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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Steering Committee of the Energy Efficiency 2000 Project
Eleventh session, 29-31 May 2000
(Agenda Item 5)

**DRAFT PROJECT PLAN 2000-2003 FOR THE
ENERGY EFFICIENCY 21 PROJECT**

Note by the secretariat

INTRODUCTION

1. During its eighth session in October 1998, the Committee on Sustainable Energy: ‘approved the preparation of the strategy for a new project ‘Energy Efficiency 21’ to assist ECE member States to implement greenhouse gas mitigation strategies and to develop related energy efficiency investment projects at the conclusion of the third phase of the Energy Efficiency 2000 Project’. In November 1999, the Committee on Sustainable Energy welcomed the initial strategy for the Energy Efficiency 21 Project and requested the preparation of a final strategy and a draft Project Plan (2000-2003) to be submitted to the present session of the Steering Committee.
2. This new project supports the objectives of the Committee on Sustainable Energy and its contributions to the ninth session of the UN Commission on Sustainable Development (CSD-9) which is planned for 2001. Over the next three years, the Committee on Sustainable Energy is to provide regional inputs to the preparation and implementation of CSD-9. From the regional perspective, there are five key crucial issues that need to be addressed by policy makers in elaborating long-term sustainable energy policies:

- (a) Energy availability and security of supply;
- (b) Energy intensity and energy efficiency;
- (c) Energy pricing, subsidisation and internalisation of costs;
- (d) Cleaner fossil fuels, new and renewable sources, research and development;
- (e) Market opening, liberalisation and economic efficiency.

3. Among these key five energy issues in the ECE region, the Committee will promote sustainable energy in two selected areas: energy intensity and energy efficiency; and energy pricing, subsidisation and internalisation of costs. By placing the ECE's work in energy efficiency firmly in the context of global climate change and sustainable development, it may now be possible to add impetus to the efforts of the central and east European economies in transition to mobilise market forces and private sector lending and investment in energy efficiency.

4. At its nineteenth special session, the General Assembly decided that an Ad hoc Open-ended Intergovernmental Group of Experts on Energy and Sustainable Development should help prepare CSD-9. The Group of Experts, which is also preparing a United Nations system-wide approach to energy and sustainable development, has identified the important role of the UN regional commissions to initiate regional cooperation agreements, harmonisation of regional policies and policy planning, development and harmonisation of regional standards.

ENERGY EFFICIENCY 21 PROJECT 2000-2003

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A. OBJECTIVES, ACTIVITIES AND OUTPUTS

5. In order to implement the Strategy for Energy Efficiency 21 Project (ENERGY/WP.4/2000/4) and to promote regional initiatives on energy and sustainable development, the General and Immediate Objectives of the Project for 2000-2003 are:

General Objective

Enhance regional cooperation on energy efficiency market formation and investment project development to reduce greenhouse gas emissions in economies in transition

Immediate Objectives

Immediate Objective 1: Accelerate regional networking between national participating institutions and international partners by enhanced Internet communications for value added information transfers on financing energy efficiency projects and training on the UN Framework Convention on Climate Change Kyoto Protocol mechanisms

Immediate Objective 2: Promote Energy Efficiency Investment Zones as enabling environments to develop the reforms, skills and capacities needed for investment projects that meet the criteria of the UNFCCC Kyoto Protocol and for Joint Implementation (JI/AIJ) offers

Immediate Objective 3: Develop and harmonise regional policies and standards to introduce the economic, institutional and regulatory reforms needed to support energy efficiency investments to reduce greenhouse gas emissions and the Kyoto Protocol mechanisms

6. The project will assist economies in transition to develop and promote sustainable energy policies, pursue energy efficiency strategies, reduce greenhouse gas emissions to meet international treaty obligations and enhance the security of energy supplies by producing the specific outputs listed below from operational activities in the industry, housing and services, transport and energy sectors through national actions, bilaterally and multilaterally especially through the Economic Commission for Europe.

