



**Economic and Social
Council**

Distr.
GENERAL

ECE/ENERGY/WP.4/GE.1/2009/3
24 March 2009

Original: ENGLISH

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

Thirteenth session
Geneva, 2-3 March 2009

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

I. ATTENDANCE

1. The meeting was attended by the following member countries of the Economic Commission for Europe (ECE): Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Kazakhstan, Republic of Moldova, Russian Federation, Serbia, the former Yugoslav Republic of Macedonia, Ukraine and United Kingdom.
2. Representatives of the United Nations Environment Programme/Division of Technology, Industry and Economics (UNEP/DTIE), Agence de l'Environnement et de la Maitrise de l'Energie (ADEME) and Regional Cooperation Council (RCC) participated in the meeting.
3. The meeting was also attended by representatives of the Center for Energy Efficiency EnEffect (Bulgaria), Conning Asset Management Limited (United Kingdom), Conning and Company (United States of America) and Pöyry Energy Consulting AG (Switzerland).

II. OPENING OF THE SESSION

4. The meeting was opened by the Director of the ECE Sustainable Energy Division, who underlined the importance of the present session in view of the progress in implementation of the ECE project on Financing Energy Efficiency Investments for Climate Change Mitigation within the framework of the Energy Efficiency 21 Project and interaction between the project participants. The Director also emphasized the importance of the Workshop on Functioning and Requirements of the Investment Fund for understanding the nature of the investment fund by all project participants and for the ultimate success of the project implementation.

III. ADOPTION OF THE AGENDA (Agenda item 1)

5. The agenda was adopted as contained in document ECE/ENERGY/WP.4/GE.1/2009/1.

IV. ELECTION OF OFFICERS (Agenda item 2)

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

V. WORKSHOP ON FUNCTIONING AND REQUIREMENTS OF THE INVESTMENT FUND (Agenda item 3)

7. Representatives of Conning Asset Management Limited and Conning & Company made a presentation on the criteria for bankable projects, explaining the required elements for preparation of successful project proposals, including the choice of country and energy sector, use of technology, description of project owners or operators as well as the estimates of economic and operational risks of project implementation. They pointed out that each project proposal should include a detailed description and financial model of project operations.

8. They also presented their view and design proposal for the investment fund on energy efficiency as well as the process and requirements for launching such a fund. Special attention was drawn to the issues of market formation and investors' appetite as crucial factors for structuring the fund.

9. Representatives of the National Participating Institutions (NPIs) from Belarus, Bosnia and Herzegovina, Bulgaria, Republic of Moldova, Russian Federation, Serbia, the former Yugoslav Republic of Macedonia, and Ukraine presented examples of past, current and potential projects on energy efficiency (EE) and renewable energy sources (RES) in their respective countries. Presentations by NPIs pointed out the priority areas of national energy strategies and legislation, government interest in implementing projects on EE and RES and their support and stimulation of such projects, use of energy efficient technologies, market potential, project costs and current investment opportunities for EE and RES projects in the participating countries. Particular emphasis was laid on success stories in financing EE and RES projects and on barriers and obstacles to such financing.

10. The meeting discussed the eligibility criteria for financing of projects on energy efficiency and renewable energy sources as well as the necessity of governmental support and guarantees for implementation of such projects.

11. A representative of Pöyry Energy Consulting AG presented the company's vision on interaction with NPIs and National Coordinators (NCs) in the process of preparing of regional analysis of policy reforms to promote energy efficiency and renewable energy investments in the participating countries. The proposed interaction consisted of the following activities: (a) responding to the questionnaire on current national strategies and legislation, tariffs and market liberalization; (b) organizing interviews with NCs, national and local governmental bodies and other stakeholders in the countries; (c) providing feedback and comments on draft reports on each respective country.

12. The meeting noted the importance of close cooperation between the project contractors, NCs and NPIs in the distribution of responsibilities for preparation of investment fund design and regional analysis of policy reforms in energy efficiency and renewable energy.

13. The Ad Hoc Group of Experts underlined the crucial importance but also possible challenges for participating countries to implement and support the projects on energy efficiency and renewable energy sources in the context of the current financial crisis.

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

14. The secretariat presented the recent developments of the project. They include preparation by the Project Management Unit in coordination with consultants and NPIs of a draft report on assessment missions to the participating countries, which includes a Business Development Course Programme; finalizing the contracts with the three major contractors and acceptance of their work plans on investment fund design, regional analysis of policy reforms to promote energy efficiency and renewable energy investments, and development of a website and internet communications network of energy efficiency managers in Eastern Europe; continued implementation of grants by NPIs in accordance with their Memoranda of Understanding with ECE; preparation by the Project Management Unit of substantive and financial reports on the first year of project operations (2008) to the supporting institutions and requests for the second disbursement of funds for further Project implementation; and finalizing the Draft Report on the Interfuel Substitution Study.

