

# 8<sup>th</sup> ENERGY EFFICIENCY COORDINATION GROUP MEETING

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*Hotel Ramada Podgorica, Montenegro*

*Tuesday, 02 June 2015, 09:00 – 17:30*

The Energy Efficiency Coordination Group (EECG) meeting was attended by representatives of all Energy Community Contracting Parties (EnC CPs), as well as EnC candidate (Georgia) and observer countries (Turkey), the European Commission – DG Energy and DG NEAR, WBIF IFI Coordination Office, Donors' community (GIZ, EBRD, EIB, GGF/ Finance in Motion, KfW and UNDP), consultants engaged in the "Regional Energy Efficiency Programme - REEP" (GFA), "Western Balkans Residential Study" (Eco Ltd), SEE 2020 Strategy, as well as the representative of the National Energy Efficiency Authority of Croatia (CEI), Informa Echo Slovenia and the Energy Community Secretariat (ECS).

The List of Participants is available online on the Energy Community website ("[Events](#)" section).

After welcome address by the *Ministry of Economy of Montenegro (Ms. Dragica Sekulić)*, the EECG Chair (*Ms. Antonela Solujić*) opened the meeting and introduced the meeting's programme. The meeting's Agenda was adopted.

ECS (*Ms. Violeta Kogalniceanu*) reported on the progress in implementation of the energy efficiency directives and EECG Work Programme 2015-2016. ECS is currently finalising its *Annual Implementation Report*, as well as a publication called "Energy Community - Tapping on its Energy Efficiency Potential", that will present a number of activities and the acquis implementation progress in CPs and the EnC. However, there are still many challenges and in order to fully implement the Work Programme, all CPs and Observers together with Donor's Community need to stay continuously involved (Core Topic leaders were nominated at the previous EECG meeting).

## **1. EED Core Topic 1 – adoption and transposition of Directive 2012/27/EU in the Energy Community**

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*European Commission - DG Energy (Ms. Claudia Canevari)* presented and explained the draft EC proposal of the Ministerial Council Decision for the implementation of the Energy Efficiency Directive 2012/27/EU (EED) as well as the non-paper with the calculation of the energy efficiency target for the Energy Community, by 2020. Article 3 of EED (energy efficiency targets) was adapted for the Energy Community following the same methodology as in the EU. Significant amendments of other provisions and saving targets were proposed while taking into consideration the short deadline for implementation and the financial challenges in the CPs, e.g. the renovation target for central government buildings (Article 5) was reduced to 2%/year as compared to 3% in EU, the annual target under energy efficiency obligation schemes (Article 7) was set at 1%, compared to 1.5% in the EU, etc.

### **Discussion:**

Kosovo\* expressed a general concern regarding its possibility to achieve the new targets, having in mind the present level of implementation of EE measures, and the lack of public financing.

EC explained that this general concern is present also in EU MSs, while EED transposition and implementation challenges should be tackled within EECG and supported by Donor's Community.

FYR Macedonia and Serbia pointed out that the proposed transposition deadlines for EED are very short, while ESD transposition is still ongoing in many CPs; new legislative reforms are challenging and will require additional time and efforts, with existing limited administrations' capacity; Montenegro suggested an analysis of current situation (achievement of 9% ESD target) and comparison with the new obligations under EED, to be able to realistically set the implementation framework.

EC confirmed that transposition deadlines will be further discussed and the same level of ambition as for EU MSs will be proposed. A revised adaptation table will be prepared by DG ENER and sent to EECG before the next PHLG meeting on 24 June 2015.

EBRD informed EECG that additional EUR 0.5 million has been available under "Regional Energy Efficiency Programme" for transposition and implementation of the EED, including ongoing activities in Albania to support development of the pending EEAP. EBRD also mentioned the good example of Lithuania, where achievement of 3% renovation target was linked with private sector involvement and support to ESCO projects; these and other examples of good practices are being analysed and replicated by REEP in Western Balkan countries.

