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Committee on Sustainable Energy

Steering Committee of the Energy Efficiency 21 Programme**Group of Experts on Energy Efficiency****Investments for Climate Change Mitigation****Eighteenth session**

Geneva, 26 April 2012

**Report of the Group of Experts on Energy Efficiency
Investments for Climate Change Mitigation on its eighteenth
session****I. Attendance**

1. The meeting was attended by the following member countries of the United Nations Economic Commission for Europe (UNECE): Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, France, Italy, Kazakhstan, Kyrgyzstan, Russian Federation, Serbia, Switzerland, Tajikistan, the former Yugoslav Republic of Macedonia, Turkey, Ukraine, and Uzbekistan.
2. Representatives of the Economic Commission for Latin America and the Caribbean (ECLAC), the European Union, the United Nations Environment Programme (UNEP), and the United Nations Foundation (UNF) participated in the meeting.
3. The meeting was also attended by representatives of Business Effect LLC (Russian Federation), Conning Asset Management Limited (United Kingdom), CPV Conseil (France), EnEffect (Bulgaria) and Swiss Innovation Power SA (Switzerland).

II. Opening of the session

4. The meeting was opened by Vice Chair of the Group of Experts (GE) on Energy Efficiency Investments for Climate Change Mitigation representing Belarus. The Director of the UNECE Sustainable Energy Division (SED) made opening remarks.

III. Adoption of the agenda (agenda item 1)

5. The agenda was adopted as contained in the document ECE/ENERGY/WP.4/GE.1/2012/1.

IV. Election of officers (agenda item 2)

6. The session elected the Bureau of the Group of Experts on Energy Efficiency Investments for Climate Change Mitigation: Chairperson Mr. Evgeniy Nadezhdin (Russian Federation) and Vice-Chairpersons Mr. Zdravko Genchev (Bulgaria) and Ms. Tatyana Pospelova (Belarus).

7. The newly elected Chairperson emphasized the progress already achieved in the previous years of the project implementation and the importance of continuing the work in the framework of the Project. He pointed out the importance of such work in the context of 2012 International Year of Sustainable Energy For All (SE4ALL) and the draft SE4ALL Global Action Agenda agreed at a high-level meeting in London to be presented at the Rio+20 Conference. Concrete public-private commitments are necessary to achieve global objectives: universal access to modern energy services, doubling the share of renewable energy in the global energy mix and doubling the rate of global improvement in energy efficiency by 2030. The project “Financing energy efficiency and renewable energy investments for climate change mitigation” (FEEI) developed back in 2005–2006 and with its implementation started in 2008 covers those priority issues that are now included in this Global Action Agenda. The Project is in its critical phase. Suspension of funding at this stage is surprising and counter-productive. The Global Environment Facility (GEF) Secretariat should not have taken this decision. It is up to the GEF Council to make a decision on the project and its funding rather than the GEF Secretariat. The Russian Federation is ready to address the GEF Council but will need support from other participating countries. The GEF insists that the European Bank for Reconstruction and Development (EBRD) has to be involved in the project as a co-implementing agency. However for several years EBRD was not part of the Project but it was implemented successfully and this issue was not raised. It is not clear why suddenly EBRD’s absence became an issue. The project is extremely important for the participating countries and successful. It should go ahead to its successful completion.

V. Recent developments of the project “Financing Energy Efficiency and Renewable Energy Investments for Climate Change Mitigation” (FEEI) (agenda item 3)

8. The secretariat presented recent developments of the project since the seventeenth session of the Group of Experts in April 2011 in Geneva. The following events were organized by the UNECE, in cooperation with other organizations: International Conferences and Seminars on Business Planning of Energy Efficiency and Renewable Energy Projects (Kyiv, 27–28 April 2011 and Skopje, 29–30 June 2011); Seminar on Energy Efficiency in Private and Public Sectors: Practical Approaches and Methods (Astana, 13 March 2012); Seminar on Sustainable Energy and Investments (Dnepropetrovsk, 11–12 April 2012); Second Energy Efficiency Forum and Workshop on Development of Energy Efficiency Policy Frameworks and Investments in Energy Efficiency and Renewable Energy Projects (Dushanbe, 12–14 September 2011); Side Event on Investments in Energy Efficiency and Renewable Energy: Ways to Make Them Business-as-usual at the Seventh Ministerial Conference “Environment for Europe”

