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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Steering Committee of the Energy Efficiency 21 Project
UNF/UNFIP Experts Team on Energy Efficiency Investments
for Climate Change Mitigation
Third Meeting 26-27 March 2001

REPORT ON THE MEETING

I. ATTENDANCE

1. The third meeting of the Experts Team was attended by eighteen representatives of Belarus, Bulgaria, Denmark, France, Italy, Kazakhstan, Norway, Russian Federation, Ukraine, United Kingdom of Great Britain and Northern Ireland, and United States of America.
2. The following non-governmental organisations were also represented: Alliance to Save Energy (ASE) and International Institute for Energy Conservation (IIEC).

II. ADOPTION OF THE AGENDA

3. The provisional agenda shown in Annex I was suggested to the meeting. The agenda was adopted with the reciprocal substitution of items 4 and 6 on the provisional agenda. The presentations of National Coordinators were adopted as Item 4 and the presentations of co-financing partners and contractors were made under Item 6.

III. ELECTION OF OFFICERS

4. The elected officer was as follows: Chairman: Mr. Bernard Jamet (France).

IV. RECENT DEVELOPMENTS OF THE UNF/UNFIP ENERGY EFFICIENCY INVESTMENTS FOR CLIMATE CHANGE MITIGATION PROJECT

5. The secretariat introduced recent developments. Following the second Experts Team meeting on 30-31 October 2000, completed Project Identification Forms had been returned by National Coordinators for further development in training courses or through consultancies. The United Nations Office in Geneva (UNOG) had awarded contracts based on international competitive bid tendering procedures for project contractors for the Internet service provider and for training contractors. The first session of the UNECE Grants Committee had met on 23 February 2001 and recommended five grants be awarded under the auspices of the project. The UNECE Executive Office had completed the formalities for the disbursement of the grants to co-financing partners or the designated implementing agencies.

V. PRESENTATIONS OF NATIONAL COORDINATORS

6. The National Coordinators presented a selection of project proposals and described the status of project implementation. In **Belarus** demonstration zone managers had provided project proposals which could be financed with a World Bank line of credit established for energy efficiency projects. In addition, the State Committee on Energy Saving was prepared to work on developing these projects and to provide investment guarantees and co-financing for selected energy efficiency projects. The National Coordinator stated that the UNF/UNFIP project was progressing too slowly and needed to begin working on project proposals.

7. In **Bulgaria** the National Coordinator reported that the demonstration zones had been structured, projects had been identified and expert meetings had already been held in the demonstration zones for the preparation of projects. These proposals were ready for development in the training courses which needed to be scheduled with the contractors and co-financing partners. The National Coordinator from **Kazakhstan** reported that many programmes were underway with the support of USAID, SPECA and UNDP-GEF as a result of the efforts of the ECE Regional Adviser on Energy. The National Coordinator requested that the development of projects in the framework of the project be speeded up.

8. The **Russian Federation** National Coordinator reported that projects had been submitted which could be developed but work had not begun with the contractors and co-financing partners. This delegation expected a wide range of services on investment project development including more work on energy management and the role and formation of Energy Service Companies ESCOs. While preparations for training workshops on energy efficiency investment project development at the Moscow Medical Academy (MMA) were underway, progress in most areas of the project was inadequate. The coordination of project activities needed to be improved with co-financing partners and contractors working more closely with National Coordinators. The UNOG competitive bid tendering process for the Internet service provider, including the terms of reference used for bidders, needed clarification. The **Ukraine** National Coordinator reported that project proposals had been selected for further development including on district heating and buildings. He noted that the USAID co-financing arrangements were in place, had been agreed with counterparts in Kiev and were now formalised in a UNECE grant awarded by the UNECE Grants Committee. The National Coordinator pointed out that the progress on the project was too slow.

VI. PRESENTATIONS OF CO-FINANCING PARTNERS AND CONTRACTORS ON PROJECT ACTIVITIES

9. Each of the co-financing partners or the representatives and the contractors engaged on the project presented the status of their activities and plans for project implementation. This included presentations on the project website (www.ee-21.net) by the Internet service provider, EnEffect; the Alliance to Save Energy; the Institute for Energy Technology (IFE); the Fridtjof Nansen Institute (FNI); the Vekst Foundation; John Palmisano Associates; and the Energy Saving International and Renaissance Finance International ENSI-RFI consortium for training on financial engineering and business planning.

