REPORT
TO THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY
BY THE CHAIRPERSON OF THE ENERGY EFFICIENCY TASK FORCE
ON CURRENTLY UNDERTAKEN STEPS

I. BACKGROUND

The Treaty establishing the Energy Community (Article 35) envisages the possibility of developing measures in energy efficiency, taking account of their advantages.

At its meeting in June 2007, the Permanent High Level Group agreed to the establishment of a Task-Force to produce a detailed plan for tackling energy efficiency issues in the Contracting Parties of the Energy Community (Conclusion 7, 5th PHLG Meeting, 28th June 2007) and the Ministerial Council approved the recommendation in its meeting of 29 June 2007.

The Energy Efficiency Task Force (EETF) became effective upon the adoption of its mandate and election of its chair by a decision of the Ministerial Council (Belgrade, 18 December 2007).

The work of the Task Force is organizationally and administratively supported by the Energy Community Secretariat, which is also represented at its meetings.

The composition of the Task Force follows the guidance its adopted mandate. The list of its current members is attached (Attachment 1).

II. KEY AREAS OF ACTIVITIES BY THE TASK FORCE

In accordance with its mandate as the Conclusion of the PHLG of 28 June 2007 as endorsed by the Ministerial Council of 29 June, the Task Force should produce a detailed plan for tackling Energy Efficiency. This should entail, in particular:

- Present a comprehensive state of play of the situation among Contracting Parties and observers in terms of Energy efficiency;
- Identify the concrete areas where improvement is needed and/or feasible, with a proper prioritisation of these areas according to a cost/benefit analysis;
- Identify the EU legislation on energy efficiency that could be extended to the Energy Community and would produce largest impact. This should include an analysis of the extent to which the Contracting Parties will be able to take up the legislation, possible consequences, as well as a realistic timetable;
- Propose immediate concrete actions (together with a timetable and a budget estimation) allowing the improvement of the energy efficiency in the region. Actions could include exchanges of experiences, training and promotion of concrete measures, institution building, and Propose concrete measures/indicators to monitor the evolution in terms of energy efficiency.

The Task Force has got 18 months to achieve the goals assigned in the mandate. The final report prepared by the Task Force should be submitted to the Ministerial Council by end of June 2009.
III. PROGRESS OF THE ENERGY EFFICIENCY TASK FORCE SINCE THE 3rd MINISTERIAL COUNCIL MEETING

1. Organisation of the 1st Energy Efficiency Task Force Meeting

The 1st Energy Efficiency Task Force meeting was organised in Vienna, at the Energy Community Secretariat on 21 February 2008. The meeting was attended by the Task Force members, the Energy Community Secretariat and some representatives of the Donors’ Community, by invitation of the Chairperson.

The key item during the meeting was the Work Programme of the Task Force, which was adopted (Attachment 2).

As to streamline the further work, a task leader for each of the tasks was also assigned, which is reflected in the Work Programme.

Concrete impetus on the further work of the Task Force was provided also by the presentation during the meeting of the results of the Stocktaking on energy efficiency, which has been prepared jointly under EAR and USAID financing.

2. Workshop "Residential Energy Efficiency and Affordability Implications"

The Workshop on Residential Energy Efficiency and Affordability was organised in Vienna on 22 February 2008 jointly by the Energy Community Secretariat and the USAID. However, the members of the Energy Efficiency Task Force took active participation in the event.

It was attended by over 70 participants from the Energy Community, including Contracting Parties, Observer countries and participants to the Treaty establishing the Energy Community, USAID representatives, European Commission, European Agency for Reconstruction, European Bank for Reconstruction and Development, International Finance Corporation and Kredibank für Wiederaufbau Development Bank.

The following concluding remarks, which provide concrete basis for further consideration and focus of work, were shared at the end of the Workshop:

- Promoting and implementing energy efficiency in the Energy Community is a key need.
  
    There was a general agreement that although this was the first such event held under the auspices of the Energy Community specifically focusing on energy efficiency, it should certainly be followed up with other workshops or seminars. The Contracting Parties were encouraged to exchange experiences with the EU member states on energy efficiency policies and programmes and build on that. This could be done through involving the EnR (Association of Energy Efficiency Agencies) which might be able to assist in specific areas of the work of the Task Force/ Energy Community relating to energy efficiency;
The participants to the workshop, which included the Task Force members, acknowledged that energy efficiency on the demand side might be part of the solution to address affordability;

Although there are particularly great opportunities to improve end-use energy efficiency in residential heating (this includes district heating, gas, and electricity), and cost savings could be ~20-60% on average, these involve in many cases a relatively large number of actors, which may become a barrier; political indecision was also cited as a very significant barrier;

Contracting Parties do not (yet) have energy efficiency components as part of their social safety net schemes. This may be an opportunity for policy program development;