Immediate Objective 1: Accelerate regional networking by enhanced Internet communications to provide value added information on project finance and the Kyoto Protocol mechanisms

Output 1.1 Energy Efficiency 21 Website: www.EE21.net

Activities: Development of an EE21 website with the following features:

- 1.1.1 Multilingual English and Russian versions with reports posted in both languages
- 1.1.2 Expanded links to other websites
- 1.1.3 Permanent webmaster functions provided to operate a ListServ facility
- 1.1.4 A Forum with 24-hour turn-around translation capacity for messages
- 1.1.5 On-line distance training on project finance and the Kyoto Protocol mechanisms

Immediate Objective 2: Promote **Energy Efficiency Investment Zones** to provide an enabling environment for implementing reforms, developing skills and capacities

Output 2.1 Energy Efficiency Investment Zones

Activities: Develop Energy Efficiency Investment Zones from the EE2000 demonstration zones and identify new sites which provide for:

- 2.1.1 Enhance host government and municipal authority incentives to investors, including the elimination of value added tax and customs duties on the local manufacture and import of energy efficient technologies, municipal guarantees
- 2.1.2 Site identification and selection, baseline assessments and monitoring of fuel use, emissions and plant efficiencies in the zone, a register of all investment zones with a standard format
- 2.1.3 Development of an enabling business environment featuring new financing mechanisms including emissions trading instruments
- 2.1.4 Training on financing energy efficiency investment projects, procedures for JI/AIJ projects and the Kyoto Protocol mechanisms

Immediate Objective 3: Develop **regional policies and standards** to support energy efficiency investments and the Kyoto Protocol mechanisms

Output 3.1 Guide to Investors in Energy Efficiency and Climate Change Projects

Activities: Compile a guide for potential partners on how to participate in energy efficiency business opportunities that can lead to carbon credit trading, including selected case studies of existing projects

Output 3.2 Study on Energy Efficiency and Security in the ECE Region

Activities: Complete the study 'Energy Conservation as a Factor of Increasing Energy Security in CIS Member States' in collaboration with the CIS Inter-State Economic Committee and the group of national experts from CIS countries

Output 3.3 Study on the Social and Economic Benefits of Energy Efficiency

Activities: Prepare a study on the benefits of energy efficiency in economies in transition with policy recommendations for presentation at an international symposium

Output 3.1 Energy Efficiency Standards

Activities: Implement jointly with the European Commission SAVE Programme the SACHA 3 Project on energy efficiency standards and labels for domestic appliances

B. WORK METHODS

7. The "ENERGY EFFICIENCY 21" project will be implemented within the Economic Commission for Europe under the auspices of the Committee on Sustainable Energy during three years beginning on 1 June 2000. The Committee on Sustainable Energy will review progress of the project and provide general guidance at its regular sessions.

8. A Steering Committee will be appointed by Governments of ECE member States under the auspices of the Committee on Sustainable Energy to review progress and provide detailed guidance on the execution of the project. The Steering Committee will normally hold an annual session, but may meet more frequently if necessary. The Steering Committee will be composed

of governmental delegates from National Participating Institutions, international organisations, commercial companies, banks and international financial institutions.

9. The execution of the project will be under the purview of the Executive Secretary of ECE. The Director of the Division for Sustainable Energy will be responsible for the implementation of project activities while daily operations will be the responsibility of the Project Manager. The project will be implemented by the Project Secretariat within the Division for Sustainable Energy of the ECE secretariat. The Project secretariat, at the level of activity foreseen for 2000-2003, will be staffed by one Senior ECE staff member (P.5), one half time of the Regional Adviser on Energy (L.5) two energy economists, including one on secondment (L.4), and half-time of an energy economist of the regular budget (P-4) and one secretary (G.5) half-time. The regular staff energy economist (P-4) will provide expertise on energy conservation policy matters, energy efficiency norms and standards especially in relation to the ECE Committee on Sustainable Energy.

10. The project will operate with activities for all participating countries in its Steering Committee, Ad Hoc Meetings, Symposia and through sub-regional projects (see Annexes 1-3).