EC explained in more details the target calculation methodology. Six out of eight CPs (Western Balkans) were modelled using PRIMES model of the EU, and some realistic assumptions were also taken into consideration, based on 2012 IEA consumption data, in order to be able to propose the maximum energy consumption target for the Energy Community, in 2020. EC explained the relation between the overall consumption target and other energy efficiency targets imposed by EED; while Article 3 target is overarching, national targets are indicative and flexible, but shall take into account the Energy Community maximum consumption target. After the CPs will report to ECS their national energy efficiency targets by 2020, ECS will analyse the data and assess the progress achieved. While there is general recommendation to use Eurostat data, CPs can use national statistics as well for setting national targets. EECG should also work to find a pragmatic solution to link reporting obligations under ESD (3<sup>rd</sup> EEAP) and EED (NEEAP).

**Kosovo\*, Montenegro and Serbia** reported on the current level of voluntary transposition and implementation of EED, supported by REEP, IPA and other technical assistance or investment programmes.

#### **Conclusions:**

- 1.1. EECG members took note of the EC Proposal for the implementation of the Directive 2012/27/EU in the Energy Community, and the planned next steps for its adoption. EECG endorsed the EC draft proposal for EED adoption, to be further discussed at the PHLG meeting on 24 June 2015, on the condition that the deadlines will be reviewed and extended.
- 1.2. EC took note of CPs concerns and suggestions, especially regarding EED transposition deadlines. EC will prepare revised adaptations table and send it in due time for the next PHLG meeting for discussion and adoption.
- 1.3. Implementation of EED is included in the Work Programme and supported by the EECG and Donors Community. However, financial instruments and funds should further effectively support transposition and implementation of EED, similar as for EU Members States. ECS will organise special event or a session during the next EECG meeting focused on adequate financing and funds necessary to support the implementation of EED.

## ***2. ESD / EED Core Topic 2 – EEAPs and monitoring***

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*GIZ ORF – EE (Mr. Johannes Elle, Mr. Benjamin Struss)* presented the ongoing and planned cooperation with ECS, EEGC, and the Western Balkans partner countries. The enhanced regional cooperation within the Energy Community confirmed the good approach and commitment of GIZ ORF to support activities under EEGC Work Programme. New projects will be proposed soon to the German Government (BMZ) for approval, with planned implementation period September 2015 - December 2016.

*GIZ ORF – EE consultants (Mr. Marko Košir, Mr. Christian Seufert)* presented results of evaluation of sub-projects MVE (2010-2011) and MVP (2013-2014), major achievements, as well as follow-up proposals. The assessment was based on extensive interaction with project partners (including EEGC and ECS); both sub-projects were assessed as “very satisfactory”, launched timely and contributing to the needs of participating CPs.

A new subproject named “Network of MVP Institutions” is proposed to continue the activities for the finalisation of Monitoring and Verification Platform (MVP) and training activities during 2015.

*CEI - National Energy Efficiency Authority of Croatia (Mr. Ivan Šerić)* presented the main idea of the MVP Institutions project, as well as Croatian experience with the implementation. The main concept of the Project is to establish a network of institutions dealing with implementation of MVP and energy efficiency policies in eligible CPs. A roadmap for capacity building of institutions to support MVP will be established. Experience in Croatia will be used to implement MVP framework through legislation. SMIV in Croatia (Croatian version of MVP) is used for monitoring and verification, planning and reporting on implementation.

Further assistance package envisaged to start in autumn 2015 was proposed based on analysis of needs for implementation of the EEGC Work Programme 2015-2016. Key proposed activities are: support to the eligible CPs in reporting on the 2<sup>nd</sup> EEAPs and preparation of the 3<sup>rd</sup> EEAPs; assistance in transposition of EED (setting of EED national targets, progress reporting on EED etc.); and promoting exchange of best implementation practices in CPs and EU (in the area of financial assistance). Trainings, exchange of information, best practices and experience including networking are integral part and equally important elements of all above mentioned activities.

GIZ also informed EEGC on the important ongoing bilateral energy efficiency projects (in Bosnia and Herzegovina, Serbia and Ukraine) with strong support ranging from policy advice, networking, improved institutional coordination, instrument development and capacity development of individual staff and organisations (overview matrix of GIZ support is available on EnC website).

