

4th ENERGY EFFICIENCY COORDINATION GROUP MEETING

Energy Community Secretariat, Vienna: Am Hof 4, 5th Floor

Tuesday, 25th February 2014, 09:30 – 18:00

The meeting was attended by representatives of all Contracting Parties (CPs), Energy Community candidate (Georgia) and observer (Turkey) countries, the European Commission/DG Enlargement and IFI Coordination Office, Donors' community (*GIZ Open Regional Fund – Energy Efficiency, EBRD, KfW, UNDP, USAID*). Among participants there were also the consultants engaged in the *EBRD/REEP* (GFA) and in the recently ECS contracted EED Study (*DecisionWare Group and SEVEN*), other energy consultants, invited speakers from the *Concerted Action for the Energy Efficiency Directive (CA EED)*, *Energy Charter Secretariat*, as well as representatives of the Energy Community Secretariat.

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

1. Opening

The Director of the Energy Community Secretariat Mr. Janez Kopač opened the meeting and welcomed all participants, pointing out that at this meeting "the whole Energy Community" is present, including representatives from Georgia as Energy Community candidate country and Turkey as Observer. The Energy Efficiency Coordination Group is an important platform for sharing experience in the implementation of energy efficiency *acquis*, plays an important role in preparing the adoption of Energy Efficiency Directive 2012/27/EU, and it is also an important implementation partner of the regional technical assistance and investment programmes offered by the Donors' community. Energy Efficiency Coordination Group is successfully implementing a comprehensive Work Programme for 2013-2014 that reflects activities that are both linked to the obligations under the Treaty, as well as to projects and programmes that are also highly contributing to achieving energy efficiency improvements in the Contracting Parties.

The meeting was co-chaired by the Energy Community Secretariat (Ms. Violeta Kogalniceanu) and Ministry of Economy in Montenegro (Mr. Bozidar Pavlović, on behalf of the Chair).

Energy Efficiency Coordination Group adopted the meeting's Agenda without remarks and changes, as presented by the Energy Community Secretariat.

2. ESD – Core Topic 1: 2nd EEAP as a policy tool

The Energy Community Secretariat (Mr. Borko Raičević) presented the summary Report to the PHLG on Status of implementation of EEAPs in the Contracting Parties. At the date of finalisation of this

report (February 2014), the Secretariat received the approved by governments 'second EEAPs from Bosnia and Herzegovina's entity of Republika Srpska, Kosovo^{*1}, Montenegro and Serbia, as well as final version (in the process of government approval) from the former Yugoslav Republic of Macedonia. Albania sent only a first draft, while BIH entity Federation of Bosnia and Herzegovina did not sent yet its first or the second EEAP; these are reported to be under preparation, and planned to be finalised in the first half of 2014. The reports indicated that the achievements with the initial levels of savings in the intermediate period vary between CPs, but nevertheless, the 9% indicative energy savings target remained as planned, by all CPs. Most CPs are lacking sufficient data and systems that are needed for the calculation of energy efficiency indicators and savings, as well as for the monitoring of EEAP implementation.

GIZ ORF - EE (Mr. Armin Teskeredžić) informed Energy Efficiency Coordination Group on the progress in development of the *Integrated Monitoring and Verification Platform (MVP)* for EEAPs' implementation. After the training held on 24 February 2014 at the premises of the Energy Community Secretariat and the demonstration of *MVP* functionalities, the time schedule for activities in 2014 (including the *MVP* testing phase) was agreed. Mr. Johannes Elle stressed his satisfaction with institutional support during data collecting and developing of the *MVP*, and acknowledged the sustainability of this project. He underlined that a new initiative for capital cities is approved by *BMZ* (*German Federal Ministry for Economic Development*).

IFI Coordination Office (Ms. Mary O'Mahony) presented challenges in the process of EEAPs financing and support activities from September 2012 to February 2014. The key achievements included: an update of credit lines and TA available for EE measures (34 funds in total operate in the region with more than EUR 1 billion available); *Food for Thought* publication (final version published in June 2013) available in English but as well in local languages as unofficial translation, and a series of seven in-country workshops (Podgorica, Pristina, Zagreb, Skopje, Belgrade and Tirana). The observation was that the full range of financing options is not yet available in the region due to the lack of knowledge and legal/regulatory environment).

Representatives of the Contracting Parties presented the most recent developments and the status in implementation of their EEAPs, putting emphasis on barriers that impede the full and successful implementation.

