



CONTENTS

Interview: Teodora Obradovic-Grcarovska, Macedonian DNA.....	p. 1
Waiting for Copenhagen.....	p. 4
CDM projects opportunities: Focus on Colombia.....	p. 5
Corporate News.....	p. 6



**Interview: Teodora Obradovic-Grcarovska, Head of the Designated National Authority (DNA) of the Republic of Macedonia**

*Question: You are the head of the Macedonian DNA. What is the position of Macedonia in the climate change negotiations and what are your expectations concerning the year to come and the next Conference of the Parties in Copenhagen by the end of 2009?*

T. Obradovic-Grcarovska: The Designated National Authority, for which I am the contact person, is located at the Ministry of Environment and Physical Planning. I am also the national UNFCCC focal point. As a candidate country for the European Union membership, our position is very close to the EU one. We strongly support the European efforts to take the leadership in the commitments for reducing greenhouse gas emissions. On the other side, our country belongs to the Non-Annex I list of countries under the UNFCCC, and Non-Annex B under the Kyoto Protocol, and we are in one of the most vulnerable region in the world regarding climate change.

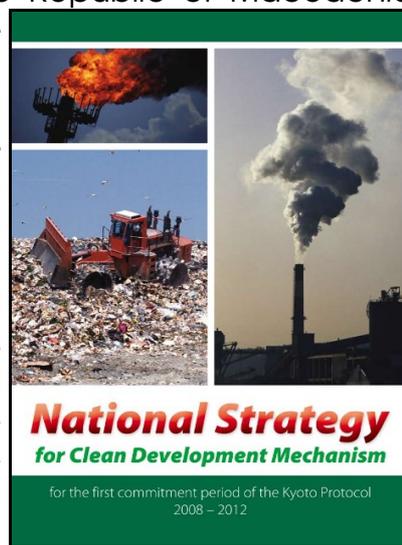
Our Second National Communication on Climate Change (adopted in December 2008) includes a National Mitigation Plan. A baseline and two mitigation scenarios have been developed (by the Macedonian Academy of Sciences and Arts) and comparatively assessed from both environmental and economic aspects. The national GHG emissions should increase not only under the baseline scenario, but also under the scenario which involves country specific mitigation measures. However, the annual growth rate of CO<sub>2</sub> emissions could be significantly reduced. With electricity generation predominantly based on domestic lignite,



the electricity sector is the main target for improvement, by changing progressively the fuel mix (introduction of gas and renewables) and applying more efficient technologies on the supply and the demand sides.

*Question: How is the situation regarding Clean Development Mechanism in Macedonia? And what would you advise to investors and buyers of emissions reduction to succeed in Macedonia?*

T. Obradovic-Grnarovska: The Government of the Republic of Macedonia has recognized the opportunities related to the CDM, as an additional mechanism in attracting foreign investments in the country. The National Strategy for Clean Development Mechanism for the first commitment period 2008-2012 under the Kyoto Protocol was adopted in February 2006. We are the first country in the region having set a Designated National Authority and having introduced the CDM within our Law on the Environment. CDM was recognized as a financing mechanism in several policy documents at the national level (e.g. the Draft National Strategy for Sustainable Development, the National Environmental Investment Strategy and the Draft Energy Strategy).



The Macedonian CDM Strategy gives an overview of the potential for implementing CDM project activities. Despite the significant downfall in some economic activities in the 1990s, the total annual GHG emissions in Macedonia remained almost constant throughout this period, at a level of 15 Mt CO<sub>2</sub> equivalent per year. The economy is characterized by a relatively high level of energy consumption and significant CO<sub>2</sub> emissions per unit of GDP (one of the highest among Central and Eastern European countries).

The macroeconomic estimates show that large volume of GHG emissions reductions can be achieved. Relatively lower abatement costs – compared to other Central and Eastern European countries – stem from the fact that Macedonia's energy sector is heavily reliant on coal- and lignite-based power. Renewable energy projects replacing grid-based electricity in Macedonia are likely to lead to high emissions reductions and are therefore attractive from a CDM point of view.

