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ECONOMIC COMMISSION FOR EUROPE

Steering Committee of the Energy Efficiency 21 Project

UNF/UNFIP Experts Team on Energy Efficiency

Investments for Climate Change Mitigation

Fifth meeting, 26 June 2002

REPORT ON THE MEETING

I. ATTENDANCE

1. The fifth meeting of the Experts Team was attended by forty representatives of Albania, Belarus, Bulgaria, Bosnia and Herzegovina, Croatia, Czech Republic, France, Hungary, Italy, Kazakhstan, Norway, Republic of Moldova, Romania, Russian Federation, Switzerland, The former Yugoslav Republic of Macedonia, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America, Uzbekistan, and Yugoslavia.
2. The United Nations Fund for International Partnerships (UNFIP) was represented.
3. The following intergovernmental and non-governmental organisations were in attendance: Centre for Energy Efficiency (EnEffect), Agency for the Rational Use of Energy and Ecology (ARENA-ECO), Alliance to Save Energy (ASE), Black Sea Regional Center, and the Power Engineering Union of Kazakhstan.

II. ADOPTION OF THE AGENDA (Agenda item 1)

Documentation: ENERGY/WP.4/2002/2

4. The agenda was adopted.

III. ELECTION OF OFFICERS (Agenda item 2)

5. In the absence of Mr. Bernard Jamet (France), the Chairman of the Energy Efficiency 21 Project, Mr. Bernard Laponche (France), served as Chairman of the fifth session.

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

(Agenda Item 3)

Documentation: ENERGY/WP.4/2002/3

Note: all United Nations documents for the Steering Committee of the Energy Efficiency 21 Project are available in English, French and Russian on the UNECE website www.ee-21.net together with selected PowerPoint presentations delivered by delegations during the session.

6. The meeting was opened by the secretariat with a presentation on the developments of the UNF/UNFIP Project during 2001-2002. The current status of each of the project goals, respective activities and deliverables were described. The Project development had continued in the framework of cooperation among host countries, co-financing partners and international institutions. Important international assistance had been provided to energy efficiency efforts in countries with economies in transition such as training, which had led to the development of a standardized business plan approach in all countries involved. Investment projects were under development in Belarus, Bulgaria, Kazakhstan, Russian Federation and Ukraine. More than 46 projects were either under consideration or had financing approved. The value of these mostly public sector projects ranges from US\$ 44 million to US\$ 59 million. Given the diverse needs of economies in transition in improving their energy efficiency, there were several main groups of the investment projects: district heating modernization, improvement of heating in educational institutions, amelioration of street lighting, improvement of provision of heat in the health care sector, bio-fuel conversion of outdated boilers and the introduction of efficiency improvements in combined heat and power production.

7. The development of the energy efficiency projects was made possible by international involvement, in particular of UNFIP, USAID, UNDP-GEF, EBRD, NEFCO (Norway), as well as selected domestic financial institutions. Certainly, domestic efforts to secure at least a part of the required funding were a major factor in the successful development and funding of a number of the energy efficiency investment projects. Despite remarkable progress achieved in bringing several dozens energy efficiency projects either to the financing stage or execution, there were some outstanding issues to be resolved: financing mechanisms, guarantees for financing, local co-financing, transparency of procedures and CO₂ credits accountability. Their resolution might further facilitate the preparation of new projects as well as the execution of already approved projects.

8. This introduction was followed by a presentation from Mr. Deltcho Vitchev on an elaborate scheme backed by the European Bank for Reconstruction and Development for financing energy efficiency investment projects in the health sector in the Russian Federation. Preliminary discussions with the Moscow officials and representatives of the Russian Federation had led to a targeted scheme intended to be operational before the end of this year. Some delegations, such as Belarus, Hungary and the Russian Federation, sought clarification on project barriers and in

particular on related administrative and legislative changes required for the scheme to be operational.

V. PRESENTATIONS OF NATIONAL COORDINATORS, CO-FINANCING PARTNERS AND CONTRACTORS ON PROJECT ACTIVITIES
(Agenda item 4)

9. The Chairman introduced this item with comments on progress in preparing and financing investment project proposals emerging from the training courses in economies in transition. He noted that such progress needed not only to be sustained but also broadened to other economies in transition that might benefit from energy efficiency projects. Thus, the issue was how to generate the higher financial support required within the EE-21 project.

10. This was followed by a presentation of Mr. Mikael Brodin (Institute for Energy Technology, IFE, Norway) presented the outline of the Investors Guide for the projects in energy efficiency in economies in transition. The Investors Guide is expected to be finalized during 2002 and is intended to facilitate understanding of the requirements and barriers in making energy efficiency investments. Bearing in mind the extensive expertise that the IFE has in the energy sector in economies in transition, the Guide should prove to be a valuable tool for current and prospective investors in the region. The delegation of the Russian Federation sought clarifications and made selected suggestions on how to finalize the Guide. An increasing input by experts from economies in transition was seen as desirable.

