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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

Tenth meeting
Geneva, 21-22 February 2008

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

I. ATTENDANCE

1. The meeting was attended by National Coordinators and representatives of National Participating Institutions from the following ECE member countries: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Romania, Russian Federation, Serbia, the former Yugoslav Republic of Macedonia and Ukraine.
2. The meeting was also attended by representatives of the project donor institutions - United Nations Environment Programme (UNEP)/ Global Environment Facility (GEF) and Fonds Français pour l'Environnement Mondial (FFEM).
3. The following international organizations, non-governmental organizations and public and private companies were also in attendance: United Nations Development Programme (UNDP), United Nations Environment Programme Finance Initiative (UNEP FI), World Trade Organization (WTO), European Bank of Investment (EIB), Energy Charter Secretariat, Academy of Mining Sciences of the Russian Federation, International Environmental Law, Wood Energy,

Renaissance Finance International Ltd., Conning & Co., TWC Energy and Infrastructure Group (USA), Intelligent Systems (Russian Federation).

II. OPENING SESSION

4. The meeting was opened by the Acting Director of the UNECE Sustainable Energy Division. In his opening remarks, he mentioned the most recent developments related to the Energy Efficiency 21 project on “Financing Energy Efficiency Investments for Climate Change Mitigation”. With the completion of main donor agreements during the first half 2007, the project began a start-up phase during the second half of last year. This initial phase involved a number of key steps and administrative arrangements to start project operations as resources for the first year of operations.

III. ADOPTION OF THE AGENDA (Agenda item 1)

5 The agenda was adopted as contained in document ECE/ENERGY/WP.4/GE.1/2008/1.

IV. ELECTION OF OFFICERS (Agenda item 2)

6. Mr. Zdravko Genchev (Bulgaria) and Mr. Mykola Raptsun (Ukraine) served as Chairman and Vice-Chairman, respectively.

V. SEMINAR ON FINANCING ENERGY EFFICIENCY AND RENEWABLE ENERGY INVESTMENTS WITH THE EUROPEAN CLEAN ENERGY FUND (Agenda item 3)

7. The European Clean Energy Fund (ECECF) is a €354 million investment fund established by SwissRe and Conning & Company in 2007 to finance environmentally sound energy projects in Western, Central and Eastern Europe mandated by the Steering Committee of the Energy Efficiency 21 Project in 2004. The fund provides equity and mezzanine finance for energy efficiency, renewable energy and waste-to-energy projects to generate carbon credits and renewable energy certificates. The TCW Energy and Infrastructure Group is the investment manager and SwissRe serves as the carbon adviser.

8. A one-day seminar was held to describe how Energy Efficiency 21 Project participants can work with the European Clean Energy Fund and to appraise project development capacities in participating countries.

9. Mr. Marcus van der Burg from Swiss Re/Conning and Mr. Jean-Daniel Bourgeaud from TCW Energy and Infrastructure Group presented the ECECF terms and structure, investment strategy and criteria as well as case studies of financed projects.

10. National coordinators and experts from Bulgaria and Romania, two countries eligible for ECEF investments, presented energy efficiency investment projects and national policies in their respective countries.

11. The delegation of Romania presented a detailed analysis of the national power generating sector and made an overview of existing Energy Service Companies (ESCOs) and financial structures in the country. It was also noted that the value of currently existing energy projects in Romania is approximately €1 million, which is under ECEF's threshold.

12. The Bulgarian delegation reported on the renewable energy policy in the country and presented selected potential projects involving the use of renewable energy sources. It also made a presentation of the ELANA company - a Bulgarian investment institution for alternative energy sources.

13. Representatives of UNEP Finance Initiative and the European Investment Bank made presentations on the experience of their institutions in financing climate change mitigation.

VI. RECENT DEVELOPMENTS OF THE FINANCING ENERGY EFFICIENCY INVESTMENTS FOR CLIMATE CHANGE MITIGATION PROJECT (Agenda item 4)

14. The Acting Director of the UNECE Sustainable Energy Division made a presentation on the recent developments of the project.

15. During the ensuing discussions, the meeting considered its terms of reference. It was recommended that the terms of reference of the Ad Hoc Group of Experts be expanded to include an executive or decision-making role for national representatives of participating countries and donors for the implementation of the project. This proposal was to be conveyed to the next session of the Steering Committee of the Energy Efficiency 21 Project to be held in May 2008.

16. After consideration of the work plan for the first year of project operations, the meeting requested the secretariat to prepare a revised work plan, in line with a Project Document, with a more detailed programme description, reflecting, in particular, the role of national participating institutions and specification of resources allocated to their activities, including those for identification and development of investment projects.

17. Some delegations proposed to hold annual meetings of the Ad Hoc Group of Experts not only in Geneva, but also in the participating countries. It was also suggested that when consultants were needed for the project, the services of consultants from the participating countries should be solicited.

**VII. EXPERIENCE OF PROJECT PREPARATION FOR FINANCING INVESTMENTS
BY THE EUROPEAN CLEAN ENERGY FUND
(Agenda item 5)**

18. Based on the results of missions to Bulgaria and Romania, Mr. Deltcho Vitchev, consultant to the secretariat, made an overview and analysis of energy efficiency projects financing situation in these countries.
19. It was concluded that presentations made during the Seminar and national reports by representatives of other East European and CIS countries showed different levels of expertise in project preparation and development. Delegations noted that a further systematic assessment of these capacities and training needs in relation to an equity fund within the Financing Energy Efficiency Investments for Climate Change Mitigation project was required.
20. The meeting considered further work on the assessment of training needs in the field of developing bankable projects. It concluded that this appraisal should be conducted through appraisal missions to selected participating countries before the next session of the Steering Committee in May 2008.
21. It was generally agreed that the creation of the Investment Fund was a key activity of the project, and that policy priorities should be determined for the Fund so that its commercial structure could be combined with national energy priorities in the participating countries.
22. In order to prepare projects in a consistent manner, a standard presentation of energy efficiency and renewable energy investment project proposals was considered by the meeting. In this regard, the secretariat was requested to issue a revised version of the Project Identification Form.

