gas allowance trading.

(2) The body of the state administration responsible for the affairs of the environment shall prescribe the form and the content of the working group referred to in paragraph (1) of this Article.

(3) The working group referred to in paragraph (1) of this Article shall be responsible for the design and the developing of a voluntary pilot phase of emissions trading.

(4) The working group referred to in paragraph (1) of this Article shall be responsible for the design of the Law on Greenhouse Gas Allowance Trading on the base of the experience related to the activities referred to in paragraph (3) of this Article.

(5) The Law referred to in paragraph (4) of this Article shall apply without prejudice to the requirements pursuant to Title XII of this Law as well as to the regulations adopted on the basis of this Law.

(6) Title XII and the regulations adopted on the basis of this Law should be amended by the Law referred to in paragraph (4) of this Article in relation to the activities carried out in the installations included in the Law referred to in paragraph (4) of this Article.

3 Amendments to the draft Law on Energy

The current status of the draft Law on Energy refers to the protection of the climate, namely to the “environmental and climate protection and promotion” (Article 5). Moreover, such a draft law under Article 8, establishes the national policy for the energy sector which is based, among others, on the principles of “protection of the environment from adverse impacts of energy sector activities” and the principle of “compliance with the international treaty obligations”. Finally, the draft Law on Energy under Article 9 defines the main aspects of the Energy Development Strategy, among which the “realization of the obligations arising from the international charters, treaties, contracts, conventions and other documents ratified and accessed to by the Republic of Macedonia” and the establishment of the “requirements and methods for ensuring environmental protection and measures for realization of the protection”. Such articles establishes a first general legal reference for the adoption of measures aiming at the reduction of greenhouse gases in the Republic of Macedonia, such as a greenhouse gas allowance trading scheme. Nevertheless, an amendment to the current version of the draft Law on energy in the sense of a stronger and more explicit reference to such a trading system is clearly envisaged. Finally, the details of the introduction of a greenhouse gas allowance trading scheme in the Republic of Macedonia are indicated in the amendments to the Law on Environment.

Furthermore, the draft Law on Energy refers explicitly to the establishment of a green certificate scheme, namely on articles 7, 15, 118, 119 and 120, as a measure is designed aiming at the promotion of the renewable resources. The green certificate system is a market-based instrument including many similarities with the Emissions Trading system, namely the establishment of a free market, the establishment of an issuing body, the financial value of one certificate.

The following amendments (highlighted in red) to the current draft Law on Energy are proposed:

Article 15

The regulation of the energy activities shall be ensured on way accordance with this law, through adoption of:

1. Authorization for construction of energy facilities;
2. Grid codes and market code;
3. Methodologies for price setting as to certain types of energy and regulated services,
4. Tariff systems with regard to relevant types of energy;
5. Prices of specific types of energy in compliance with the price setting methodologies and tariff systems for relevant types of energy and services related to the pursuing of different energy activities;
6. Conditions for supply of certain types of energy from the energy systems;

7. Granting of licenses for pursuing energy activities, as well as monitoring and control of the operation of the licensees and meeting the requirements provided for in the licenses;
8. Requirements and criteria for acquiring status of an eligible customer of electricity and natural gas;
9. Construction of new and reconstruction of existing buildings from the aspect of energy efficiency;
10. Certificate for energy characteristics of a building;
11. Technical specifications and standards for efficient utilization of fossil fuels;
12. Energy efficiency labeling of home appliances;
13. Utilization of renewable energy resources;
14. Green certificates; and
15. Decision for supply of energy in a state of sudden crisis
16. **Greenhouse gas allowance trading system.**

X ESTABLISHMENT OF A GREENHOUSE GAS ALLOWANCE TRADING SYSTEM

Article 123

The Ministry supports the strategy for environmental protection and the climate protection and promotion as referred to in Article 5 of this Law.

The Ministry supports the establishment of the greenhouse gas allowance trading system as a measure for the climate protection and promotion as referred to in Article 5 of this Law.

The rules and modalities for the establishment of the greenhouse gas allowance trading system are established in accordance with the Law on Environment (Official Gazette of the Republic of Macedonia no.53/05) and in compliance with the international treaty obligations.

The Ministry is part of the Interministerial working group on the greenhouse gas allowance trading in accordance with the Law on Environment (Official Gazette of the Republic of Macedonia no.53/05).