Integrating energy efficiency with social safety nets in the residential sector is facing many barriers, including institutional and financial, as well as information and communication. Policy barriers were also mentioned in some of the presentations and discussion; the most frequently quoted were: lack of condominium law in some Contracting Parties, tariff policies that do not encourage energy efficiency, budget laws that do not allow municipalities to retain cost savings when they facilitate energy efficiency improvements that save money and energy, etc.;

Financing energy efficiency with risk sharing between financiers and end-users is very important for residential energy efficiency projects, in general. Grants were cited as being important at the beginning of a programme, to give consumers incentives and to demonstrate potential of energy efficiency, but eventually these schemes need to graduate to loans. ESCO model for residential energy efficiency may be effective if accompanied by technical assistance in form of services, advice, capacity building and raising awareness. Micro-financing could also be taken into consideration for low cost energy efficiency measures.

3. Preparation of the 1st Report (task) in the Work Programme: Analysis of the state of play of energy efficiency in the Contracting Parties

Objectives

This report is based on the results of the Stocktaking on energy efficiency which was prepared jointly under EAR and USAID financing and was presented in the Task Force meeting.

This assessment aims to describe the energy efficiency policies enforced in the Contracting Parties to the Energy Community Treaty, as well as its observer countries.

The assessment is meant to help better tackling the barriers for effective utilization of the national energy efficiency potentials, also in the general framework of harmonization with the EU policy and legislative framework. Thus, the main benefits include an independent evaluation of the energy efficiency policies being enforced; current capacities to best comply with the European Directive in the sphere of end-use energy efficiency and energy services, and meeting national energy saving targets.

Approach in the preparation
In order to “take stock” of the current stage of penetration of energy efficiency policies and promotional mechanisms in the Contracting Parties and Observers, the research team collected information for this assessment about the relevant legislative provisions, policy instruments and institutional framework available and in place. The research team gathered data directly from national-level institutions, in-country experts, and the leading literature on energy efficiency in the studied region.

The report uses this information to assess the stage of readiness and capacity of the Contracting Parties to develop respective national energy efficiency action plans as directed by the Energy Community Ministerial Council and the Energy Efficiency Task Force. The findings are based on a survey focusing on three key areas for the stocktaking evaluation: Legal and Regulatory Framework; Policies and Programs and Institutions.

**Preliminary Findings**

Energy efficiency laws, strategies and action plans, based on bottom-up assessment of the cost-effective sectoral energy efficiency potentials, serve as the foundation for the promotion of energy efficiency that, if combined with adequate regulatory measures, can foster investments in energy efficiency.

One of the biggest drivers of energy efficiency is the imperative for cost-recovery tariffs that can ensure profitable and sustainable operation of utility enterprises. Thus, introduction of such a tool shall be effectively used as to improve energy efficiency.

Technical assistance is necessary to help governments make the transition from subsidy funds to loan funds, which would become a long-term, self-sustaining financing instrument accelerating energy efficiency investments.

Strengthening of administrative capacity in the area of energy efficiency is also evident. Capacity building and raising awareness can accelerate the achievement of energy efficiency objectives by introducing state-of-the-art technologies, successful institutional models, innovative financing mechanisms, assisting in preparation of energy efficiency projects, performance contracting deals. Currently such approach is not well developed in all Contracting Parties and Observers.

Once the national policies and legal framework are in place, their enforcement should be transposed on sectoral and local (community) levels through local energy plans, technological standards, codes and incentive programs. Institutions necessary for their effective implementation include designated government agencies, commissions and NGOs, national analytic and statistical institutes, municipalities, consumer and business associations, ESCOs and housing associations.

There are, however, good examples for concrete achievements in the Contracting Parties and Observers. Thus, exchanging positive experience should continue.

**IV. OUTLOOK FOR THE SECOND HALF OF 2008**


On 25 June, the 2nd quarterly meeting of the Task Force will be organized in Brussels to discuss:

- the Stocktaking report as envisaged in the Work Programme of EETF;
The focus will be on the status of the elements that are considered instrumental in developing and implementing effective energy efficiency activities: laws, policies, programs, funds and institutions; future directions for promoting energy efficiency by the Energy Efficiency Task Force;

- The approach to Task 2 of the Work Programme: Preparation of a generic (non-customized) Action Plan to advance energy efficiency in the Contracting Parties.

The Action Plan to advance energy efficiency in the Contracting Parties shall include investigations to identify barriers to energy efficiency, including commercial, technological and financial barriers, and to propose measures in form of a plan to remove/mitigate these barriers and advance energy efficiency in the Contracting Parties. The Task’s leader will be invited to present to the Task Force members the approach to this Task and each member’s expected contribution to the preparation of this Task.