11. The project will be implemented, for selected activities, through operating agents appointed by representatives of interested donor countries in cooperation with experts of economies in transition under implementing agreements for the development of energy efficiency demonstration zones. These operating agents in cooperation with the secretariat will report progress to the annual session of the Steering Committee of the project.

C. PARTICIPATION AND PROCEDURES

12. The "ENERGY EFFICIENCY 21" project will be implemented by:

(a) The **Committee on Sustainable Energy**, which considers reports on the Project at its annual sessions.

(b) **ECE Governments**, which:

- (i) select national participating institutions;
- (ii) advise on policies, legislation, incentives, standards;
- (iii) possibly host ECE symposia or workshops;
- (iv) contribute to project financing.
- (v) nominate participants to regular ECE meetings.

(c) A **Steering Committee** for ENERGY EFFICIENCY 21 which reviews progress and provides guidance on the execution of the project, meeting at least once each year for the duration of the Project. The Steering Committee determines the activities, results, work methods, participation and procedures, budget, calendar of events and timetable of the Project, and secures cooperation with other Principal Subsidiary Bodies of ECE, in particular, the Committee on Environmental Policy. The Chairman of the Steering Committee reports on the progress and activities of the Project to the Committee on Sustainable Energy. The Steering Committee is composed of:

- (i) Government representatives and/or representatives of national participating institutions;
 - (ii) interested intergovernmental organisations which will be invited to participate according to ECE practice;
 - (iii) representatives of the European Union (EU), European Commission, United Nations Development Programme (UNDP), International Energy Agency (IEA), Organisation for Economic Cooperation and Development (OECD), World Bank (IBRD), European Bank for Reconstruction and Development (EBRD) and international organisations concerned with East-West cooperation in energy efficiency and environmental matters;
- (d) **National Participating Institutions**, which:
- (i) nominate venues for training courses, negotiations and project meetings;
 - (ii) with the endorsement of National Governments, serve as Lead Countries for specific activities of the EE21 Project;
 - (iii) nominate authors of technical papers, participants and rapporteurs for ECE symposia and Project events;
 - (iv) nominate experts to take part in Project analyses;
 - (v) provide information to the Project secretariat on the activities carried out to produce;
 - (vi) disseminate Project information nationally;
 - (vii) provide liaison between local organisers and the Project secretariat.
- (e) The **Economic Commission for Europe**, which reviews progress of the Project at its annual sessions;
- (f) The **Project secretariat**, which:
- (i) plans the detailed operations of the Project;
 - (ii) coordinates activities with national participating institutions, local organisers, consultants, national experts, and other international organisations, and in particular, the Global Environment Facility GEF/UNDP, the United Nations Foundation, United Nations Fund for International Partnerships, the Stability Pact for South-eastern Europe, European Commission and the Commonwealth of Independent States.
 - (iii) organises four ECE symposia and workshops and produces selected outputs;

- (iv) services the meetings of the Steering Committee of the ENERGY EFFICIENCY 21 project.

(g) **Operating agents** appointed by representatives of interested donor countries in cooperation with experts of economies in transition which work under implementing agreements for the development of energy efficiency demonstration zones. The operating agents in cooperation with the Project secretariat report progress to the annual sessions of the Steering Committee.

D. BUDGET

13. The ENERGY EFFICIENCY 21 project will be financed by a United Nations trust fund. Participating ECE Governments can support the ENERGY EFFICIENCY 21 project in three ways through:

- (a) 'in kind' contributions for supporting:
 - (i) the project activities of the national participating institutions;
 - (ii) providing experts to work as consultants to the project secretariat on a non-reimbursable basis;
 - (iii) organising and hosting meetings;
 - (iv) preparing technical and economic reports, statistics, energy demand data and other information related to project activities;
- (b) secondment of staff and consultants to the project secretariat to work in Geneva, in particular, with respect to the energy economists ;
- (c) co-financing the project through the trust fund by direct cash contributions.

14. For planning purposes contributions should be envisaged on an annual basis over the three year period of the project.