*Question: While no CDM project have been registered so far, could you tell us if you have delivered numerous LoE or LoA and how many projects are in the pipeline?*

T. Obradovic-Grnarovska: The DNA is the competent governmental authority for issuing of Letters of Non-Objection (following the voluntary submission of a Project Idea Note) and Letters of Approval (following the mandatory submission of a Project Design Document after validation) in accordance with our procedures. Our role is also to coordinate activities between other

involved parties in order to avoid non-compliance between our Law on the Environment and other national Laws (for example the Energy Law, the Law on Concession and Private-Public Partnership, etc). Re your question, we have issued two Letters of Approval. Two other projects are at the validation phase and Letters of Approval should be issued after the submission of the PDD and validation reports. Finally, three Letters of Non-Objection have been issued. Several other potential CDM projects developed under our bilateral cooperation program with the Italian Ministry of Environment are also in the pipeline.

*Question: Is there any specific fiscal policy linked to CERs in Macedonia?*

T. Obradovic-Grnarovska: Until now, we have not introduced any taxation system for CER.

*Question: What is the country baseline?*

T. Obradovic-Grnarovska: For the electricity sector, we assume a high use of domestic lignite in the thermal power plants for covering the electricity needs in Macedonia, until 2025. In addition, there are projects to develop new thermal power plants in Mariovo with an installed capacity of 209 MW, in Negotino with an installed capacity of 300 MW, and in Bitola, with a fourth unit. This scenario is mainly based on domestic lignite and it is the most destructive environmental scenario for the development of the Macedonian power system. For waste management, it is rather straightforward. The baseline scenario assumes that GHG emissions will increase according to the demographic growth rate.



*Teodora Obradovic-Grnarovska is the Head of the Designated National Authority (DNA) of the Republic of Macedonia.*



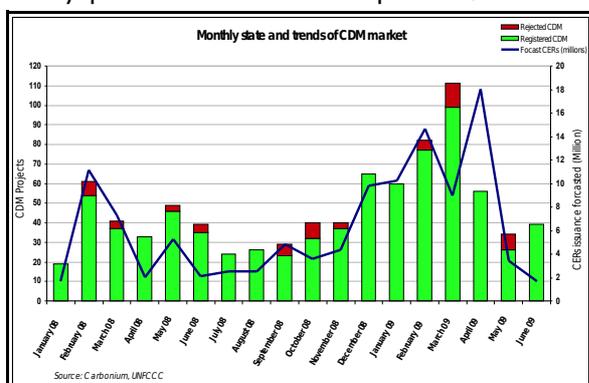
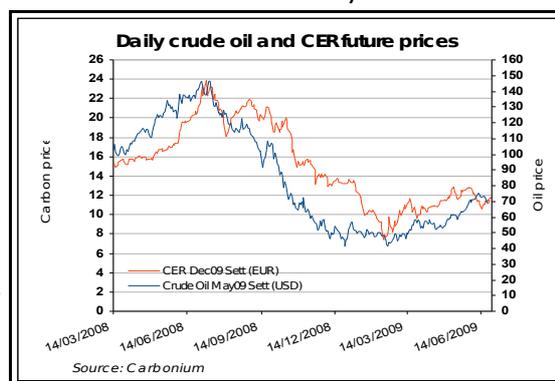
<http://www.moepp.gov.mk>

## Waiting for Copenhagen...

According to the latest World Bank state-of-the-market report, the carbon market was worth USD 126 billion in 2008. While the market is strongly growing, worries still exist and sellers as well as buyers are now staring at COP15 in Copenhagen in December 2009 before taking major decisions.

During the second quarter of 2009, monthly CER trading volume have stabilised around a respectable level of 50 millions a month on the European Climate Exchange (ECX) which represents more than 90 % of total CER futures trading.