(Astana, 22 September 2011). Interaction and coordination by the Project Management Unit (PMU) with EnEffect and Conning Asset Management Limited on the implementation of their contracts continued. The implementation of the first set of grants by the National Participating Institutions (NPIs) has been completed. The coordination of implementation of the second set of grants with the NPIs in accordance with the Memoranda of Understanding (MOU) with UNECE continued, and they are close to completion. Work on the preparation of the indicative project pipeline is on-going. A preliminary analysis of the indicative project pipeline submitted by the NPIs has been completed. The independent mid-term evaluation of the project contracted by UNEP has been undertaken and main conclusions and recommendations from it were presented. The FEEI project was rated as moderately satisfactory. The resumption of disbursements by the project supporting institutions was recommended in the mid-term evaluation report. It was also noted that no further disbursement of funds have been received from the project supporting institutions due to unresolved issue of involvement of the European Bank for Reconstruction and Development as a co-implementing agency, on which the GEF insists.

VI. Presentation of the work-in-progress by the project contractors EnEffect and Conning Asset Management Limited (agenda item 4)

9. A representative of EnEffect presented the current status of implementation of the contract for the Development of a website and Internet communications network of energy efficiency managers in Eastern Europe. The network database is maintained and updated; the additional inputs from several NPIs were received and the national sections of the database were updated. The FEEI Project regional website is fully operational and is kept updated with information on the latest project developments. Links to the national websites of the NPIs and their dedicated pages for the project are placed on the FEEI regional website and is being updated with the new content. The Seminars on Business Planning in Kyiv and Skopje were filmed. Training materials, including video footage of the training course in English and Russian are posted on the project website. The website of the Energy Efficiency 21 (EE21) Programme has been renovated and launched on the new platform. The content of this website is updated. The fifth issue of the FEEI project newsletter has been prepared and printed.

10. The Chairman proposed to upload to the project regional website relevant energy efficiency (EE) and renewable energy (RE) information and links to other related websites, which can be useful for the project participants.

11. Taking into account the current suspension of the disbursement of funds by the project supporting institutions, the issuance of the last purchase order to EnEffect under the terms of its contract is delayed. However EnEffect is willing to continue the required work for maintenance and update of the FEEI Project and EE21 Programme websites until the last purchase order is issued.

12. A representative of Conning Asset Management Limited made a presentation on the current status of the design of an investment fund. He emphasized the importance of preparation of the Financing Coordination Agreement (FCA) and the role of UNECE in it. He also clarified the role and structure of the Financing Coordinating Unit (FCU) in closing the market failure gap and providing a problem solving forum for financing of EE and RE projects.

13. The Chair, a representative of the Russian Federation, and the Vice Chair representing Belarus inquired about the role of the UNECE under the FCA and in the FCU, the availability of funds for technical assistance to the project developers for developing

their EE and RE projects to market standards, and the status of the project proposals submitted for the indicative project pipeline by the NPIs. A representative of Conning Asset Management Limited responded that the FCU would be a group of experts responsible for analysing the project proposals and sharing information with the project developers. The UNECE provides infrastructure for such information exchange, policy advice and technical assistance. The NPIs and National Coordinators (NCs) are also involved. The secretariat clarified that under the terms of the FEEI Project Document, the UNECE would have funds for contracting services of consultants to assist project developers in developing their EE and RE projects to market standards. A preliminary analysis of the project proposals submitted for the indicative project pipeline by the NPIs has been conducted but the detailed analysis will only be possible after the establishment of an investment fund.

14. Taking into account the current suspension of the disbursement of funds, the issuance of the last purchase order to Conning Asset Management Limited under the terms of its contract is delayed. A representative of Conning Asset Management Limited stated that in these circumstances the deliverables under the last purchase order under the contract cannot be submitted to the UNECE until the purchase order is issued. However he emphasized that Conning Asset Management Limited is willing to complete the work with potential investors on the structured investment instruments for financing EE and RE projects to the extent it is corresponding to the commercial interests of the company.