VII. PRELIMINARY APPRAISAL OF INITIAL PROJECT PROPOSALS

10. At the second Experts Team meeting, a preliminary appraisal of the initial project proposals had been requested of the Chairman of the Experts Team and the Training Advisers. The appraisal had been completed and transmitted to National Coordinators and was to be posted on the project website. The appraisal was presented by Mr. Deltcho Vitchev, Training Adviser, Finance and Mr. Trond Dahlsveen, Training Adviser, Technical. They reviewed each of the 83 project submissions from National Coordinators and indicated the general prospects for proposals: those prepared with adequate information and the submissions that needed better data. The appraisal concluded that while some projects were well prepared and seemed promising, there was an important need for capacity building on energy efficiency business planning and financial engineering. The training courses planned within the framework of the project would fulfil a key role in promoting energy efficiency investments in participating countries.

VIII. ENERGY EFFICIENCY PROJECT SELECTION CRITERIA AND FINANCING MECHANISMS

11. The Chairman of the Experts Team introduced this agenda item describing recent development of the Energy Efficiency and Emissions Reduction Equity Fund. He reminded the Experts briefly of the nature, composition and operating procedures of the Fund. He pointed out that the Fund was managed by a private sector company and involved private capital. The EBRD was one of several investors and the Fund was designed to provide equity at rates that are attractive for private investors. He noted that this was an important distinction because the Fund was not designed to make grants or soft loans. He pointed out that the Fund had Euro 71 million with an objective of Euro 100 million and that it would take 20-25 per cent position in projects. He noted that the Fund would operate generally through an intermediary such as an energy service company (ESCO) or a special purpose project company (SPPC). By operating through intermediaries, the Fund could participate in investments in the public sector facilities in Eastern Europe. He noted that the Fund had already completed its participation in a selection of projects in the Czech Republic, Hungary and Poland. Under certain conditions, the Fund could also consider projects in Bulgaria, Romania and Ukraine and other participating countries. It was also interested in the prospects for working in Croatia, Slovenia and South-eastern Europe.

IX. STATUS OF UNF/UNFIP AND CO-FINANCING FUNDING

12. The secretariat described the status of the project budget and co-financing contributions noting that all co-financing partners had been confirmed. The Experts Team requested information on additional co-financing resources from the United Nations Foundation and requested the secretariat to discuss the matter with the UNF and UNFIP.

X. OTHER BUSINESS

13. The Experts Team expressed its appreciation to the UNECE for the organisation of the meeting including for the full interpretation and translation services provided in the three working languages of UNECE.

XI. CONCLUSIONS AND RECOMMENDATIONS

14. After discussion, the Experts Team concluded that:

(a) Progress had been made in the development of the project with the preliminary analysis of the completed Project Identification forms by the Chairman of the Experts Team and the Training Advisers on: 7 project proposals from Belarus; 25 from Bulgaria; 7 from Kazakhstan; 12 from Ukraine and 38 from the Russian Federation;

(b) This analysis will be of assistance to National Coordinators, co-financing partners and training contractors in the further development of the training courses in participating countries as an initial screening of promising projects;

(c) In January 2001 an important step for the delivery of project outputs was made by the completion of international competitive bid tenders announced by the United Nations Office in Geneva (UNOG) for possible contracts on financial services, internet service provider and training for financial engineering;

(d) In addition, the Experts Team noted that an ECE Grants Committee had held its first session on 22 February 2001 and awarded five grants to co-financing partner institutions (Fridtjof Nansen Institute, Institute for Energy Technology, Vekst Fondation, John Palmisano Associates and USAID-ArenaEco) which should also help to accelerate the pace of project implementation;

(e) The USAID co-financing will be implemented through the Alliance to Save Energy's Municipal Network for Energy Efficiency (MUNEE) to pursue activities described in the Project Document under Output 1.1 Network of Energy Efficiency Managers, Output 1.2 Trained Experts in Project Development, Output 1.3 Investment Project Pipeline and Output 2.2 Preparation of Energy Conservation Laws, Output 3.3 Energy Efficiency Fund.

(f) National Coordinators stated that the project was not being implemented at a satisfactory pace and the delays caused by the arrangement of co-financing, competitive bid tendering procedures, the establishment of the ECE Grants Committee and disbursement of grants were causing problems for programme delivery at the national level.

15. Following its deliberations, the Experts Team agreed that:

(a) The National Co-ordinators requested that steps be taken to speed up the development project activities with the assistance of the co-financing partners, ECE secretariat, the Experts Team and with consultants and contractors;

(b) The training course programme in each participating country should be elaborated in close cooperation between the National Coordinators, co-financing partners, secretariat, Chairman of the Experts Team and Training Advisers based on the appraisal of the initial project proposals in order to ensure the coherence within and between the training courses with the overall aims of the project and to take into account the specific conditions in each country;

(c) Training courses should be organised in the each participating country with the following co-financing partners and/or contractors:

Belarus:	ENSI-RFI training contractors;
Bulgaria:	USAID and Alliance to Save Energy;
Kazakhstan:	USAID and Alliance to Save Energy;
Russian Federation:	US Department of Energy, ENSI-RFI training contractors;
Russian Federation:	Institute for Energy Technology;
Ukraine:	USAID and Arena-Eco.

