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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

Eighth Meeting
Geneva, 31 May 2006

REPORT ON THE EIGHTH MEETING

I. ATTENDANCE

1. The meeting was attended by representatives from the following member countries: Albania, Belarus, Bulgaria, Czech Republic, France, Germany, Hungary, Italy, Latvia, Romania, Russian Federation, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, and United States of America.
2. The meeting was also attended by representatives of the United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP)/ Global Environment Facility (GEF) and United Nations Office for Project Services (UNOPS). The following intergovernmental and non-governmental organizations were in attendance: European Investment Bank (EIB), Centre for Energy Efficiency (EnEffect), Energie Citès – Association of European Local Authorities, ArenaEco, RUSDEM-Energeffect, and European Business Congress (EBC).
3. In addition, the companies ENEL SpA, Agency for Rational Energy Use and Ecology, Cintech, Earn Bank, IXIS Corporate and Investment Bank and Renaissance Finance International Ltd were in attendance.

II. OPENING SESSION

4. The meeting was opened by the Deputy Director of the UNECE Sustainable Energy Division (SED). In his opening remarks, he mentioned the most recent developments related to the new Energy Efficiency 21 sub-project on “Financing Energy Efficiency Investments for Climate Change Mitigation”. During 2005 the donor institutions confirmed US\$ 7.75 million in new extrabudgetary financial commitments from the United Nations Foundation (UNF), the French Ministry of Foreign Affairs (MAE) / Fonds Français pour Environnement Mondial (FFEM), the Global Environment Facility (GEF) and the European Business Congress (EBC) for energy efficiency projects for which the UNECE is the executing agency. The Deputy Director also pointed out the confirmed participation of the European Bank for Reconstruction and Development (EBRD) in this EE21 sub-project in relation to the development of the proposed investment fund.

III. ADOPTION OF THE AGENDA

(Agenda item 1)

5. The Ad Hoc Group of Experts adopted its agenda as contained in document ECE/ENERGY/WP.4/GE.1/2006/1.

IV. ELECTION OF OFFICERS

(Agenda item 2)

6. Mr. Bernard Jamet (France) was re-elected Chairman.

V. RECENT DEVELOPMENTS OF THE FINANCING ENERGY EFFICIENCY INVESTMENTS FOR CLIMATE CHANGE MITIGATION PROJECT

(Agenda item 3)

7. In his introductory remarks the Chairman outlined the importance of the relationships established with EBRD during the last phase of the project. As a result, EBRD had not only decided to support the future development of this project but also to act as a co-implementing partner of UNEP. The Chairman reminded the meeting that the project was now in its final endorsement stage within UNEP and GEF, but cautioned that the implementation phase would be the most difficult. For this purpose, teams would need to be set up first, including a project management unit (PMU) within UNECE in Geneva and executing teams in the different countries. Secondly, preparation and implementation of the investment fund will take place through a new vehicle – a Public-Private Partnership Investment Fund. The fund has a separate legal and fiscal status and will provide an alternative and innovative form of financing energy efficiency and renewable energy investment projects. The intention is to call for investors with significant financial capacity from all over the world. The fund is composed of capital investments, primarily from the private sector but with a significant share from the public sector. The form of financing with public capital would need to be decided by the beneficiary countries themselves. It can either take the form of direct financing, through Finance Ministries, indirect financing through Public Agencies or even more indirectly through creating incentives for private local actors.