VII. Outcome of the International Conferences and Training Seminars “Business Planning of Energy Efficiency and Renewable Energy Projects” (agenda item 5)

15. The secretariat made a presentation on capacity building activities conducted in the framework of the FEEI project. The Project Development Curriculum had been prepared based on the assessment of capacity building needs in the participating countries. This curriculum included various types of activities, including information seminar on general requirements of financial institutions regarding investment projects, individual consultations for project developers and project owners, as well as capacity building activities for policy makers to provide assistance and support to national and local authorities to introduce required reforms needed to support investments in EE and RE projects. Based on the curriculum, the regional events were organized jointly with Norsk Energi: International Conferences and Training Seminars on Business Planning of EE and RE Projects in Kiev, 27–28 April 2011 (attended by participants from Belarus, Republic of Moldova, Russian Federation, and Ukraine) and in Skopje, 29–30 June 2011 (attended by participants from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Serbia, and the former Yugoslav Republic of Macedonia). The country-oriented trainings were organized in Tomsk, Russian Federation, 17–18 June 2010 (jointly with Gazprom Promgaz), Astana (jointly with ICF International) and Almaty, Kazakhstan, March-April 2012, and Dnepropetrovsk, Ukraine, 11–12 April 2012 (jointly with East Europe Foundation). Total number of participants that attended the training seminars is over 300. The business planning materials, including principal standard documentation, templates and other relevant information on the preparation of bankable project proposals, were provided on CD-ROMs to all participants of the trainings. These materials along with the video footage of the regional training seminars have been posted on the FEEI website.

VIII. Outcome of the Second International Energy Efficiency Forum and preparations for the Third International Sustainable Energy Forum (agenda item 6)

16. The secretariat made a presentation on the outcome of the Second International Energy Efficiency Forum and preparations for the third International Forum: Energy for Sustainable Development. The Second International Energy Efficiency Forum and the Workshop on Development of Energy Efficiency Policy Frameworks and Investments in Energy Efficiency and Renewable Energy Projects on 12–14 September in Dushanbe jointly organized by the Government of Tajikistan, UNECE and ESCAP with the support of the United Nations Development Programme (UNDP) Office in Tajikistan (ECE/ENERGY/WP.4/2012/4–ECE/ENERGY/WP.4/GE.1/2012/3). The Forum has become a regular annual event, with the second Forum in Dushanbe in September 2011 being a follow-up to the first Forum in Astana in September 2010. In the framework of the FEEI project, the Forum and the Workshop are also follow-up steps to the Seminars on Policy Reforms (Geneva, 7–8 October 2009 and 20–22 October 2010), and the Workshop on Case Studies (Kiev, 10–11 November 2009). The second Forum gathered over 100 participants from 25 countries. It included plenary sessions: Promoting Energy Efficiency and Renewable Energy: Global and Regional Aspects; Investments in Energy Efficiency and Renewable Energy Technologies: International Best Practices; and Energy Economics and Financing Mechanisms: Approaches to Energy Efficiency and Renewable Energy. The Workshop on Development of Energy Efficiency Policy Frameworks and Investments in Energy Efficiency and Renewable Energy Projects and the Workshop on Attracting Foreign Direct Investments (FDI) in Advanced Fossil Fuel Technologies were held at the Forum, along with the Roundtable Discussion on the Market Opportunities for Promotion of Energy Efficiency and Renewable Energy Projects in Central Asia. Main conclusions of the Forum were presented to the delegates of the session. The outcome of the second Forum was presented at a side event Investments in Energy Efficiency and Renewable Energy: Ways to Make them Business-as-usual at the 7th Ministerial Conference "Environment for Europe" in Astana, Kazakhstan on 22 September 2011. A report on the Forum, including its conclusions is published in the Issue No. 5 of the FEEI newsletter.

17. The third International Forum: Energy for Sustainable Development is co-organized by the Government of Kyrgyzstan, UNECE, ESCAP, and UNDP, with participation of the Regional Environmental Centre for Central Asia (CAREC). It will take place at the Issyk Kul Lake, Kyrgyzstan from 12–14 September 2012. The geographic focus of the Forum, similar to that of the two previous Forums, is on Central Asia and its neighbouring regions, with participation not only from Europe and Asia but from other regions of the world as well. The Forum will include a high-level segment with participation of ministers and officials of the government bodies responsible for energy and sustainable development in the countries of Central Asia and neighbouring countries. The Forum will focus on the following topics: Sustainable energy in Central Asia and neighbouring regions; Energy efficiency in buildings and in housing sector; Investments in energy efficiency and cleaner energy; and Role of the private sector in promoting cleaner energy options. The following workshops will take place at the Forum: 1) Policies and legislation to promote energy efficiency and clean energy technologies in Central Asia; 2) Energy efficiency in buildings; 3) Foreign direct investments (FDI) in advanced fossil fuel technologies; and 4) Financing of advanced energy efficiency and renewable energy technologies in Central Asia. Two meetings will be held in the framework of the Forum: 1) Subregional consultation meeting on preparation for Asia and the Pacific Energy Forum (APEF) 2013 and 2) Special Programme for the Economies of Central Asia (SPECA) Project Working Group on Water and Energy Resources.