*The Energy Community Secretariat (Mr. Armin Teskeredžić)* presented the roadmap for the use of the Monitoring and Verification Platform for reporting on achievements under 2<sup>nd</sup> EEAPs. Use of MVP enables transparency and interaction between different policy levels (local/regional/state), accuracy and simplicity; it will also enable an integrated system for monitoring, reporting and planning of future EE measures, including modelling of future energy savings and investments by state budget, funds, ESCOs etc. Implementation steps for reporting on 2<sup>nd</sup> EEAPs are proposed for CPs. Albania, Kosovo\*, FYR Macedonia, Montenegro and Serbia (where MVP is active) should proceed with data collection on implemented projects, trainings and MVP fine-tuning, and promotion and reporting on 2<sup>nd</sup> EEAPs. EEAP reporting (based on MVP) in Bosnia and Herzegovina, Moldova and Ukraine will require preparation of bottom-up methodology, MVP (re)design, manuals, trainings and testing, to reach data collection and reporting phase.

### **Discussion:**

GIZ further explained their regional work approach, aiming at reaching synergies and best results on cost-effective way; this is combined with tailor made and flexible assistance to beneficiaries, as well as involvement of local experts to advice and mentor national authorities.

Regarding next steps toward finalisation of MVP, GIZ relies very much on adequate institutional setup in eligible CPs for implementation of MVP+ project. GIZ will send more information and request for Letter of Intent to CPs, after formal approval of the project proposals.

#### **Conclusions:**

- 2.1. EECG thanked GIZ ORF-EE and Mr. Johannes Elle as Team Leader for support, pointing out the importance of flexible and tailor - made approach to tackle country specific needs and to achieve progress in the Energy Community in the area of energy efficiency; it is important to continue same approach in future, including also the planned work on transposition and implementation of EED.
- 2.2. EECG welcomed the follow-on proposals for planned support by the GIZ ORF – EE, and the close linking of assistance to the needs and priorities included in the EECG Work Programme 2015-2016. ECS and EECG are ready to support further process of approval of GIZ projects.
- 2.3. MVP should be officially acknowledged as a tool for monitoring and verification of energy savings in CPs. While ORF-EE has to ensure transfer (and translation) of software and further training, eligible CPs should ensure proper servers and capacities and be committed to populate the MVP with the required data, and regularly run and maintain the system.

### **3. Update on Ongoing and Planned Support for Energy Efficiency**

#### **Regional Energy Efficiency Programme (REEP)**

*EBRD (Mr. Nigel Jollands, Mr. Toivo Miller)* provided updated information on the progress with REEP - Window 1 (Theme 1 - ESCO policy support and Theme 2 - policy dialogue support).

Window 1 (Theme 2 - policy dialogue support) provides assistance in 3 domains: transposition of EPBD, development of the public procurement rules and guidelines for the purchase of EE equipment, and utility EE policies and reforms to energy tariffs, metering and billing.

EPBD support is the most extensive one in coverage, with six Western Balkan countries involved (except in Montenegro) with primary legislation developed in Kosovo\* and Albania, and work progressing well on the development of secondary legislation in Bosnia and Herzegovina, Kosovo\*, and FYR Macedonia. Support on inspections regulation is being finalised in Kosovo\* and Serbia, while in Croatia and FYR Macedonia consultant finalised the recommended amendments of regulations. Beta version of energy performance calculation software and EPC registry was sent in May 2015 and software adaptations are in finalisation process in all countries covered by this sub-project.

On procurement, final versions of both Rulebook and Guidelines were delivered and approved in February 2015 in Montenegro, and to be soon finalised in Serbia; this will be followed by training workshop and pilot activities.

Montenegro and Croatia are beneficiaries of technical support with EE obligation schemes and tariff reform (Montenegro). Policy papers were delivered in May 2015, and work on legislative and regulatory developments are ongoing.

Window 1 (Theme 1) on ESCO policy support (legal policy dialogue and TA for project preparation) is active and progressing well in Bosnia and Herzegovina, Croatia, Montenegro and Serbia, including an

increased number of letters of interest sent by municipalities to be included in the project, as well as the ongoing street lighting ESCO tenders in Croatia and Serbia. A feasibility study for a street lighting project in Pristina (Kosovo\*), has been started and will be concluded in September. In Montenegro EBRD is supporting the Ministry of Economy to assess the potential for street lighting projects in all municipalities, also this scoping study will be concluded in September 2015. ESCO enabling legislation was enacted in Serbia in May 2015.