15. The ECE Regional Adviser on Energy made a presentation on cooperation with the Regional Cooperation Council (RCC) and on preparation of project proposals on energy efficiency at the request of the RCC.

VI. PRESENTATION OF THE WORK PLANS BY THE THREE PROJECT CONTRACTORS (Agenda item 5)

16. Following the decision of the Ad Hoc Group of Experts at its twelfth session December 2008 (ECE/ENERGY/WP.4/GE.1/2008/9, para. 23 (e)) the three project contractors, namely the Center for Energy Efficiency EnEffect, Pöyry Energy Consulting AG, and Conning Asset Management Limited, presented their respective work plans for the development of a website and Internet communications for the Network of Energy Efficiency Managers in Eastern Europe, regional analysis of policy reforms to promote energy efficiency and renewable energy investments and investment fund design.

17. A representative of the Center for Energy Efficiency EnEffect presented a detailed work plan for the development of the regional project website in English and Russian and Internet based communication platform as well as the use of software for project-related communications and facilitation of interaction between project participants. He explained that the project website would serve as a user-friendly and useful template package for the project and pointed out the necessity of creating the Network of Energy Efficiency Managers and its usefulness for project participants at the national and regional levels.

18. The meeting noted the importance of developing the project website in view of its role in reducing the costs in preparing the project proposals and giving the possibility of displaying practical information for both the preparation of bankable projects and the required information for analysis of policy reforms in the participating countries.

19. A representative of Pöyry Energy Consulting AG presented its work plan for preparing a regional analysis of policy reforms to promote energy efficiency and renewable energy investments in the participating countries. The presentation included a description of activities required for such analysis, including the development of methodology and outline of the report, interaction with NPIs and NCs, data validation and its verification with NPIs, identification of case studies and development of recommendations for new reforms.

20. The Ad Hoc Group of Experts requested inclusion of an analysis of the investment climate in participating countries in the content of the report, taking into account the importance of this information for the establishment of the investment fund as an ultimate objective of the project and to reflect the impact of the current economic and financial crisis on energy efficiency in the report to be prepared by Pöyry Energy Consulting AG.

21. A representative of the Conning Asset Management Limited presented its view on the work for preparing the investment fund design. He suggested that the process of designing the investment fund would reflect the current financial and economic situation and would involve actively seeking potential investors interested in financing EE and RES projects. He specified that the investment fund would be a Euro-denominated public-private partnership mezzanine fund with the possibility of equity investments if there was sufficient investor appetite.

VII. DRAFT WORK PLAN FOR THE SECOND YEAR OF PROJECT OPERATIONS (Agenda item 6)

22. Following the decision of the Ad Hoc Group of Experts at its twelfth session in December 2008 (ECE/ENERGY/WP.4/GE.1/2008/9, para. 23 (n)) the secretariat introduced the revised draft Work Plan for the second year of project operations (2009). After discussion and clarifications on the schedule of activities, this was approved with modifications resulting from the discussion.

23. The delegation of the Russian Federation proposed organizing a workshop on case studies for international and local experts in the Russian Federation. The delegation of Belarus proposed organizing a seminar for senior policymakers in the participating countries or a workshop on case studies in Belarus. These proposals were noted with appreciation by the Ad Hoc Group of Experts.

24. The delegation of Kazakhstan suggested that the possibility of a public relations campaign in the media of participating countries to raise awareness about the Financing Energy Efficiency Investments for Climate Change Mitigation project should be explored.

25. The Ad Hoc Group of Experts requested the secretariat to prepare and submit a draft Work Plan for the Third Year of Project Operations (2010) to its fourteenth session on 7-9 October 2009.

VIII. PRESENTATION OF THE DRAFT REPORT ON THE ASSESSMENT MISSIONS TO PARTICIPATING COUNTRIES AND DISCUSSION ON CONCLUSIONS AND RECOMMENDATIONS (Agenda item 7)

26. The secretariat presented a draft report on the results of assessment missions to the participating countries. It was suggested that this would serve as a basis for the regional analysis of policy reforms to promote energy efficiency and renewable energy investments and a tool for the NCs and NPIs to promote energy efficiency and renewable energy policies in their respective countries.

27. The meeting discussed conclusions and recommendations of the draft report on assessment missions. It was stated that capacity building for developing bankable projects in the area of energy efficiency and renewable energy sources is an important tool for successful implementation of the project. The importance of customizing the Business Development Course Programme to specific conditions of participating countries was emphasized.

28. The Ad Hoc Group of Experts requested the Project Management Unit within the ECE secretariat to finalize the report on assessment missions and prepare a more concrete Energy Efficiency Business Development Course Programme in consultation with NPIs and NCs.