- Latest developments in the Contracting Parties with respect to Energy Efficiency.

### 2. Event Calendar of EETF by the end of 2008

Further to the 2nd Energy Efficiency Task Force Meeting, scheduled for 25 June 2008, the following Energy Efficiency Task Force meetings have been planned:

- 3rd Energy Efficiency Task Force Meeting - 23 September 2008;

### V. CURRENT CONCLUSIONS

The indicated activities of the Energy Efficiency Task Force so far note that it is in the situation strictly to follow its mandate as outlined by the Ministerial Council of the Energy Community.

The adopted Work Programme and the established conditions for effective administrative support raise realistic expectations for concrete outcome of the work of the Task Force by providing the expected performance in due time.

Certainly, achievement of the expected results shall be strongly supported by accompanying events, which focus on training, sharing best experience, support for development of adequate policy and legislative framework etc. Thus, the contribution of the Energy Community Secretariat and the Donors’ Community shall be further appreciated.
ATTACHMENT 1

MEMBERS OF THE ENERGY EFFICIENCY TASK FORCE

CHAIRMAN: Mr. Igor Raguzin - Ministry of Economy, Labour and Entrepreneurship of Croatia

MEMBERS:

- ALBANIA - Mrs. Marjola Hamitaj and Ms. Alma Saraci
- BOSNIA and HERZEGOVINA - Ms. Biljana Trivanovic
- BULGARIA - Mr. Krassimir Naidenov Stoyanov
- CYPRUS - Mr. Constantinos Xichilos
- THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA - Mr. Dejan Zrmanovski
- MONTENEGRO - Ms. Vesna Ostojic Bracanovic
- SERBIA - Mrs. Antonela Solujić
- UNMIK - Mr. Daniel-Alexander Schroth and Mr. Salvador Elmazi
- EUROPEAN COMMUNITY - Ms. Lucinda Maclagan
VI. WORK PROGRAMME OF THE ENERGY EFFICIENCY TASK FORCE ¹

<table>
<thead>
<tr>
<th>No.</th>
<th>TASK</th>
<th>DEADLINE</th>
<th>ACTIVITY</th>
<th>DELIVERABLE</th>
<th>REMARKS</th>
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<tbody>
<tr>
<td>1.</td>
<td>Analysis of the state of play of energy efficiency in the Contracting Parties: • Legal framework • Policies/Programmes/Funds • Institutions</td>
<td>1 June 2008</td>
<td>- Prepare the methodology and the report outline;</td>
<td>Report on Energy Efficiency in the CPs</td>
<td>The report will be prepared by the Task Force members taking into account the Stocktaking on energy efficiency, 2008. Task leader: Ms. Antonela Popovic, Serbia</td>
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<td>- Collect information from the Task Force members;</td>
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<td>- Analyse the relevant information, making also use of the Stocktaking on Energy Efficiency funded by EAR and USAID, and prepare a report;</td>
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<td>- Compile the report;</td>
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<td>- Present the report to the PHLG.</td>
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<td>2.</td>
<td>Preparation of a generic (non customized) Action Plan to advance energy efficiency in the Contracting Parties</td>
<td>3 November 2008 (1ˢᵗ draft) 1 March 2009 (Final draft)</td>
<td>- Identify barriers to energy efficiency, including commercial, technological and financial barriers; - Propose measures in form of a plan to remove/ mitigate these barriers and advance energy efficiency in the Contracting Parties.</td>
<td>Action Plan for energy efficiency</td>
<td>The Plan will be prepared by the Task Force members. Task leader: Mr. Krassimir Naidenov Stoyanov, Bulgaria</td>
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<td>3.</td>
<td>Analysis of energy efficiency related EC Directives and their impact on the Energy Community, if transposed</td>
<td>23 September 2008 (1ˢᵗ draft) 1 February 2009 (Final Draft)</td>
<td>- Identify the most appropriate EC energy efficiency directives to be adopted by the Energy Community; - Assess the impact of extension of the Acquis with these directives.</td>
<td>Report on the extension of the Acquis with energy efficiency directives and its impact</td>
<td>The report will be prepared by the Task Force members. Task leader: Mr. Dejan Zrmanovski, the former Yugoslav Republic of Macedonia</td>
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<td>4.</td>
<td>Development of a Communication and Awareness Raising Campaign plan</td>
<td>15 June 2009</td>
<td>- Propose a Communication and Awareness Raising Campaign for the general public and small industry, including practical and simple to adopt energy efficiency measures.</td>
<td>Campaign Plan</td>
<td>The Plan will be prepared by the Task Force members. Task leader: Mr. Igor Raguzin, Croatia</td>
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¹ It has been adopted by the Energy Efficiency Task Force at its first meeting on 21 February 2008.