Discussion:

Secretariat emphasized the importance of EEAP's assessment report, and informed EECG that this document will be circulated to them, as soon as it is presented to the PHLG. She also thanked to Ms. O'Mahony for the excellent cooperation and the very valuable results in supporting the activities of the Energy Efficiency Coordination Group. ECS asked CPs' representatives to give an update on the status and to identify problems in EEAPs' implementation.

Kosovo* will report officially on the level of 9% of Indicative energy saving target by 2018; a number of 160 buildings were audited during 2013, and some schools and hospitals will be refurbished according to the findings from these audits. Within the *World Bank* funded project it is expected that refurbishment measures will be taken in a number of public buildings. In 2014, the contract between the Ministry of Finance and *KfW* (*German Development Bank*) will be signed for the refurbishment of public schools at local level. Amendments to the Law on Energy Efficiency are expected to be adopted during 2014. An amount of EUR 200,000 is made available from central public budget for energy efficiency investments and a total of EUR 2.5 millions together with local budgets.

¹ - * This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

Bosnia and Herzegovina reported that it achieved many results, particularly due to the Energy Community Secretariat's support. Entity of Republika Srpska adopted the EEAP and some savings were reported as achieved, as well. BiH still needs to collect statistical data to fully document the savings. Secondary legislation was prepared in Republika Srpska. Federation BiH drafted EEAP, but its adoption is pending the adoption of the Law on Energy Efficiency, still in the Parliament for discussion. EE is in focus, but still not a high priority for FBiH. It is expected that in May 2014, the Law on Energy Efficiency will be adopted, and shortly after that, the FBiH EEAP will be prepared, and adopted by August; Representative from FBiH thanked *IFI Coordination Office* for its significant support.

Entity of Republika Srpska mentioned that it worked very hard in last period, and as a result it adopted the Energy Efficiency Law, the Law on Spatial Planning and Construction, as well as the EEAP. It also expects benefits from *EBRD* project regarding the ESCO market, and from *GIZ ORF* projects.

Serbia stressed that the Ministry of Energy, Development and Environmental Protection is currently preparing numerous secondary legislation acts. The legal frame necessary for the operation of the EE budgetary fund was prepared and an amount of around EUR 1,600,000 was provided for, and around EUR 1 million for citizens through subsidised interest rate loans from commercial banks to implement energy efficiency. First public call for Municipalities was launched in the period 1-20 February 2014.

Montenegro adopted the 2nd EEAP in 2013, and notified the Energy Community Secretariat. Currently it is available only in Montenegrin language; with English version to follow soon (translation will be supported by *GIZ ORF*). A Government Council dealing with removing market barriers was established, and its first meeting will be dedicated to energy efficiency. Montenegro prepared the new Law on Efficient use of Energy, to comply with Directive 2012/27/EU (EED), which will repeal the previous Law on Energy Efficiency (adopted in May 2010), as well as the Rulebook on Labelling and the Rulebook on Eco-Design of Energy Related Products. The Ministry of Economy started the project on installation of biomass heating systems (with interest rate subsidies from the Energy Efficiency Fund), and so far there are around 200 systems installed.

Albania informed that a new Department for Energy Efficiency and Renewables was recently established within the Ministry of Energy and Industry. In cooperation with the Agency (AKBN), this department works on the finalisation of the Law on Energy Efficiency, and the 2nd EEAP. These are planned to be finalised and adopted in the first half of 2014. Albania also thanked the *IFI Coordination Office* for its support and the successful training workshop held in Tirana in February 2014.

FYR of Macedonia informed about the progress in preparation of the 2nd EEAP which is in adoption phase. Environmental impact assessment has to be done for this document, and the Ministry of Environment gave the positive opinion about that. There is a lack of money for implementation of the EE measures defined in EEAP. Couple of rulebooks are adopted in the previous period. Energy agency selected five legal entities which will be entitled to provide training for energy auditors. There is some progress regarding Energy Efficiency Fund (TA will be provided) since the Ministry decided to establish the Fund. After preliminary and preparation phase secondary legislation will be prepared.

Moldova mentioned that the Moldovan Energy Efficiency Agency is currently writing the report on implementation of the 1st EEAP to the Government. The main difficulty lies in the assessment of energy savings, since there is no monitoring system in place. The Government adopted the ESCO regulation at the end of 2013. The Energy Efficiency Fund is fully operational and able to finance public and private initiatives in the field of energy efficiency. However, the Fund's human resources, as well as the general absorption capacity of institutions is low and represents a barrier for full implementation of the measures. EE Agency addressed this issue, and already sent some proposals to the Government. International technical assistance is needed and welcomed in Moldova.