IX. REVIEW OF PROGRESS IN IMPLEMENTATION OF GRANTS BY THE NATIONAL PARTICIPATING INSTITUTIONS (Agenda item 8)

29. Based on the Memoranda of Understanding between ECE and the National Participating Institutions, the delegates from Croatia, Republic of Moldova and Ukraine made presentations on the progress in implementation of grants in their respective countries. Note was taken of the submission of the first progress report on implementation of the grant by the NPI in the Russian Federation.

X. OTHER BUSINESS (Agenda item 9)

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

XI. CONCLUSIONS AND RECOMMENDATIONS

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

- (a) Expressed appreciation to the representatives of Conning Asset Management Limited, Conning & Company, and Pöyry Energy Consulting AG for their presentations at the workshop on functioning and requirements of the investment fund;
- (b) Expressed appreciation to the representatives of Belarus, Bosnia and Herzegovina, Bulgaria, Republic of Moldova, Serbia, Russian Federation, the former Yugoslav Republic of Macedonia, and Ukraine for their presentations on financing energy efficiency and renewable energy projects at the Workshop;
- (c) Took note that the process of negotiations was in its final stages for the signing of the following contracts between the United Nations and, respectively, Conning Asset Management Limited for the investment fund designer contract; Pöyry Energy Consulting AG for the regional analysis of policy reforms to promote energy efficiency and renewable energy investments contract; and the Center for Energy Efficiency EnEffect for the development of a website and Internet communications Network of Energy Efficiency Managers in Eastern Europe contract;
- (d) Noted with appreciation the presentation of the draft detailed work plans for implementation of the contracts by Conning Asset Management Limited, Pöyry Energy Consulting AG, and the Center for Energy Efficiency EnEffect;
- (e) Acknowledged that the overall success of the Project is critically dependent on the close cooperation and interaction between all parties currently working on its implementation, namely National Coordinators and National Participating Institutions, the contractors, the supporting institutions, the Project Management Unit, as well as with other stakeholders which will become involved in the Project;

- (f) Approved the draft Work Plan for the second year of project operations (2009) with revisions resulting from the discussion;
- (g) Requested the Project Management Unit to submit the Work Plan for the second year of project operations (2009) to the Ad Hoc Group of Experts by 31 March 2009 and to the Steering Committee of the Energy Efficiency 21 Project at its twentieth session on 3-5 June 2009;
- (h) Invited the Center for Energy Efficiency EnEffect, in consultation with the Project Management Unit, to prepare a consolidated document that would incorporate the work plans of the three Project contractors into the Work Plan for the second year of project operations (2009) by 31 March 2009;
- (i) Took note of the draft report on the assessment missions to participating countries and its conclusions and recommendations;
- (j) Acknowledged the value of the report on the assessment missions as a basis for the regional analysis of policy reforms to promote energy efficiency and renewable energy investments and as a tool for the National Coordinators and National Participating Institutions to promote energy efficiency and renewable energy policies in their countries;
- (k) Took note of the Energy Efficiency Business Development Course Programme proposed in the draft report on the assessment missions as an important tool to build capacity for developing bankable projects in the area of energy efficiency and renewable energy sources;
- (l) Requested the Project Management Unit, when preparing detailed curricula for implementation of the Energy Efficiency Business Development Course Programme, to do so in close cooperation and consultation with National Participating Institutions and National Coordinators taking into account the specific conditions of each country;
- (m) Requested the Project Management Unit to finalize the report on the assessment missions, taking into consideration comments and suggestions from the National Coordinators and National Participating Institutions to be received by 31 March 2009, to prepare it for publication in English and in Russian and to submit it to the 20th session of the Steering Committee of the Energy Efficiency 21 Project on 3-5 June 2009;
- (n) Requested the Project Management Unit to submit the draft Work Plan for the third year of project operations (2010) to the fourteenth session of the Ad Hoc Group of Experts on 7-9 October 2009;
- (o) Took note of the progress in implementation of grants by the National Participating Institutions of Croatia, Republic of Moldova, Russian Federation and Ukraine;

- (p) Expressed appreciation to Mr. Glen Skovholt, Monitoring and Evaluation Adviser, for the mid-term report on the progress of the project implementation in the first year of project operations;
- (q) Requested the Project Management Unit to submit as official documents to the Steering Committee of the Energy Efficiency 21 Project at its twentieth session the following: (i) the Work Plan for the second year of project operations (2009); (ii) the final report of the Monitoring and Evaluation Adviser on the progress of the project implementation in the first year of project operations; and (iii) the Energy Efficiency Business Development Course Programme;
- (r) Expressed appreciation to the United Nations Foundation, United Nations Fund for International Partnership, the French Ministry of Foreign and European Affairs and the Fonds Français pour l'Environnement Mondial, the United Nations Environment Programme / Global Environment Facility, and the European Business Congress e.V for their support of the project on Financing Energy Efficiency Investments for Climate Change Mitigation.