(d) Following the elaboration of the training course programmes for each country, an overall timetable for the project should be established together with an Activity/Participant Matrix and work plans for each National Co-ordinator reviewed and revised as needed;

(e) The Experts Team welcomed the proposal of the Institute for Energy Technology to develop a training seminar on third party financing of public sector projects through energy services companies (ESCOs) with participation of selected Experts from each participating country;

(f) The ECE secretariat should prepare a publication in English and Russian on energy efficiency and energy security in the CIS based on the study prepared by the ECE-CIS working group;

(g) The Study on the Performance of Multilateral Institutions in Energy Efficiency in Participating Countries under preparation by the Fridtjof Nansen Institute should be elaborated in close cooperation with National Co-ordinators and based on practical examples of investment projects and financing mechanisms;

(h) As a first step, the FNI was requested to circulate a planning report to the Experts Team on the development and methodology of the Study on the Performance of Multilateral Institutions in Energy Efficiency in Participating Countries, for comment and use in the implementation of the Study;

- (i) The Experts Team requested that all members use the project WebSite as a method of communication, posting project outputs, documents and providing notice of planned events when the WebSite becomes fully operational in April 2001;
- (j) Expert team meetings should be divided into formal sessions (with UNOG simultaneous interpretation) which address issues of common interest to all participants and informal sessions (without interpretation) during which small groups of experts may meet on specific issues that concern them;
- (k) The agenda timetable for formal and informal sessions during the Experts Team meetings should be posted on the project WebSite before the meeting together with the presentations of each delegation to enhance the efficiency of deliberations during the meetings;
- (l) National Co-ordinators should provide the Internet contractor with all relevant information for implementation the WebSite before the end of April 2001 of the project including:
- Complete descriptions of each demonstration zone based on the standard format for the description of energy efficiency demonstration zones contained in Annex 5 of the Project Document;
 - Investment project proposal descriptions;
 - Maps of the location of demonstration;
 - Comments on the technical specifications on the design of the WebSite.
- (m) National Coordinators should provide the ECE secretariat with information on the costs of telecommunications with their local Internet service providers related to the use of the project Website together with costs of providing national information to the WebSite contractor as requested above;
- (n) An annotated outline for the Guide to Investors in Energy Efficiency Projects and Carbon Trading Credits should be prepared by the Institute for Energy Technology IFE and John Palmisano Associates and circulated to the Experts Team for comment.
- (o) Requested the secretariat to continue discussions with the UNF and UNFIP on the possible extension of the project based on additional co-financing with a view to the possible submission of a proposal to UNFIP during the second half of 2001;
- (p) The possible submission should take into account the experience of the present project in arranging co-financing, performance evaluations carried out by the Monitoring and Evaluation Adviser and the preliminary conclusions of the Study on the Performance of Multilateral Institutions in Energy Efficiency in Participating Countries.

16. Dates of the next UNECE Committee on Sustainable Energy meetings:

- **Energy Efficiency 21 Project Steering Committee:** 19-20 November 2001
- **Special session on UNF/UNFIP Energy Efficiency Investments:** 20 November 2001
- **Special session on the RENEUER in South-eastern Europe:** 20 November 2001
- **Committee on Sustainable Energy, Eleventh Session:** 21-23 November 2001
- **Ad Hoc Group of Experts on Expansion of European Coal
and Thermal Power:** 19 November 2001
- **Ad Hoc Group of Experts on Electricity Interconnections:** 23 November 2001

ANNEX I

PROVISIONAL AGENDA

The third meeting of the UNF/UNFIP Experts Team will be held in
Salle V of the Palais des Nations, Geneva
starting on Monday 26 March 2001 at 10:00 a.m.

1. Adoption of the Agenda
2. Election of officers
3. Recent Developments of the UNF/UNFIP Energy Efficiency Investments for Climate Change Mitigation Project
4. Presentations of Co-financing Partners and Contractors on Project Activities
5. Preliminary Appraisal of Initial Project Proposals
6. Presentations of National Co-ordinators
7. Energy Efficiency Project Selection Criteria and Financing Mechanisms
8. Status of UNF/UNFIP and Co-financing Funding
9. Other Business
10. Conclusions and Recommendations