SAEE Ukraine informed EECG that the 1st EEAP was developed with the involvement of all authorities, and passed the government procedure. However, Ukraine is in the process of reforming of its public administration, and after the new Government is established, the EEAP will be submitted (without changes) for approval. This is expected to happen end of March, and the EEAP will be adopted (as top priority) soon after that. The Law on Energy Efficiency is in the Parliament for the first reading.

Conclusions:

- 2.1. The second reporting period indicated an overall progress in the quality of submitted EEAPs. Contracting Parties that presenting higher quality 2nd EEAPs included FYR Macedonia, Kosovo*, Montenegro and Serbia. The report on EEAP assessment will be distributed to the members of the Coordination Group, upon finalisation.
- 2.2. The most urgent task for CPs is to adopt the missing EEAPs (Albania, BIH/Federation BiH, FYR Macedonia and Ukraine) which is a requirement of Energy Service Directive, and hence an issue of compliance.
- 2.2. There is a visible improvement in quality of documents, as well as a stronger institutional support and ownership in the CPs. Nevertheless, the EEAP implementation requires diverse skills and clearly defined roles and responsibilities; the existing structures proved insufficient, during the realization of the 1st EEAP. Hence the recommendation is to develop implementation bodies (e.g. Agencies) that can activate across sectors and are well staffed and with enough resources.
- 2.3. For effective implementation of many measures, further legislative reforms are necessary, especially the adoption of draft legislative package for implementation of EPBD, that is already being drafted in many CPs.
- 2.4. Adequate resources (human and financial) should be dedicated to improve the energy efficiency statistics, calculation of energy efficiency indicators and savings, as well as for the monitoring of EEAP implementation.
- 2.5. Clear identification and allocation of funds necessary for the measures foreseen in EEAPs is very important for timely and effective implementation. A more precise assessment of the necessary financial resources, as well as sources of financing should be further detailed, through clear programs and plans for the implementation of specific energy efficiency measures, as identified in 2nd EEAPs.
- 2.6. Coordination Group thanked *GIZ ORF* for organisation of tailored training workshop on integrated and web based Monitoring and Verification Platform (MVP). Coordination Group members expressed very positive opinion and experience from the MVP as very important tool for monitoring and verification of EEAPs, both for the evaluation of past measures, as well as the estimation of the effects of planned measures. This activity will be complemented with capacity building of relevant stakeholders.
- 2.7. EE Coordination Group thanked *IFI Coordination Office* for its very useful support dedicated to EE financing, cooperation and number of analyses and valuable lessons. IFI CO concluded that EE measures can often pay for themselves and do not necessarily require extensive borrowing. Substantial financial resources are available in banks, but there is lack of information of possible users. Excellent pilot projects were developed by municipalities in most countries. Energy Efficiency Coordination Group should become a regional forum for sharing experience, regular progress monitoring and update on credit lines, and improve reporting from banks and IFIs and using monitoring of EEAP for "propaganda" to encourage more investments.

3. New EU Directive 2012/27/EU on Energy Efficiency

The Energy Community Secretariat thanked to DecisionWare Group and SEVEN Energy (the Consultant) for their presentation of the Interim Report of the *Study on assessment of the impact of EE Directive, if adopted by CPs*. The Consultant was engaged in November 2013 in order to conduct research and assess the impact of different scenarios and requirements which may transpose provision of the EE Directive into the national legislation frameworks of the CPs. The study includes 4 tasks that cover the respective articles to be assessed: setting the national targets; exemplary role of public buildings, energy efficiency obligation schemes; and promotion of efficiency in heating and cooling. EC–Times model, developed as the regional modelling tool, is used for identification of the most effective configuration of the future energy systems in the CPs, as well as impact calculations. The reference scenario assumed compliance with ESD target, RE targets and Large Combustion Plants directive.

Discussions:

The Consultant was asked about the difference between definitions of “*public building floor space*” and “*Central Government public buildings floor space*” and was invited to clarify better the which ones are subject to the EED provisions.

Serbia asked about the data used for modelling, stressing that for Serbia there are new data available within preparation of the new Energy Strategy. It requested to check and verify the data used for Serbia and recommended that the data are made available for all CPs to check.

FYR of Macedonia asked for additional clarification of the reference scenario.

Conclusions:

- 3.1. EECG thanked consultants for the interim report of EED Study. The methodology will help assessing the impact and make an informed decision on the EED adaptations for the Energy Community.
- 3.2. Floor area calculation in square meters should be in line with the requirements of the EED for “central government buildings”. Coordination Group members were invited to check the data posted by the Consultant with ECS support on the Energy efficiency communication platform - Forum. The members should confirm data/change the data if better information is available on the actual surface of public buildings which belong to central governments.
- 3.3. The data used in the model will be upon request made available to the CPs (members of the Coordination Group) to check and verify them.
- 3.4. The revised version of the Interim report will be circulated to the EECG members in approximately one week. The members’ comments will be taken into consideration in the final report in June.