15. Contributions to the Trust Fund are subject to a 13 per cent charge for programme support. They are subject to audit by the United Nations Board of External Auditors and the Internal Audit Division of the United Nations. Additional or special audit arrangements cannot be made. Engagement of personnel and procurement of supplies or equipment financed from trust funds are subject to the regulations, rules, policies and procedures of the Organisation.

16. The estimated budget in Table 1 below is for direct cash contributions which provide for the project staff, travel of the project secretariat, support for central, eastern and southern European participation in project events, network development, computer software, maintenance, office space, miscellaneous expenses and the 13 per cent charge for programme support. Significant non-monetary "in-kind" contributions are resources which will be needed to be spent locally by participating institutions for project activities. These include the provisions for an energy economist to the project secretariat; network development for virtual energy efficiency centres, of the support for central, eastern and southern European participation in project events; consultancies undertaken locally and support for project activities within National Participating

Institutions. Additional resources could be allocated to operating agents under Implementing Agreements by interested donors in direct support of activities in energy efficiency investment zones.

Table 1. Total Estimated Budget of the Energy Efficiency 21 Project 2000-2003

Object of Expenditure	Total Estimated Budget (3 years)	Estimated Regular Budget	Estimated Extra Budgetary Contributions (US dollars)
PROJECT STAFF			
• Project Manager (P-5)	420,000	420,000	-
• Regional Adviser (L.5) ½ time	210,000	210,000	-
• Energy Economist (P-4) ½ time	180,000	180,000	-
• Energy Economist (L-4 on secondment)	(360,000)	-	(360,000)
• Secretary (G-5) ½ time	84,000	84,000	-
• Sub-Contractors and Consultants	720,000	-	720,000
• Temporary Assistance	80,000	-	80,000
Sub-total	1,694,000	894,000	800,000
OFFICIAL TRAVEL			
Staff travel to Project meetings	34,000	-	34,000
Other staff travel	60,000	8,000	52,000
Sub-total	94,000	8,000	86,000
PROJECT EVENTS AND TRAINING			
Participation of experts from central and eastern Europe	240,000	-	240,000
MISCELLANEOUS			
Communications, publications, brochures	110,000	40,000	70,000
Project Sub-Total	2,138,000	942,000	1,196,000
SUPPORT COSTS (13 per cent)	155,000	-	155,000
TOTAL Estimated Budget (3 years)	2,293,000	942,000	1,351,000

Figures in brackets indicate 'in kind' contributions of participating institutions.

Sub-Regional Projects of Energy Efficiency 21

Annex 1

Project title:	Energy Efficiency Investment Project Development for Climate Change Mitigation
Countries:	Belarus, Bulgaria, Kazakhstan, Russian Federation and Ukraine
Duration:	36 Months
National Implementing Agencies:	Municipal authorities, Ministries of Energy, Ministries of Environment, Energy Conservation Agencies
Executing Agency:	Economic Commission for Europe
UN Associated Agencies:	UN ESCAP, UN FCCC
Starting Date:	January 2000
Government Inputs:	(in kind) US\$ 1 million
UNFIP Co-Financing Inputs:	US\$ 750,000 on 1:1 matching fund basis
Co-financing Partner Inputs:	US\$ 750,000
UNFIP Inputs:	Up to US\$ 2 million: US\$ 500,000; US\$ 750,000 as 1:1 matching funds
Support Costs:	US\$ 100,000

Brief Description: The project is to accelerate energy efficiency market formation activities for the greater participation of private sector investments, products and services in three key areas: municipal lighting, hospitals and district heating. It will establish a new network of selected municipalities linked by advanced Internet communications with international partners for value added information transfers on policy reforms, financing and energy management. The project will (a) develop the skills of the private and public sectors at the local level to identify, develop and implement energy efficiency investment projects; (b) provide assistance to municipal authorities and national administrations to introduce economic, institutional and regulatory reforms needed to support investment projects; and (c) provide opportunities for the commercial banks and companies to invest in these projects through existing investment funds, or if warranted, through a new fund managed by an international financial services company, assisted by commercial banks in the region. The project is to promote a self-sustaining investment environment for cost-effective energy efficiency projects advancing local city-scale participation in the objectives of UN FCCC and UN ECE environmental accords.

