

**MEMORANDUM OF UNDERSTANDING REGARDING  
BILATERAL CO-OPERATION BETWEEN  
THE REPUBLIC OF AUSTRIA AND THE REPUBLIC OF HUNGARY  
ON THE GREENHOUSE-GAS EMISSION REDUCTION POLICIES  
AND THE KYOTO PROTOCOL'S  
JOINT IMPLEMENTATION MECHANISM**

The Federal Minister of Agriculture, Forestry, Environment and Water Management of the Republic of Austria and the Minister of Environment and Water of the Republic of Hungary,

- Recalling that the Republic of Austria and the Republic of Hungary, hereinafter referred to as Partner States, are already contracting States of the Kyoto Protocol
- Taking into account in particular Article 6 of the Kyoto Protocol, moreover the Decisions 15/CP.7 and 16/CP.7 adopted at the Marrakesh Session of the Conference of the Parties (COP) to the UNFCCC concerning the implementation of this Article
- Affirming their intention to undertake all efforts to promote the development of sustainable and environmentally friendly sectoral policies, in particular energy, transport, industrial, agricultural or waste management policies of high significance for the mitigation of greenhouse gas emissions
- Underlining that projects undertaken in the framework of this Memorandum should have overall positive impacts on environment and social development
- Recalling existing co-operation and stressing the importance of enhanced co-operation in these fields

have reached the following understanding:

## **I. Scope and Objective**

The co-operation in the framework of this Memorandum will include identification of concrete areas of policy relevant activities which can effectively contribute to the further greenhouse gas emission mitigation by taking into account issues of mutual interest of both Partner States and the existing and emerging policy and legal instruments of the European Union.

The cooperation will in particular include joint efforts in the preparation for the effective use of the supplementary mechanisms of the Kyoto Protocol and support for realising Joint Implementation projects in accordance with Article 6 of the Kyoto Protocol and the relevant COP decisions.

## **II. Project Cycle**

1. The project cycle will be based on the provisions of the Kyoto Protocol and all relevant COP and COP/MOP decisions and will follow requirements of the respective national priorities, programmes and guidelines of both Partner States.
2. The Partner States will elaborate standardized procedures for certain project categories.

## **III. Principles for baseline setting and calculation of Emission Reduction Units**

1. A baseline will be established in accordance with the relevant COP and COP/MOP decisions.
2. Emission reduction units (ERUs) attributable to a project will be calculated by subtracting the monitored and verified data on actual emissions from the baseline after realisation of the project.
3. The elaboration of the baseline study and the detailed calculation of ERUs will follow primarily an existing methodology accepted by both Partner States. Unless otherwise agreed between the Partner States for specific projects, a baseline, which has been validated in accordance with the provisions of this Memorandum, will have to be re-assessed and re-validated at the earliest 5 years, but at the latest 10 years after the original validation.
4. The Partner States strive to co-operate on the elaboration and further development of methodologies for baseline setting and ERU calculation.

#### **IV. Procedures on Sharing and Transferring the Emission Reduction Units**

1. The Partner States will agree on that part of emission reductions resulting from the project which will be transferred to the Republic of Austria in the form of Emission Reduction Units. The ERUs to be transferred will be approved in writing as part of the approval of the project mutually by the Partner States and by taking into account the proposals of the relevant project participants in accordance with the provisions under Art. VI. Such written approval will contain a legally binding confirmation that the ERUs attributable to a project under Art. V will be transferred upon verification.
2. Such transfer may occur as long as ERUs can be attributed to a project in accordance with the provisions under Art. III of this Memorandum. As a matter of principle, ERUs may only be transferred after their actual occurrence and corresponding to the extent of their actual occurrence in the year concerned.
3. The authorities of the Partner States will furthermore facilitate the development and fulfilment of projects, i.e. through providing relevant institutional set-up in accordance with the eligibility criteria under the relevant decisions of the Marrakesh Session and by providing the information on the national guidelines and procedures to interested companies.

#### **V. Project Types and Categories**

1. The provisions of this Memorandum will apply in any case to the following project categories in so far as the technical implementation of the projects correspond to the current state of technical development:
  - Construction (or retrofitting) of CHP installations;
  - Fuel switch in energy conversion installations to renewable or from fuels with high carbon content to fuels with lower carbon content, in particular in existing distance-heating systems;
  - Construction (or retrofitting) of power generation installations operated with renewables (e.g. solar power, geothermal power, wind power, biogas or biomass CHP);
  - Projects leading to avoidance or (energetic) recovery of landfill gas;
  - Waste management measures contributing to avoidance of greenhouse gas emissions in particular through energy recovery and use;
  - Projects leading to reduction of final energy consumption in residential buildings, public and private services buildings as well as in industrial applications and processes (including waste heat potentials).

2. Concerning projects not listed under paragraph 1 above, the Partner States will decide jointly in how far provisions of this Memorandum can be applied to support their realization. However, in accordance with the relevant decisions of the Conference of the Parties of the UNFCCC, projects aiming at the construction or retrofitting of nuclear power plants cannot be approved as Joint Implementation projects under this Memorandum.

## **VI. Co-ordination between the Partner States**

1. Concerning the management of projects, the Partner States will follow the process set out below:

- a. Both Partner States will designate operational joint implementation focal points to be responsible for the operative representation of the respective Partner State and to function as direct contact points in all matters concerning the implementation of the respective provisions of this Memorandum.
- b. The respective national entities entitled so will have to reach agreement on the eligibility of a selected project to be qualified as JI project and for transfer of ERUs in accordance with the provisions of this Memorandum. On this basis, in accordance with Art. IV that part of ERUs resulting from the project, which will be transferred after project realisation and verification from the Republic of Hungary to the Republic of Austria, will have to be determined by mutual agreement. The above-mentioned agreements may be linked to conditions in relation to actual implementation of the projects.

2. The respective national entities entitled so by the Partner States will define in a coherent way the requirements for independent entities which may be charged with baseline validation and verification of ERUs that have actually occurred. On the basis of this definition of requirements the respective national entities entitled so will agree on the selection of the appropriate entities and grant written authorisation to such entities to perform the aforementioned verification functions. It is agreed that independence of such entities from representatives of the Republic of Austria, of the Republic of Hungary, and from interests of prospective project participants will constitute an indispensable requirement.

3. The Secretariats of the Partner States will jointly develop standardised procedures for certain project categories.

## VII. Adjustment of the Memorandum to future international agreements

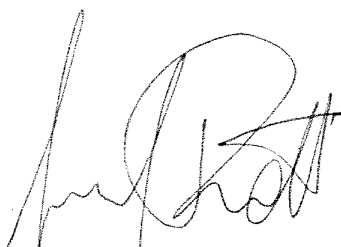
In case a specific provision of this Memorandum contradicts a provision from a relevant international agreement to be concluded in the future and to which at least one of the Partner States becomes a Party, the Memorandum will be adjusted accordingly based on the agreement of both Partner States.

## VIII. Final Provisions

This Memorandum will take effect on the day of signature. Changes of and supplements to the Memorandum require written form.


This Memorandum is executed in two originals in the English language.

SIGNED in Kiev, on ~~21~~ 22 May 2003



Josef PRÖLL

Federal Minister for Agriculture, Forestry,  
Environment and Water Management of  
the Republic of Austria



Miklós PERSÁNYI

Minister of Environment and Water of the  
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