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ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Steering Committee of the Energy Efficiency 21 Project

Ad Hoc Group of Experts on Energy Efficiency
Investments for Climate Change Mitigation

Ninth meeting
Geneva, 1 June 2007

**REPORT OF THE AD HOC GROUP OF EXPERTS ON ENERGY EFFICIENCY
INVESTMENTS FOR CLIMATE CHANGE MITIGATION ON ITS NINTH MEETING**

I. ATTENDANCE

1. The meeting was attended by National Coordinators and representatives of National Participating Institutions from the following member countries: Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Romania, Russian Federation, Serbia, Former Yugoslav Republic of Macedonia, and Ukraine.
2. The meeting was also attended by representatives of the United Nations Economic and Social Commission for Western Asia (UN-ESCWA), the United Nations Environment Programme (UNEP)/ Global Environment Facility (GEF), and the French Global Environment Facility (FFEM).

II. OPENING SESSION

3. The Deputy Director of the UNECE Sustainable Energy Division opened the meeting. In his opening remarks, and on behalf of the UNECE, he expressed gratitude to the co-financing institutions for their contribution in technical assistance grants to the project of US\$ 7.75 million from the United Nations Foundation (UNF), the French Global Environment Facility (Fonds Français pour Environnement Mondial - FFEM), the Global Environment Facility (GEF) and the

European Business Congress (EBC) for energy efficiency projects for which the UNECE is the executing agency.

III. ADOPTION OF THE AGENDA

(Agenda item 1)

4. The agenda in document ECE/ENERGY/WP.4/GE.1/2007/1 was adopted with no modifications.

IV. ELECTION OF OFFICERS

(Agenda item 2)

5. Mr. Zdravko Genchev (Bulgaria) and Mr. Mykola Rapsun (Ukraine) were elected Chairman and Vice-chairman respectively.

V. RECENT DEVELOPMENTS OF THE PROJECT FINANCING ENERGY EFFICIENCY INVESTMENTS FOR CLIMATE CHANGE MITIGATION

(Agenda item 3)

6. In his introductory remarks, the Deputy Director of the UNECE Sustainable Energy Division presented the recent developments of the Financing Energy Efficiency Investments for Climate Change Mitigation Project with particular focus on the creation of the Investment Fund, which represents the main outcome of the overall technical assistance activities foreseen in the following participating countries: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Moldova, Russian Federation, Romania, Serbia, Former Yugoslav Republic of Macedonia, and Ukraine. The project aims at establishing a dedicated financial facility, managed by a private experienced fund management company, linked to a pipeline of projects that can provide for the large-scale participation of private sector investors in partnership with public entities.

7. Based on the lessons learned from earlier financing mechanisms, the project will help leading private and public financial institutions to create a EUR 250 million public-private Equity Fund that can complement other financing schemes. As a result, the project is expected to leverage an investment volume of up to EUR 2 billion for energy efficiency and renewable energy projects, representing an investment value of at least EUR 2 billion in South-Eastern Europe (SEE) and Eastern Europe, Caucasus and Central Asia (EECCA) countries. This initiative is taken with a view to proposing an innovative financing tool that will constitute a significant step forward in climate change mitigation by supporting the creation of the necessary intermediary infrastructure (Energy Service Companies, equipment manufacturers, suppliers, installers and distributors, energy auditing and engineering, etc.) as well as investing directly in stand-alone projects (power production and distribution projects, district heating refurbishment, renewable energy plants, etc.).

8. The outcome of the project will be solid investments that could represent a reduction of greenhouse gas (GHG) emissions of 10 million tonnes of CO₂ per year, enhanced skills of local

experts and policy reforms in participating countries. Hence, direct CO₂ emissions reduction for this project stands at 200 million tonnes over a 20-year period, according to GEF standards.

VI. WORKPLAN AND TIMETABLE FOR THE FIRST YEAR OF OPERATIONS (Agenda item 4)

9. National Coordinators and representatives from National Participating Institutions considered this item within the framework of specific questions and answers. The discussion provided more elements for understanding how the Eastern Europe Energy Efficiency Fund will be structured, how investments will be made and projects selected, how public-private partnership in the Fund will be defined and how the project pipeline will be identified. This session also focused on the overall implementation of technical assistance activities, on the work plan and on the distribution of tasks to each main actor in the first year of operations.