**VIII. PREPARATION OF THE REGIONAL ANALYSIS OF POLICY REFORMS
TO PROMOTE ENERGY EFFICIENCY AND RENEWABLE
ENERGY INVESTMENTS
(Agenda item 6)**

23. The secretariat made a presentation on recent actions undertaken for the regional analysis of policy reforms to promote energy efficiency and renewable energy investments.
24. Delegations acknowledged the work done by the secretariat and stressed the importance of the quality of the analysis of policy reforms in the countries for the success of the project.
25. A representative of the Energy Charter Secretariat shared the results of the reports prepared by the Energy Charter under the Protocol on Energy Efficiency and Related Environmental Aspects.

IX. PRESENTATIONS OF NATIONAL COORDINATORS AND NATIONAL PARTICIPATING INSTITUTIONS
(Agenda item 7)

26. Experts from Albania, Bosnia and Herzegovina, Croatia, Serbia, the former Yugoslav Republic of Macedonia and Ukraine made presentations assessing energy efficiency situations in their countries.

X. OTHER BUSINESS
(Agenda item 8)

27. No other business was discussed under this agenda item.

XI. CONCLUSIONS AND RECOMMENDATIONS
(Agenda item 9)

28. After discussion, the Ad Hoc Group of Experts:

- (a) Expressed appreciation to the participants in the Seminar of Financing Energy Efficiency Investments with the European Clean Energy Fund for their excellent presentations and valuable discussions on investment project development capacities in participating countries;
- (b) Acknowledged that the different levels of expertise in participating countries that had emerged from the Seminar and subsequent deliberations called for a more systematic needs assessment of the project development capacities and training needs;
- (c) Welcomed the opportunity for the Ad Hoc Group of Experts to work with the Conning Asset Management / TCW fund managers of the European Clean Energy Fund on energy efficiency and renewable energy investment project development in selected participating countries as part of the appraisal of an investment development capacities in relation to an equity fund within the Financing Energy Efficiency Investments for Climate Change Mitigation project;
- (d) Encouraged the national delegations of Bulgaria and Romania to pursue investment project development activities with the fund managers of the European Clean Energy Fund and report progress on their activities to the next session of the Steering Committee of the Energy Efficiency 21 Project;
- (e) Invited the ECE secretariat and the participating countries of the Energy Efficiency Investments for Climate Change Mitigation project to make use, where appropriate, of the ECEF experience for the design and operation of the Eastern European Energy Efficiency Fund to be established in the framework of the project;

- (f) Welcomed progress on the implementation of the project notably on the international competitive bid tenders for the project Webmaster and internet communications; regional analysis of policy reforms to promote energy efficiency investments; and the investment fund designer;
- (g) Requested the secretariat to continue making its best efforts on the process within the framework of United Nations procurement financial rules and regulations;
- (h) Acknowledged that the main emphasis of this innovative country-driven project was to develop the investment fund for energy efficiency and renewable energy project finance in participating countries and that all project activities should be oriented towards this overall priority;
- (i) Noted that the development of a dedicated equity fund would require a significant commitment from National Coordinators and National Participating Institutions in participating governments for the encouragement of participation in the investment fund by public or private sector institutions;
- (j) Expressed satisfaction, in this regard, with the Ministerial Declaration of the Sixth Ministerial Conference “Environment for Europe” held in Belgrade in October 2007 in which Ministers stated that: ‘We call for further efforts to improve energy efficiency in order to meet environmental and sustainable energy objectives. We welcome the project on *Financing Energy Efficiency Investments for Climate Change Mitigation* and we will consider participating as public-sector investors in the energy efficiency investment fund, which is being created through the Energy Efficiency 21 Project (ECE/BELGRADE.CONF/2007/8).
- (k) Requested the Project Management Unit (PMU) within the UNECE secretariat to prepare, within one month of the meeting, a revised work plan, in line with the Project Document, with a more detailed programme, reflecting in particular, the role of National Participating Institutions and resources allocated to activities to be distributed to National Participating Institutions;
- (l) Requested National Coordinators and National Participating Institutions to assist the PMU and contractors engaged through the competitive bid tenders in the preparation of the regional analysis of policy reforms by assembling information on national legislation / regulations concerning energy efficiency and renewable energy policies, foreign investments, public private partnerships and accounting practices, and by preparing a national case study for the analysis;
- (m) Agreed that expert missions be organised by the PMU to the capital of each participating country for consultations on the investment fund with relevant government authorities and financing institutions to assess the local financing environment, appraise investment project development capacities and analyse the conditions under which an investment fund could operate in their country;

- (n) Requested National Participating Institutions to review the status of the energy performance contracting, energy service companies and special purpose vehicles in each participating country to determine capacity building needs in preparation for the expert missions;
- (o) Agreed that specific terms of reference be prepared for the Ad Hoc Group of Experts, including operating guidelines to include an executive or decision-making role for national representatives of participating countries and donors so that the Ad Hoc Group of Experts serve as the steering committee for the implementation of the project which will also include representatives from other relevant programmes and organizations;
- (p) Expressed appreciation to the United Nations Foundation, United Nations Fund for International Partnership, the French Ministry of Foreign and European Affairs (MAEE) and the Fonds Français pour l'Environnement Mondial, the Global Environment Facility, and the European Business Congress e.V for the support of the project Financing Energy Efficiency Investments for Climate Change Mitigation.