4. ESD/EED Core Topic 2 – Public Sector EE Procurement

ECS thanked Ms. Lucinda Maclagen, CA EED coordinator, for her presentation on good practices in EU Member States in the field of energy efficiency public procurement. Ms. Maclagen presented best

practices in EU Member States in this area and the website of the *EED Concerted Action*². CA EED has very rich experience and data base, including on EE public procurements, to which ECS has access and may inform the EECG on specific good practices. She also presented four EE public procurement good practice examples: Sweden, Italy, UK and Finland.

Discussions:

ECS stressed that the *CA EED* work program is exceptionally good, and it was used as a model for the Work Programme of Energy Efficiency Coordination Group.

Coordination Group members provided an update on their progress in implementation of rules, methodologies and secondary legislation which should regulate and stimulate the use of energy efficiency as a criterion in public procurement.

Serbia developed, with the support of UNDP, guidelines on EE public procurement, however, it was prepared before adoption of the Law on Efficient Use of Energy and it will have to be updated upon finalization of the related secondary legislation. Currently a secondary legislation act is under preparation with the support provided from EBRD/REEP project, as well as an update of existing guidelines. In the Law on Public Procurement, new provisions were included, in order to be able to use EE as criterion in public procurements.

Montenegro informed that its situation is very similar to that in Serbia. A new Law on Efficient Use of Energy is in preparation; the existing Law on Public Procurement recognized the importance of EE as a criterion for selection in public procurement. *EBRD/REEP* project is supporting Montenegro with the preparation of the rulebook on public procurement criteria, as well as with updating the existing guidelines on Energy efficiency public procurement.

FYR of Macedonia informed EECG members that the guidelines which defined and promoted EE as a criterion in PP were adopted by the *Energy Agency* in 2012.

Kosovo* mentioned that two measures are incorporated so far in the Public Procurement Law. However, it still has to develop a rulebook on EE in public procurement for the central body for public procurement.

Bosnia and Herzegovina: FBiH has an *Agency for Public Procurement*, but no EE Law, and no relevant EE procurement provisions and regulation regarding energy efficiency in public procurement. Republika Srpska mentioned that without changing the Procurement Law no progress could be achieved, and that the institutions are not so familiar with the energy efficiency topic.

Ukraine adopted the Law on Public Procurement as well as secondary legislation. Procurement is linked with the development of relevant standards that set minimum EE requirements for equipment.

Moldova informed that there are no specific deadlines for introduction of EE criteria in public procurement (this is part of the National Energy Efficiency Programme 2011-2020), and that this is the Agency's main task for the future. The *Energy Efficiency Agency* is providing comments on all energy efficiency projects financed from the public budget and monitors implementation of the project financed through public budget.

Albania has a Law on Public Procurement, which introduced EE criteria in public procurement, but there is no institution responsible for monitoring how the Law is being implemented.

Conclusions:

² <http://www.esd-ca.eu/>

- 4.1. Contracting Parties shall ensure that energy efficiency improvement measures are taken by the public sector, focusing on cost-effective measures which generate the largest energy savings in the shortest span of time. They should undertake all available measures in order to establish soon the framework necessary for introducing EE criteria in public procurement of goods, services and buildings. This should be backed up with guidance, education and awareness rising in central institutions responsible for EE procurement.
- 4.2. ECS thanked to Ms. Lucinda Meclagen for her presentation of best practices in EU Member States in this area. ECG will continue to exchange best practices in CPs and EU, and cooperate with relevant EU institutions and projects - EC, CA EED, CA EPBD etc.

5. Regional Energy Efficiency Program (REEP)

ECS thanked EBRD for the update on the Regional Energy Efficiency Programme in the Western Balkans (REEP), including the policy dialogue window, the credit line facility (WeBSEFF II) and direct financing facility window (WeBSEDF). ECS mentioned that this is a programme based on the countries own priorities and TA requests, and it is now entering the phase of working on substance.

EBRD provided updated information on the progress with *REEP* Theme 2: Implementation of *EPBD* and procurement seem to be the priority for countries, while TA for EE obligations will be addressed latter. *EBRD* commended Albania for its interest and having sent the official request for support.