10. Particular attention was directed to the role of National Coordinators and of the National Participating Institutions in the creation of the Fund. The secretariat encouraged participating countries to bring their support to the Fund by stimulating public and national participation. Such participation would strengthen the Fund's credibility for non-participating countries' investors and provide them with the possibility of participating in the decision-making. While a participating country does not have an obligation to invest in the Fund, such an initiative would create a positive dynamic for implementing the country's energy efficiency projects.

11. Achieving the project's two other objectives, capacity building and policy reforms for energy efficiency and renewable energy market formation, will require close collaboration between participating countries and the UNECE. Financial resources allocated to the project will mainly be used to directly finance the activities listed in the project document. However, a part of these resources could be allocated on an "as needed" basis to country teams in accordance with progress and developments achieved. As for capacity building, the secretariat will take into account progress participating countries have made during recent years. Rather than training courses, business development courses will be organized to provide discussion and expertise on how local counterparts can interact with the Fund.

VII. PRESENTATIONS OF NATIONAL PARTICIPATING INSTITUTIONS AND NATIONAL COORDINATORS (Agenda item 5)

12. National Coordinators and Representatives of National Participating Institutions made presentations on the energy efficiency situation in their country, covering Belarus, Bosnia and Herzegovina, Bulgaria, Kazakhstan, Romania, Russian Federation, Serbia, Former Yugoslav Republic of Macedonia, and Ukraine.

13. Most of the presentations outlined experiences and lessons learned in implementing energy efficiency policies and on how these experiences could be of a value for implementing the new phase of the EE21 Project. The identification of main needs and barriers in each country was raised in all presentations, also in view of preparing the regional policy study, which will be organized at an early stage of the activities implemented by the project.

VIII. OTHER BUSINESS

(Agenda item 6)

14. None.

IX. CONCLUSIONS AND RECOMMENDATIONS

(Agenda item 7)

15. The Ad Hoc Group of Experts:

- (a) Expressed appreciation to the United Nations Foundation, United Nations Fund for International Partnership, the French Ministry of Foreign Affairs (MAE) and the Fonds Français pour l'Environnement Mondial (FFEM), the Global Environment Facility, and the European Business Congress e.V for their support of the project "Financing Energy Efficiency Investments for Climate Change Mitigation";
- (b) Welcomed the UNECE role as the Executing Agency, the constitution and composition of the Project Management Unit at UNECE for the project;
- (c) Welcomed the role of the United Nations Environment Programme (UNEP) role as GEF Implementing Agency for the Project, in particular in relation to the investment fund;
- (d) Welcomed the formal nomination of National Coordinators and National Participating Institutions by the governments of most participating countries;
- (e) Requested formal nomination of National Coordinators and National Participating Institutions by the governments of participating countries that have not done so already;
- (f) Noted that the development of a dedicated equity fund for energy efficiency investments in East and South-east European countries will require a significant commitment from National Coordinators and National Participating Institutions in participating governments for policy reforms and the encouragement of participation in the investment fund by public or private sector institutions;
- (g) Requested National Coordinators and National Participating Institutions to assist the Project Management Unit with the preparation of the investment fund by providing assistance with
- government consultations;
 - identification of public and private sector investors;
 - information on structuring the fund including national energy legislation;
 - information on legislation concerning foreign investments and accounting practices;
- (h) Agreed that upon returning to capitals, the National Coordinators would:
- inform relevant government authorities about the Fund to ensure due consideration of public and/or private sector participation in the Fund;
 - prepare for a mission of the Senior Financial Adviser of the Project Management Unit to each capital for consultations on the investment fund with relevant government authorities

and/or private sector entities which could participate in the fund;

- review the status of the energy performance contracting, energy service companies and special purpose vehicles in each participating country to determine capacity building needs;

- prepare information on national legislation / regulations concerning energy efficiency and renewable energy policies, foreign investments, public private partnerships and accounting practices;

- (i) Requested the secretariat to provide additional information on the role and responsibilities of the National Coordinators and of the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation in the conduct of the project;
- (j) Requested the secretariat to transmit the work plan for the first year of project operation to National Coordinators before 30 June 2007.