11. One of the most active foreign organisations in supporting and actually financing energy efficiency investment projects in the north-eastern part of the Russian Federation was the Vekst Foundation from Norway. Their representative, Mr. Öle Veiby, mentioned not only the strong record in the past mainly in the Leningrad Oblast but also indicated the current and future activities that might result in new support to project development, financing and execution. Focused on bio-fuel development and related investments in the Russian Federation, the Foundation undertook the Swedish Bio-market study which might improve understanding in economies in transition as to how such a market might operate in a market economy. The other energy efficiency products and services, delivered through IFE (Norway), concerned training on financial engineering in energy efficiency, good investment project pipeline, brokerage service and the investor guide whose main lines just had been presented.

12. Mr. Gaudenz Assenza, from the Fridtjof Nansen Institute (Norway) presented a case study on the impact of multilateral assistance for energy efficiency improvements in Bulgaria. He noted that Bulgaria had managed to increase its energy efficiency in recent years with a more than 15 per cent decrease in the total final energy consumption since the mid-1970s while the real GDP had increased, for example, around 6 per cent only in 2000. Certain energy-efficiency projects with considerable environmental benefits had contributed to this success. One of these projects was the GEF/UNDP undertaking in Gabrovo which had so far achieved a reduction in pollution emissions of around 6,000 tons per year. Other similar energy efficiency projects are also funded in Bulgaria with another seven projects of the Development Credit Authority.

13. Further comments were given on the progress of project activities and status of outputs by delegations from the Russian Federation, the US DOE and the National Coordinator in Belarus, Bulgaria, Hungary and Romania.

14. The UNF/UNFIP Monitoring and Evaluation Adviser, Mr. Glen Skovholt, presented additional short observations in relation to the annual progress of the project along with his recommendations on the desirability of the continuing training on energy efficiency in economies in transition as well as on the need for the ECE secretariat to pursue further its research on greenhouse gas emissions.

15. After discussion, the Experts Team:

- (a) Expressed appreciation for the support to the project of the United Nations Foundation, the United Nations Fund for International Partnerships, co-financing partners and National Coordinators for the implementation of project activities;
- (b) Welcomed with appreciation the important contributions made to the satisfactory implementation of the project activities by the project Chairman, Training Advisers, contractors, consultants and UNECE secretariat;
- (c) Welcomed the progress made in the development of the project with business plans through training courses on financial engineering for energy efficiency projects held in Moscow and St. Petersburg (Russian Federation), Minsk (Belarus), Blagoevgrad and Burgas (Bulgaria), Almaty (Kazakhstan) and Kiev (Ukraine);
- (d) Noted that the experience of these training courses would be of assistance to National Coordinators, co-financing partners and training contractors in the implementation of the training courses in Bulgaria, Kazakhstan and Ukraine;
- (e) Welcomed with appreciation the establishment of the Ad Hoc Working Group on Financing Energy Efficiency Investment Projects in the Russian Health Care Sector with the participation of experts from the European Bank, the Russian Federation and the United States, in line with the recent proposal of the Deputy Minister for Economy and Trade of the Russian Federation;
- (f) Expressed appreciation for the development and management of the project website www.ee-21.net by the Center for Energy Efficiency (EnEffect) that provided an excellent and innovative means of communication and networking between partners for the project with all relevant information for project participants listed on the website;
- (g) Welcomed the Institute for Energy Technology's training course on business planning and financial engineering, noting that the third session of the course focussed on third party financing of public sector projects through energy services companies (ESCOs);
- (h) Welcomed progress on the Study on the Performance of Multilateral Institutions in Energy Efficiency in Participating Countries under preparation by the Fridtjof Nansen Institute and its elaboration in close cooperation with National Coordinators based on practical examples of investment projects and financing mechanisms;

- (i) Welcomed with appreciation developments on the draft Emissions Trading Handbook for Energy Efficiency Project in Economies in Transition (ENERGY/WP.4/2000/7) prepared by John Palmisano Associates and Evolution Markets LLC for publication as a United Nations e-Book before the end of the year;
- (j) Requested the UNECE secretariat to continue its research on the relationships between greenhouse gas emissions and energy efficiency in a more elaborate way.
16. Following its deliberations, the Experts Team recommended that:
- (k) The training course programme in Bulgaria, Kazakstan and Ukraine 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 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;
- (l) Training courses be organised in each participating country with the following co-financing partners and/or contractors:
- Bulgaria: USAID and Alliance to Save Energy;
 - Kazakhstan: USAID and Alliance to Save Energy in parallel with the SPECA training courses;
 - Ukraine: USAID and Arena-Eco;
- (m) National Coordinators 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.

VI. OTHER BUSINESS (Agenda item 5)

17. The Experts Team established the following dates for meetings during 2002 and 2003, which will be supplemented by meetings held for specific project activities.

30 September – 1 October 2002	UNF/UNFIP Experts Team on Energy Efficiency Investments for Climate Change Mitigation
26-27 May 2003	Steering Committee of the Energy Efficiency 21 Project
28 May 2003	UNF/UNFIP Experts Team on Energy Efficiency Investments for Climate Change Mitigation

VII. CONCLUSIONS AND RECOMMENDATIONS (Agenda item 6)

18. The Chairman presented the draft conclusions and recommendations to the Experts Team for discussion, guidance and additional information during the closing session. This report provides the agreed conclusions and recommendations under each relevant agenda item as completed and amended during the session.