EPBD support will include work on various secondary legislation acts and development of the calculation software for minimum energy performance in buildings. Next steps: by end of March, the focus is on Kosovo*'s primary legislation development.

EE procurement support includes the development of public procurement regulation and guidelines. In the next period, the focus will be primarily on Serbia, while Montenegro will follow slightly later.

The TA for utilities and EE obligation schemes will be postponed until June/July 2014. Kick off meetings are planned in Croatia and BiH/Republika Srpska in the second quarter of 2014.

ECS also thanked EBRD for the presentation on policy and legal technical assistance for the transposition of *EPBD* in Moldova. This included development of gaps analysis and new legislation proposed for Moldova. The Programme developed in Moldova had two components: component I focussed on policy and legal assistance and legislative support, while component II focused on the development of credit lines for EE financing, support to most promising projects etc. The credit lines are already ongoing.

In Moldova, *EBRD* supported the development of the draft Law on Energy Performance of Buildings and 5 implementing regulations. The Law passed the 1st reading in the Parliament.

There are many legislative obstacles that hinder EE financing in the residential sector in Moldova, mainly in the multi- apartment buildings. To address these issues, a set of legislative changes and measures was proposed, including strengthening the homeowners' role, public awareness, mandatory building management, etc.

Similar support was provided to Armenia and the Kyrgyz Republic – which was the first country in this Central Asia region which has adopted the new legislative *EPBD* package.

EBRD presented the draft model of energy performance contracts for buildings and public lighting. It emphasized some of the most critical issues which impede implementation of EP contracting: procurement issue, flexibility issue, public private partnership (PPP) legislation. The identification of

the baseline and certain adjustments are of crucial importance for the energy performance contracting.

6. *Financing energy efficiency*

The session was moderated by Mr. Božidar Pavlović, on behalf of the Energy Efficiency Coordination Group Chair.

DG Enlargement presented the available funds to support energy efficiency financing through *EU IPA 2* and *WBIF*. It also pointed out the excellent cooperation with the Energy Community and the importance of proper transposition of the relevant energy *acquis*. Energy efficiency in residential sector will be the next area of interest for WBIF.

USAID presented activities in the region and possible financing opportunities for energy efficiency. It shared the experience of implementing energy efficiency projects in various countries, as well as the introduction of 50001 energy management standards.

KfW provided useful information on *KfW* activities and possible fields of cooperation (with local banks and ministries) in the CPs. *KfW* is not dealing directly with end users, but implements funds and projects through, currently, 16 banks in six Western Balkan countries (a portfolio of EUR 100 million). *KfW* is also conducting different projects related to rehabilitation of power plants as well as environmental protection projects.

The *Energy Charter Secretariat* presented its structure consisting of 54 member states and its activities. Key activities in energy efficiency are linked with implementation of the PEEREA Protocol (*Protocol on Energy Efficiency and Related Environmental Aspects*) under the *Energy Charter Treaty*. It defines policy principles for energy efficiency and focuses on the promotion of energy efficiency policies, development of energy efficiency markets, and cooperation in energy efficiency field. In 2014, the focus is on Albania and BiH.

UNDP BiH expressed its view that there is a large scope for cooperation in BiH between *UNDP* and other institutions. It presented its activities: a number of pilot projects, institutionalization and self-sustainable energy management mechanisms including the Energy Management Information System – a web based software which is used in BiH.

Discussion:

UNDP informed about activities regarding energy audits in BiH.

Montenegro additionally provided information on *KfW* loan and technical assistance aimed to support the refurbishment of public educational buildings.

BiH/Republika Srpska asked about *IPA II*, and which are the necessary documents for projects support. DG ELARG informed that very soon, *IPA II* financing framework will have all the necessary documents prepared.

Mr. Engin Bostanci from Turkish Ministry of Natural Resources asked about scope of 2nd phase of *IPA* for Turkey. EC will provide additional information.

Montenegro asked if the process of *IPA 2* preparations started in all SEE countries. The answer was that all countries are at the same level of implementation.

CA EED Coordinator mentioned the *Intelligent Energy Europe*³ and its possibilities of financing, and invited participants to look at the website and search the database of successfully implemented projects, which is publicly available.

Conclusions:

6.1. The Secretariat thanked to all presenters for their very interesting presentations, sharing experiences and good practices with the members of the Energy Efficiency Coordination Group, and overall support to energy efficiency in Energy Community.

The next meeting of the Energy Efficiency Coordination Group was postponed to 30 June - 01 July 2014, as the EU Sustainable Energy Week will be held between 23 and 27 June 2014.

³ <http://ec.europa.eu/energy/intelligent/>