REEP & REEP Plus update
Regional Energy Efficiency Programme for the Western Balkans

Funded by the European Union
In cooperation with the
Energy Community Secretariat

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Vienna
17 June 2019
Bosnian homeowner invests in a pellet stove to keep warm

Avdo Omerovic
homeowner

My family house is located near Tuzla. I live with my wife, son and daughter-in-law.
Topics for discussion

Overview of Regional Energy Efficiency Programme (REEP / REEP Plus) in the Western Balkans

Progress Update on Programme Windows

- Policy Dialogue & ESCO Support
- Intermediated Financing
- Direct Financing
- Direct Lending to Public Sector

Donor Visibility
Programme Structure
**REEP Structure (2013 – 2016)**

REEP is an integrated package of finance, technical assistance and policy dialogue, implemented jointly with the Energy Community Secretariat.

### Objective

Support EU accession in the Western Balkans
Sustainable market for energy efficiency in the Western Balkans

### Window 2

**Intermediated financing**

**Window 3**

**Direct financing**

### WeBSEFF II

€117m financing + €14.5m grants
- Credit line for local FI
- For smaller scale EE & RE projects
- For both public & private sector borrowers, including ESCOs
- Grant funds support TA and investment incentives.

### WeBSEDFF (ext.)

€50m financing + €6.49m grants
- Direct financing facility
- Medium scale RE and EE improvements implemented by private sector borrowers, incl. via ESCOs.

### Window 1

**ESCO support**

**Policy dialogue**

€5m grants
- Legislative support
- Technical project preparation

<table>
<thead>
<tr>
<th>Policy dialogue</th>
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<tbody>
<tr>
<td>€1.1m (EWBJF) + €1m (EBRD &amp; SIDA)</td>
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<tr>
<td>NEEAP and EPBD</td>
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<td>Utility EEO</td>
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<td>Procurement of EE goods</td>
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Support EU accession in the Western Balkans
Sustainable market for energy efficiency in the Western Balkans
REEP Plus is an integrated package of finance, technical assistance and policy dialogue, implemented jointly with the Energy Community Secretariat.

**Objective**

Support EU accession in the Western Balkans
Sustainable market for energy efficiency in the Western Balkans

**Window 1**
ESCO support & Policy dialogue

**€3m grants (€1m EU IPA + Other Donors)**
- TA for ESCO projects and tenders preparation

**Window 2**
Intermediated financing &
Window 3
Direct financing

**€135m EBRD & KfW financing via FI**
**€27.55m grants (€22.45 EU IPA + Other Donors)**
- SME and public sector lending (KfW)
- Residential sector lending across all 6 WB countries (EBRD).

**Window 4**
Direct Lending to Public Sector

**€20m direct EBRD financing**
**€4.5m grants (€2m EU IPA + Other Donors)**
- Direct loans to the State, cities or municipal companies
- Focus on public buildings EE
- Capital expenditure grant co-financing and TA

**€30m direct EBRD financing**
**€1m grants (€500k EU IPA + Other Donors)**
- Direct lending for Medium scale RE, EE
- Target financing of ESCOs
- TA for project preparation

**Policy dialogue**

**€3.25m grants (€2.5 EU IPA + Other Donors)**
- Key focus on residential sector regulations
Window 1
(a) ESCO Support; (b) Policy Dialogue
REEP Window 1
Deliverables Overview

35 deliverables, incl. ESCO contract templates for 5 countries, and 28 policy outputs; 31 adopted / accepted by beneficiaries

Croatia
1. ESCO contract template ✓
2. ESCO enabling legislation ✓
3. EPBD: Inspections ✓
4. EPBD: Calc. Software ✓
5. EPBD: EPC registry specs ✓
6. EED: Article 7 (EEO scheme) ✓

Bosnia and Herzegovina
7. Fed/ ESCO contract template ✓
10. Fed/ EPBD: NCM ✓
11. RS/ ESCO contract template ✓
12. RS/ EPBD: Inspections ✓

Montenegro
13. ESCO contract template ✓
14. EED 6: Procurement ✓
15. EED 15: EE in transmission ✓
16. EED 7: EEO secondary leg. ✓

Albania
17. EPBD: Primary Law ✓
18. EED: NEEAP ✓

Serbia
19. ESCO contract template ✓
20. ESCO enabling legislation ✓
21. EPBD: Inspections ✓
22. EED 6: Procurement ✓
23. EED 7: Policy notification ✓
24. EPBD: Alternatives to heating inspection ✓

Kosovo
25. EPBD: Primary Law ✓
26. EPBD: NCM ✓
27. EPBD: EPC ✓
28. EPBD: MEPS ✓
29. EPBD: Inspections ✓
30. EPBD: Calc. software ✓

