International Emissions Trading is one of the flexible mechanisms under the Kyoto Protocol. This mechanism, which allows emissions to be traded between sovereign countries, is based on setting up so-called Green Investment Schemes (GIS). For this kind of transaction, KPC – on behalf of the Austrian Ministry of Environment – arranges contracts to purchase emission reductions with respective partner institutions of the selling countries. The selling country thereby confirms to invest the proceeds from the sale of the emission reductions in projects that have a real and measurable climate impact in terms of reducing greenhouse gases.

One example of this type of transaction are the programmes for the extension and rehabilitation of district heating projects and energy-efficient street lighting through a Green Investment Scheme with Estonia. This scheme is the third one with Estonia as a partner country. In this deal, Estonia sold around 11 million emission rights to Austria, ensuring the investment of the proceeds in 20 projects in the district heating sector and 7 projects to implement energy-efficient public lighting systems based on subsidy contracts and a co-financing component arranged by the project owners.

As the local counterpart, the Estonian Environmental Investment Center is assigned to administer the scheme which also includes monitoring project progress, financial flows and climate effects. Based on close cooperation with the Estonian counterpart, yearly reports as well as on-site inspections, KPC will monitor the implementation of the Green Investment Scheme according to the underlying purchasing contract.

Implementation of the GIS projects will also offer considerable business opportunities, including the installation of pipes, boilers, and components for efficient lighting systems. KPC will cooperate with Austria’s Economic Chamber (WKO), to maximise the participation of Austrian companies in the project implementation.
The flexible mechanism Joint Implementation allows countries with obligations under the Kyoto Protocol to generate so called Emission Reduction Units (ERUs) through the implementation of low-carbon projects, such as renewable energy projects. These ERUs can then be sold as emission rights to other countries with compliance needs. KPC’s project portfolio includes various JI projects.

Estonia’s coastline offers excellent conditions for the generation of electricity through wind farms. The wind turbines of the *Esivere and Virtsu* renewable energy systems are located only a few hundred meters from the shore of the Baltic Sea. With a capacity of 14 MW, the wind turbines displace fossil-fuel based electricity in Estonia’s national grid, thereby reducing emissions by around 250,000 t CO$_2$e until the end of 2012.

The projects are registered under the so called *Track 1 – Procedure*, which allows for the direct transfer of emission rights on the basis of independent verification reports from the responsible unit of Estonia’s Ministry of Environment to KPC’s account managed on behalf of the Austrian government.
The flexible mechanism *Clean Development Mechanism* (CDM) allows predominantly developing countries to generate so-called Certified Emission Reductions (CERs) by implementing low-carbon projects, such as renewable energy and energy efficiency projects. CERs are emission rights which can be traded through the carbon market and sold to countries with compliance needs under the Kyoto Protocol.

In the context of the *Austrian CDM in Africa Initiative*, KPC granted financial support to the project developers of the *Sahanivotry Hydro Power Plant* in Madagascar, to foster the registration of the plant as the first CDN project in this Least Developing Country. The 15 MW project, which is co-financed by the African Developing Bank, will substantially contribute to the sustainable development of the country through the production of around 80 GWh of renewable energy per year. The CDM project will generate around 100,000 CERs by the end of the first Kyoto Period and will deliver these emission reductions to KPC.