As regards the next steps, CPs should enact as soon as possible the EPBD primary legislation, and together with consultants work on finalisation of other work packages by the end of contracting period.

#### **Discussion:**

EBRD, ECS and representatives of Croatia, Serbia and Montenegro moderated four interactive sessions, where EECG discussed four topics covered by REEP; some key messages are the following:

1. *Energy efficiency investments / Energy Service Company ("ESCO") / Energy Performance Contracting ("EnPC") projects*: despite further progress in development of ESCO regulations, a complete ESCO-enabling framework (on public procurement, budget code, contracting etc.) needs to be adapted to support successful implementation of ESCO projects; private sector should be consulted from the beginning; organizational and institutional structures, as well as control of the scheme should be effective to support the practical implementation of EnPC based investments; technical assistance for identification and preparation of ESCO projects is equally important;
2. *EPBD - National Calculation Methodology (NCM) / Energy Performance Certificates (EPCs)*: proper transposition of the EPBD into primary law will enable further development and implementation of the legislative framework for NCM and EPC; sufficient number of experts should be timely trained and authorised to use NCM and generate EPCs; professional institutions of architects and building engineers should be involved from the beginning; Information campaigns will strengthen the implementation;
3. *EE procurement issues*: reform requires both legislative and regulative reforms, clear guidelines and designation of the implementing body; timely involvement of the Ministry of Finance and public procurement entity is crucial; other support measures (labelling, EPC, ESCO, training of procurement officers and pilot projects) are important for implementation; exemplary role of the public sector should be further promoted and communicated to the other sectors and general public, in order to strengthen the market for energy efficient goods and services;
4. *Energy Efficiency Obligation (EEO) Schemes*: double counting should be avoided (MVP is good tool, used already in Croatia); EEO scheme should be well designed and the leading organisation identified; the energy regulators need to be involved, and technical assistance timely ensured, where needed.

EBRD (Ms. Anastasia Rodina) further presented ongoing and planned policy and legal technical assistance in the energy efficiency sector in Moldova, Georgia and Armenia. In Moldova, current EBRD support is focused on transposition of EPBD, facilitating energy efficiency in residential sector through enhancing condominium legislation and matching policy and legal technical assistance with investment operations (MoREEFF, MoSEEFF). The Law on Energy Efficiency in Buildings was enacted in October 2014 and is effective from 1 January 2015. In Georgia, assistance covers support in drafting of the 1<sup>st</sup> EEAP and development of the Market Study of Residential Sector and Housing Sector Reform, with potential support for development of energy efficiency legislation and institutional strengthening. In Armenia, EBRD is reviewing the policy, legal, regulatory and institutional framework

supporting energy efficiency in the buildings sector, and considering future assistance for transposition of EPBD and the Labelling Directive.

*EBRD (Mr. Nigel Jollands)* presented the assistance package for Ukraine. This includes support to the website [TEPLYDIM](#) (information hub on residential energy efficiency); support for development of further technical regulations on EPBD and economic impact, while IFC is providing assistance for primary legislation (incl. recently adopted Homeowner Association Law); support for EP calculation software is ongoing; EBRD is working on further development of the sustainable energy finance facility for the residential sector.

### **Conclusions:**

- 3.1. EECG thanked EBRD for its continuous support to the implementation of REEP in the Western Balkans, as well as for its assistance in Armenia, Georgia, Moldova and Ukraine.
- 3.2. EECG acknowledged the very good progress in REEP implementation, which will also contribute to the implementation of the EECG Work Programme and the overall compliance with the energy efficiency legal frame in Western Balkans, and the EnC at large.
- 3.3. Additional assistance under REEP is available for transposition and implementation of the EED and EEAPs, However, it is very important to get a formal approval of current deliverables by beneficiary countries, and to work with REEP consultants to finalise the work packages by the end of the contracting period (2015).