North Macedonia
31. EPBD: MEPS
32. EPBD: NCM
33. EPBD: EPC
34. EPBD: Inspections
35. EPBD: Calc. software ✓

€5 million for Window 1a (EU WBIF), €2 million for Window 1b (EU WBIF, SIDA, EBRD SSF)
### REEP Plus policy - building on previous activities and targeting new policy areas

<table>
<thead>
<tr>
<th>Policy Area</th>
<th>ALB</th>
<th>BA-RS</th>
<th>BA-F</th>
<th>MKD</th>
<th>KOS</th>
<th>SRB</th>
<th>MNE</th>
<th>Regional</th>
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<tr>
<td><strong>EE primary legisl. (EED, EPBD)</strong></td>
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<td><strong>EPBD regulations &amp; software</strong></td>
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<td><strong>Building renovation strategies</strong></td>
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<td><strong>NEW</strong></td>
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<td><strong>nZEB plans</strong></td>
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<td><strong>NEEAP / NECP</strong></td>
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<td><strong>EE in procurement</strong></td>
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<td><strong>EED Art.7 - legisl./ notification</strong></td>
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<td><strong>NEW</strong></td>
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<tr>
<td><strong>EE in heating and cooling</strong></td>
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<td><strong>EE in transmission</strong></td>
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<td><strong>Training energy auditors</strong></td>
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<td><strong>NEW</strong></td>
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<td><strong>Eco-design &amp; Labelling</strong></td>
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- **Completed**
- **Ongoing, expected completion in by end-2019**
- **Scope of support under consideration**

**18 June, 2019**
ESCO Market Development

OBJECTIVE

• Increase public sector low carbon investments by using private sector expertise and finance in ESCO projects.

• Promote an enabling legislative environment for ESCO business models in the Western Balkans and by providing technical support for project/tender preparation.

ACTIVITIES AND RESULTS (COMPLETED 1H/2018)

• Legislative support of EE projects, including primary and secondary legislation; regulations on procurement, laws, taxation, budgeting.

• Model ESCO contract templates for energy performance contracting and energy supply contracting.

• Standardising public procurement and contracting documents and processes to lower transaction costs.

• Energy Efficiency Project Preparation Support.

INVESTMENT OUTCOMES

• Total potential capex of >€109m in public sector low carbon investments arising from REEP policy and technical support.

ESCO MARKET DEVELOPMENT OUTCOMES

• Market in Serbia developing, 33 street lighting ESCO projects approved, biggest implemented project to date in Krusevac. ESCO project in Veliko Gradiste: see film.

• Market in Bosnia Herzegovina gradually developing,

• North Macedonia market initiated with 12 municipalities indicating interest in street lighting ESCO projects.

• First discussions in Kosovo and Albania.
ESCO Market Development

BACKGROUND
• **EUR 1 million** of technical assistance to support preparation of ESCO projects (additional to EUR 350k remaining funds)

UPCOMING ACTIVITIES
• Deepening the ESCO market development
  – Reducing transaction costs during project preparation by supporting authorities to make approval processes efficient and clarify secondary legislation. This would allow ESCO projects that are not feasible today due to long payback periods.
  – This applies mainly to Serbia and Bosnia Herzegovina

• Broadening the ESCO market development
  – Mainstreaming/piloting newer project types (buildings, district heating and water)
  – Mainstreaming additional commercial concepts of energy supply contracting
  – This applies mainly to Serbia and Bosnia Herzegovina
Window 2
Intermediated Finance
WeBSEFF II - Results Update

<table>
<thead>
<tr>
<th>TOTAL ACHIEVEMENTS</th>
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<tbody>
<tr>
<td><strong>Countries</strong></td>
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<tr>
<td><strong>Private Financial Institutions (PFI)s</strong></td>
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<tr>
<td><strong>Total financing available to PFIs</strong></td>
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<tr>
<td><strong>Total signed sub-loan amount to date</strong></td>
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<tr>
<td><strong>Total no. of sub-projects to date</strong></td>
</tr>
<tr>
<td><strong>Current pipeline value</strong></td>
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<tr>
<td><strong>Total CO₂ savings</strong></td>
</tr>
<tr>
<td><strong>Total equivalent primary energy savings (MWh/y):</strong></td>
</tr>
<tr>
<td>- <em>(which includes Renewable energy capacity added (MW):)</em></td>
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</table>
WeBSEFF II – Current status

- **90% of the funds under the existing facility (EUR 92 million) were utilised**, remaining amount unutilised mostly by one PFI in Croatia (~EUR 9 million); funds fully utilised in BiH and North Macedonia, and close to full utilisation in Serbia.