Sub-Regional Projects of Energy Efficiency 21

Annex 2

Project Title: Rational and Efficient Use of Energy and Water Resources in Central Asia

Duration: 3 years (2000 – 2002)

Countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan

Executing Agency: Economic Commission for Europe and Economic and Social Commission for Asia and the Pacific

Cooperating Agencies: UNDP, UN Resident Coordinators; the project will be implemented in coordination with the relevant activities under the UNFCCC

National Counterpart Institutions: Ministries of Energy, Environment and Natural Resources, State Energy Agencies, Municipal authorities

Cooperation in Associated Agencies: European Union (TACIS Programme); European Bank for Reconstruction and Development; Asian Development Bank; USAID; International Finance Corporation IFC; Global Environment Facility, European Energy Charter.

Government Inputs: (in kind) US\$ 300,000

Funding from the United Nations GA Development Account: US\$ 1.75 million

Brief Description: The project is to foster cooperation on energy and water resources related issues and to enhance rational and effective use of energy and water resources in the economies of Central Asia. It is to ease the energy and water supply constraints of economic transition to meet international environmental treaty obligations under the UN FCCC and the UN ECE. It will establish a new network of selected municipalities linked by advanced Internet communication of partners for value added information transfers on policy reforms, financing and energy and water management. The project will: (a) find regional solutions to common priority problems in the fields that hinder economic and social development; (b) promote region-wide economic and technical cooperation among the participating States and their integration into the world economy, and (c) strengthen institutional capacity of the States and their public administrations by using available human and technical resources from the region. The project is to assist the participating countries in implementing provisions of the Energy Charter Treaty and Energy Charter Protocol on Energy Efficiency and Related Environmental Aspects, to which all five Central Asian countries are signatories.

Sub-Regional Projects of Energy Efficiency 21

Annex 3

Project title: **Regional Network for the Efficient Use of Energy Resources RENEUER**

Countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania and The former Yugoslav Republic of Macedonia

Duration: 3 years

Project Linkage to International Priorities: (1) Stability Pact for Southeast Europe and (2) Southeast European Cooperative Initiative.

Date of Project Initiation: November 1999.

Executing Agency: United Nations Economic Commission for Europe, Energy Efficiency 21 Project (EE21)

Cooperating Agencies: United Nations Development Programme (UNDP), European Commission, US Agency for International Development, international organisations, including international financial institutions.

Estimated Resource Requirements: Estimated fore project funding: US\$ 3,800,000. Averages annual funding: US\$ 1,200,000-1,300,000. Expected parallel funding: US\$ 1,300,000. Expected national counterpart contribution: US\$ 1,300,000. Expected investments: US\$ 15,000,000

Sources of Funds: US Agency for International Development (USAID), European Commission, Governments of Norway and Greece, international and bilateral technical assistance programmes; national and local institutions in participating States.

Parallel Financing: UNDP-GEF, USAID, European Commission SAVE II Programme, US Department of Energy, World Bank, IFC, EBRD, UNECE, other international and national public and private institutions.

Brief Description: The strategic goal of the project is to provide conditions for sustainable development in the region by playing a central role in overcoming regional barriers and creating favourable conditions for penetration of advanced technologies for efficient use of local energy resources. The RENEUER will serve as a mechanism for introducing the principles of demand-side management (DSM) and least-cost planning (LCP) to participating municipalities and will assist them in the identification, development and implementation of local and regional investment projects for energy efficiency. RENEUER will contribute to the identification and designation of energy efficiency investment zones in cities / municipalities in the region, where management models of resource supply and demand will be implemented. This project will provide technical assistance to local agencies in municipalities throughout Southeast Europe to improve the prospects for attracting and implementing investments for the efficient use of energy resources. Cooperation and networking of local authorities, non-governmental organisations and small and medium-sized businesses may provide significant support to the successful implementation of this project.