18. A delegate from Kyrgyzstan provided additional information on the current status of preparations of the third International Forum: Energy for Sustainable Development in Kyrgyzstan. He reiterated that the Government of Kyrgyzstan has offered to host the Forum this year and emphasize importance of hosting such an important event in the country with expectations of high level participation in this Forum. The Ministry of Energy and Industry of the Kyrgyz Republic is appointed the responsible national institution for organizing the Forum.

19. The Chair inquired what efforts will be made to invite experts outside the UN system to speak at the Forum and whether the results of the Rio+20 Conference would be reflected at the Forum. The secretariat responded that each of the co-organizers will invite representatives of Governments, international organizations, financial institutions, private sector, non-governmental organizations, academia and other relevant experts to participate in the Forum. The outcome of the Rio+20 Conference are expected to be taken into account at the Forum. A delegate from Switzerland emphasized the importance of bringing qualified experts to the Forum as it will ensure the success of the event. Funding for delegates is important.

IX. Review of progress in implementation of grants by the National Participating Institutions (agenda item 7)

20. The secretariat made an introduction on the current status of implementation of grants by the National Participating Institutions (NPIs) in accordance with the Memoranda of Understanding (MOU) between the UNECE and the NPIs. The first set of MOU has been completed with all participating countries. The second set of grants has been signed with ten NPIs. The NPIs from Albania, Belarus, Bulgaria, Croatia, Republic of Moldova, Russian Federation, the former Yugoslav Republic of Macedonia, and Ukraine have successfully completed the implementation of the second MOU. The MOU with NPI in Kazakhstan has been extended until 30 April 2012 and the draft final report has been submitted. The implementation of the MOU by the NPI in Serbia has been delayed due to governmental restructuring and, consequently, it had to be cancelled.

21. A representative of Albania made presentation on the current status of policy frameworks and recent developments of the energy policy in Albania. Representatives of Croatia and Kazakhstan reported on the progress in implementation of the MOUs by the NPIs in their respective countries.

22. The Chair asked a representative of Albania if the Government of Albania provides financial assistance for the construction of large hydro power stations. A representative of Albania responded that there are government guarantees but the construction is fully financed by foreign investors. The Chair asked if the project proposals for the indicative project pipeline submitted by the NPI in Kazakhstan had been analysed. The secretariat responded that these project proposals were included in the draft final report, which is being assessed.

X. Draft work plan for the fifth year of project operations (2012) (agenda item 8)

23. The secretariat reported that the Draft Work Plan for the Fifth Year of Project Operations had been prepared (ECE/ENERGY/WP.4/GE.1/2011/9) and issued in October 2011. However, due to the suspension of the disbursement of funds by the project supporting institutions the planned activities indicated in this Draft Work Plan could not be implemented.

24. In view of the current situation with disbursement of funds by the project supporting institutions, the Chair suggested that letters from the Governments of the project participating countries could be sent in support of the continuation of project implementation to the GEF Council together with a request to the GEF secretariat to resume funding for the FEEI project. The Group of Experts supported this suggestion and proposed to provide a collective support by preparing letters indicating the achieved project results and the importance of the successful completion of the project for the project countries.

XI. Other business (agenda item 9)

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

XII. Conclusions and recommendations (agenda item 10)

26. The conclusions and recommendations were not discussed at the request of the European Union pending the completion of the review of the UNECE Subprogramme on Energy.

XIII. Dates of the next meeting (agenda item 11)

27. The nineteenth session of the Group of Experts on Energy Efficiency Investments for Climate Change Mitigation is scheduled to be held on 3–5 October 2012.