- **EUR 25 million** extended, of which EUR 15 million was signed in Serbia with a repeating PFI in October 2018 and is now 26% utilised for signed sub-loans, whilst the portfolio and pipeline combined amounts to 92%.

- **Overall funds committed by PFIs is EUR 107 million**, and the remaining EUR 10 million is expected to be committed by Q3 2019.

- Almost **EUR 0.75m TC funds** remaining for disbursement of sub-loans (relating to generic tasks such as marketing, pipeline origination, preliminary eligibility, verification etc.)

- Current pipeline, primarily under the above mentioned credit line, stands at **EUR 12.29 million** for 23 sub-projects, two of which are in the public sector (waste and water collection vehicles) and the remainder in the private sector (vehicles, buildings, biomass boilers/CHP, Solar PV, hydropower, heat pumps, cogeneration, and process equipment).
WeBSEFF II Case Study
Replacement of boilers in six public sector buildings in Serbia

CLIENT
Resalta d.o.o. is a leading supplier of energy services for the benefit of Municipality of Mali Idjos in Serbia

PROJECT
• Replacement of boilers in six public sectors buildings: a municipality building, a police station, a health centre and three primary schools
• Expected reduction of energy costs and CO2 emissions as a result of reduced energy consumption over a total heated area of
• Expected reduction of maintenance costs due to improved quality of equipment
• Improved heating conditions raising comfort level for pupils, patients and public servants

FINANCIAL STRUCTURE
Total project cost/loan €393,192 / €280,000
Incentive amount €28,000 (10%)

EXPECTED IMPACT
• Annual energy cost savings: €135,667
• Payback period: 3 years
• Primary energy savings (MWh/year): 1,298
• CO2 emissions reduction (tonnes/year): 416
• Total combined heated area: 20,360m²
**GEFF Residential: Funding Progress to June 2019**

<table>
<thead>
<tr>
<th>Country</th>
<th>Credit lines signed (#)</th>
<th>Credit lines signed (€m)</th>
<th>Expected Signing in 2019 (€m)</th>
<th>Total (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>At Jun 2019</strong></td>
<td></td>
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<tr>
<td>Albania</td>
<td>2</td>
<td>9.0</td>
<td>3.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>4</td>
<td>22.0</td>
<td>0.0</td>
<td>22.0</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>2</td>
<td>4.0</td>
<td>6.0</td>
<td>10.0</td>
</tr>
<tr>
<td>Kosovo</td>
<td>3</td>
<td>8.5</td>
<td>5.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Montenegro</td>
<td></td>
<td></td>
<td></td>
<td>2.0</td>
</tr>
<tr>
<td>Serbia</td>
<td>2</td>
<td>10.0</td>
<td>15.5</td>
<td>25.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13</td>
<td>53.5</td>
<td>31.5</td>
<td>85</td>
</tr>
</tbody>
</table>

- Total signing amount has not changed from previous period; **EUR 53.5 million** with **13 PFIs**
- EBRD aims to sign all EUR 85 million with 16-18 PFIs by YE2019
## GEFF Residential: Impact Progress to June 2019

<table>
<thead>
<tr>
<th>Key figures</th>
<th>18 June, 2019</th>
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<tbody>
<tr>
<td>Countries</td>
<td>5 countries: Bosnia &amp; Herzegovina, North Macedonia, Serbia, Kosovo, Albania</td>
</tr>
<tr>
<td>Total Financing provided to PFIs</td>
<td>EUR 53.5 million</td>
</tr>
<tr>
<td>Total signed sub-loan amount</td>
<td>EUR 9.00 million (+ EUR 3.18m since last EECG)</td>
</tr>
<tr>
<td>Total no. of sub-projects</td>
<td>1,650 (+550 since last EECG)</td>
</tr>
<tr>
<td>Average sub-loan amount</td>
<td>EUR 5,456</td>
</tr>
<tr>
<td>Total GHG emissions avoided</td>
<td>2,901 t/year</td>
</tr>
<tr>
<td>Total equivalent primary energy savings (MWh/y):</td>
<td>8,205 MWh/year</td>
</tr>
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</table>
Implementation Deliverables
Technical Assistance

**Technology Selector** (online platform of GEFF eligible technologies) launched in 5 countries and available on local websites, supporting the PFI lending process:

- Products available: >18,000 (+8,000 since last EECG)
- Total number of suppliers: >4,000 (+1,000 since last EECG)

**Regional hubs:** Two regional hub offices established, Belgrade and Tirana

**Capacity building to PFIs:** trained >1,000 loan officers in 13 PFIs
Awareness Raising

Marketing campaigns following the launch events, including print materials, billboards, digital campaigns, TV and radio appearances.