*KfW (Mr. Bodo Schmüling, Ms. Milica Knežević)* presented its experience and work approach in implementation of on energy efficiency projects in Germany and Montenegro, and lessons learned. KfW work is based on rich experience in Germany and using the three-pillar-approach, i.e. combining investments with optimization of operations and energy control; the simple structure of the programme (“KfW Efficiency House” is a widely recognized concept), balanced “promotion/control” ratio (pre- and post- energy audits are required) and increased exemplary role of the public buildings in the policy contributed to the successful implementation in Germany. The “Energy Efficiency Program in Public Buildings” (EPPB) has been successfully implemented in Montenegro since 2010, for refurbishment of educational buildings, and from the end of 2014 a second phase has been initiated, increasing also the number and scope of public buildings. The project implementation structure, with participation of a Project Implementing Unit and high-level decision-making support from the Project Coordination Board enabled good coordination, faster decision making processes and smoother implementation. Clustering of buildings by regions and involvement of structure and comfort measures (for aged buildings) enabled effective implementation. Post construction phase is also being followed as key for reaching the energy saving targets, including training, monitoring and control, management, incentive system for EE etc. Energy efficiency is a large and growing segment of KfW’s domestic and foreign promotional activities; programs worth EUR 180 millions similar to EPPB in Montenegro are currently in preparatory or early implementation process in Albania, Kosovo\*, Serbia and Turkey. The Workshop “Putting energy efficiency in public buildings into practice – the example of Montenegro” is organized on 4 June 2015 with participation of EECG members.

*Informa Echo Slovenia (Mr. Rajko Dolinšek)* presented the Spendless Energy Platform / Advisor, as well as Research of Energy Efficiency (REUS) conducted by Informa Echo for the Government of Slovenia since 2009. Spendless Energy Platform can be used by energy consumers as top motivation factor for energy savings, but also by suppliers as a business/sales tool. This can be a key element for awareness campaign or can support any other activity promoting energy efficient measures. It proved it’s sustainable concept in Slovenia, and Informa Echo is very interested in regional projects and looking for strategic partners in the Energy Community and beyond. Research of energy efficiency of Slovenia (REUS) examines status, trends and key indicators for energy efficiency in

Slovenia. Interesting results of REUS show great potential for energy efficiency, and can be used for strategic planning of state policy on energy efficiency.

*ECS/RCC consultant (Mr. Radovan Nikčević)* reported on the Regional Programme “Scaling up Education of Public Sector and Raising Public Awareness on Energy Related Issues in the SEE Countries”, developed in cooperation with ECS (as energy dimension coordinator), to support the implementation of SEE 2020 Strategy. Objectives of the Programme include: to establish regional integration of trained energy managers (in public sector) and facilitate implementation of energy efficiency measures among public bodies; to ensure enforcement of legislation of energy related products (ErPs), and regulate market of ErPs at regional level; and to increase knowledge and awareness of citizens and pupils in the field of energy efficiency, RES and energy market. Regional Programme will include activities related to the training of energy managers in public sector on energy management system and training of market surveillance bodies and other national authorities on how to regulate market of ErPs (with a tool for regional cooperation, guidelines and checklists), and a comprehensive campaign for scaling up education of citizens, enterprises, and pupils on energy efficiency, RES and energy market.

The Regional Programme was sent to the stakeholders via EnC web Forum, and it is open for comments and inputs from EECG members. It already received support from the Former Yugoslav Republic of Macedonia. The Programme is sent to the Regional Cooperation Council for fundraising phase. The RCC already included it in its Flagship Initiative giving it the priority for implementation in the region. For the next programming phase EECG members are invited to comment and support Programme with endorsement letters.

**Montenegro** confirmed interest to support and participate in the Regional Programme, as it target CPs and regional needs. **Serbia** is interested to participate in certain components of the project, excluding energy management, which is currently under development in Serbia.

3.4. The EECG thanked the presenters (KfW, Informa Echo Slovenia, ECS/RCC) for the very useful updates on ongoing and planned regional projects, sharing experiences and good practices. This confirms that EECG represents an excellent platform for exchange of experiences, promotion and coordination of regional programmes and activities in the area of energy efficiency, and the design of new ones.

3.5. The EECG confirmed its interest to support the Regional Programme “Scaling up Education of Public Sector and Raising Public Awareness on Energy Related Issues in the SEE Countries”. For the next Programming phase EECG members are invited to comment and support Programme with endorsement letters.

The next EECG meeting is planned for 17 November 2015 in Vienna and will be combined with the Workshop on EEAPs preparation, planned for 18 November 2015.