While Crude Oil future prices increased around 55% from February to June 2009 to almost USD 72, CER prices followed the same path to reach EUR 11,59 (monthly average). We believe this level of prices is now reflecting the fundamentals of the market, although it is still subject to some volatility, as in June, related to the uncertain macroeconomic situation and some profits taking. Our calculation for the last 5 months period shows a correlation of 0,8 between CER Dec 09 and Crude Oil future prices. Hence we think that while overvalued oil prices may pull down carbon prices, in the same time, the small number of registered



CDM projects for the two last months should continue to support the CER prices. During the last quarter, 120 CDM projects have been registered compared to a much higher number for the first three months of the year (236 projects registered). In general, the observed lack of investment in CDM projects should lead to a shortage of CER in the next one to three years. In the short-term, we expect CER prices to stay between EUR 11 and EUR 14.

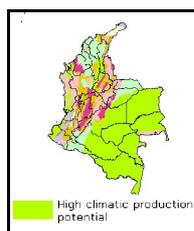
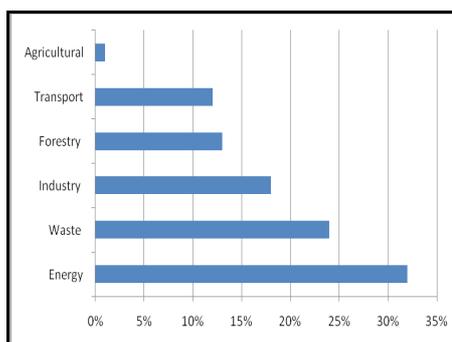
## The United States entering in a new era

In addition to the post-Kyoto negotiations, an eagerly waited and wanted step in the fight against climate change is the approval of the American Clean Energy Security Act (ACES) or so-called Waxman-Markey Bill. The US House of Representatives voted the bill on June 26<sup>th</sup> 2009. This Act should establish a Europe like cap-and-trade system to reduce emissions by 17% by 2020 from 2005 levels. The bill focuses among others on emissions targets, offsets and allowances. However, we consider that this should not impact the market in the short-term as this decision was already integrated by the market.

## CDM projects opportunities: Focus on Colombia



The country is working on the Second National Communication to the UNFCCC and it is scheduled to be completed by 2010. It will include an update of the National GHG Inventory for 2000 and 2004, vulnerability and adaptation studies for various sectors, including water resources, and a chapter on mitigation measures. In terms of CO<sub>2</sub> abatement, Colombia has a yearly potential of almost 30 millions tons of emissions reduction. Nevertheless, the amount of CER issued by the country is equal to 295,200 meaning that Colombia has seized less than 1% of its emissions reduction potential. In total, there are 109 projects at various stages of development in the CDM project cycle: 37 projects were approved by the DNA (amounting for 7,855,473 tons of CO<sub>2</sub> equivalent per annum), 13 projects are registered (1,928,865 tons CO<sub>2</sub>eq./year), out of which 5 projects have issued a total of 295,200 CERs. At least 8 agreements have been signed for an amount of USD 37.4 millions.



In addition, 32% of the projects are developed in the energy sector, 24% in waste management, 18% in the industry and 12% as forestry projects (see graph). While it is not reflected in terms of number of projects developed, the emissions reduction potential of the agricultural sector is significant. Around 40% of Colombia's coverage is used for agriculture (37% for pasture and 3% for cultivation), with forestry occupying 60% of the land. The country is also pushing for REDD (Reduced Emissions from Deforestation and Forest Degradation) to reduce carbon emissions from avoided deforestation. Various REDD projects initiatives are carried out in the country.

### *Colombia's Designated National Authority*

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## Corporate News

Alexandre Borde was present at Carbon Expo in Barcelona from May 27 to May 29, 2009.



*Jan Kappen (UNEP) and Alexandre Borde  
Picture: Olivier Mushieta*



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