Launch events
- Sarajevo (Nov 2017)
- Pristina (Mar 2018)
- Skopje (Apr 2018)
- Belgrade (Sept 2018)
- Tirana (Mar 2019)
Vendor workshops to attract local vendors & suppliers to register their EE products on the TS and develop the market for green technologies
- Latest in Banja Luka in April, in cooperation with Unicredit Bank

Case studies: Four new success stories published on local websites for Serbia, BiH, and North Macedonia
Window 3
Direct Financing
Direct Financing
WeBSEDFF / REEP

FINANCIAL STRUCTURE
Direct finance €50m
Incentives €4.24m
Technical cooperation €2.25m

PROGRESS
• 6 projects financed to date (3 SHPP, 1 biomass, 2 biogas), for a total of €25.9m +1 project approved for up to €6.0m (SHPP)
• All projects are operational, delivering renewable energy broadly in line with original estimates

RESULTS
• 21.2MW installed, equivalent to the annual electricity needed by the street lighting systems of cities the size of Sarajevo, Tuzla and Mostar combined
• CO2 emissions saved: 325,974 tonnes/year

ISSUES
• Continuing challenges with identifying suitable ESCO projects for financing
Direct Financing  
WeBSEDFF / REEP Plus

BACKGROUND

• **EUR 20-30 million**  EBRD financing for up to 12 projects, without grant co-financing

• To be utilized for direct loans to developers of renewable energy projects, as well as ESCOs and possibly industrial energy efficiency projects

• The REEP Plus funding will be used for covering due diligence and other finance preparation costs (on a cost sharing basis)

PROGRESS TO JUNE 2019

• First project approved – a wind farm in Kosovo of 32 MW (EBRD financing of EUR 19.0 million). REEP Plus funding (EUR 50k) used to support the technical due diligence

UPCOMING ACTIVITIES

• Identification of other potential projects for financing and development of a pipeline will take place over the next 12-24 months
Window 4
Direct Lending to Public Sector
Direct Lending to Public Sector

BACKGROUND

- **EUR 20 million** EBRD financing for up to 4 projects, with **EUR 2 million** grant co-financing available (ca. 10% grant)

- To be utilized for direct loans to states, cities or municipal companies to improve EE in public buildings (i.e. schools, hospitals, government buildings)

- **First transaction signed in June 2018**: A sovereign EBRD loan of EUR 10 million for EE retrofit of the Zenica Cantonal Hospital.

- The loan is accompanied with a EUR 1 million investment grant (WBIF) and EUR 200k for project preparation and procurement support.

- Tender for works is expected to be published in Q3’2019.

- Another transaction is expected to be signed in Q2’2020, which will utilize the remaining grant amount.
Direct Lending to Public Sector

Current KfW-Pipeline / preparatory activities

- In active discussions with all 6 Western Balkan Contracting Parties.
- Mixture of scaling up existing programs and new programs
- Targeted public buildings in the educational, administrative, health and social sector
- Demand exceeds the supply (reduction from originally 25m to 15m EUR)
- Most advanced/ prepared programs in Albania, Serbia and Montenegro
- Standardized Energy Audits partly existing
- For cross-country comparisons, unified calculation methodology and approach applied (room for coordination of promoted approaches across the Balkans)
- Cooperation with Fraunhofer Institute for Building Physics
- Showcases planned to promote “exemplary role of the public sector” (e.g. energy plus, passive house, building automation systems, deployment of RE etc.)
Communication Activities

- Always highlight donor and Energy Community support
- More than 30 publications of PR texts/news since last EECG
- More than 15 TV/radio interviews
  - 8 Prime Time news on the top rated TV channels in country
  - 1 interview with Matteo Colangeli on Albanian National Television (RTSH)
  - 2 morning shows
  - 2 printed media
  - 18 online news
- More than 30 news items following GEFF Launch in Albania
**Communication Activities**

**Vendor workshops** to attract local vendors & suppliers to register their EE products on the TS and develop the market for green technologies.

Next planned in June: S
- Subotica (Serbia)
- Kumanovo (North Macedonia)

Joint event with PFIs and Vendors in Tuzla (BiH).

**Marketing campaigns** digital campaigns, TV and radio appearances, fairs
Communication Activities

Case studies: Four new success stories published on local websites for Serbia, BiH and North Macedonia.

Resident of Kosovo invests in an energy efficient home

- Investor: Homeowner
- Location: Kosovo
- Investment: Windows and doors
- Donor: EU, Austria, WBIF
Thank you