VI. PRESENTATION OF THE PROJECT DOCUMENT (Agenda item 4)

8. This item was introduced by the secretariat with a comprehensive presentation on the future of the project “Financing Energy Efficiency Investments for Climate Change Mitigation”. The project will involve countries in Eastern Europe and CIS: Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Montenegro, Republic of Moldova, Russian Federation, Romania, Serbia, The former Yugoslav Republic of Macedonia, and Ukraine. It will be implemented by UNEP and EBRD, the executing agency is the UNECE and the main donor institutions are the UNF, MAE/FFEM and UNEP GEF. The European Business Congress (EBC) is also contributing as donor to the project, and other co-financing partners might be included in the process in the near future. The objectives of the project are: to identify and develop investment projects, to strengthen energy efficiency and renewable energy policies, and to promote opportunities for banks and commercial companies to invest in energy efficiency projects. The secretariat presented in detail the new financial vehicle for the project – a Public Private Partnership Investment Fund. The fund will be approximately 65% private and 35% public. Its investors will be private and public banks, local banks, insurance companies, large industrial groups and dedicated environmental and green funds. For the work methods, there will be both regional and national management and monitoring and evaluation advisors from all co-financing institutions and UNECE will be consulted. Project operations are expected to begin in the second half of 2006.

VII. PRESENTATIONS OF THE NATIONAL PARTICIPATING INSTITUTIONS (Agenda item 5)

9. Mr. Sergio Rogai, ENEL SpA, Italy, presented a new ENEL project for the production and use of customer remote management systems. Such a system uses an electronic meter, which allows remote reading, disconnection or change of contractual parameters, theft and fraud detection and prevention. With such a system it is possible to set a power threshold according to demand contract and network characteristics. Above these manageable demand levels, power disconnects or warning signs are emitted. The electronic meters can be either single or poly phase. Mr. Rogai also discussed an alliance between ENEL and IBM, aiming to commercialize an integrated solution for managing metering assets remotely in the electric marketplace. The electronic metric system presents a technological and technical revolution, which will initiate an irreversible change in electric consumption and, together with a liberalization support, will open up a new market.

10. Mr. Friedman Wannagat, Head of the Technical Cooperation with Eastern Europe, Ruhrgas AG, Germany, represented the European Business Congress (EBC). EBC is an organization founded in 1998 as a union of enterprises, associations and organisations based in OSCE member countries, which executes non-commercial business. Its goals are to contribute to the economic development of and economic cooperation within OSCE member States and to enhance the creation of sustainable dialogue between politics and business. As there is a joint interest to promote the rational use of energy, to reduce air pollution and to promote the formation of energy efficiency markets in Eastern Europe and the CIS countries, ECB joined the UNECE EE 21 Project as a co-financing partner. The joint activities will assist participating countries to address the financial, technical and policy barriers to energy efficiency and

renewable energy investments. Mr. Wannagat presented the problems related to gas distribution and supply in the Russian Federation and the potential for energy saving through energy efficiency in the rural regions of the country. He shed some light on the investigations made by Ruhrgas and Gasprom on potential projects; he also focused on the importance of UNECE participation in these projects, as it will bring a neutral position, high international acceptance and ability to set landmarks in and for a renewed process.

VIII. OTHER BUSINESS

(Agenda item 6)

11. None.

IX. CONCLUSIONS AND RECOMMENDATIONS

(Agenda item 7)

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

- (a) Expressed appreciation to the United Nations Foundation Board of Directors and the Advisory Board of the United Nations Fund for International Partnership for their May/June 2004 Decisions that accorded financial support of US\$ 2million to the project “Financing Energy Efficiency Investments for Climate Change Mitigation” (ECE-INT-04-318);
- (b) Expressed appreciation to the French Ministry of Foreign Affairs (MAE) and the Fonds Français pour l’Environnement Mondial (FFEM) for the support of US\$ 2.5 million approved in March 2005 as a co-financing partner to the project with the grant “Capacity Building and Support for the Establishment of a Dedicated Fund for Energy Efficiency in Eastern Europe”;
- (c) Expressed appreciation to the Council of the Global Environment Facility for their approval in November 2005 of US\$ 3 million co-financing as a grant for “Financing Energy Efficiency and Renewable Energy Investments for Climate Change Mitigation”;
- (d) Expressed appreciation to the European Business Congress e.V. for their contribution to the project as a co-financing partner in the project;
- (e) Welcomed the UNECE role as the Executing Agency for the project and the assistance of the UN Office for Project Services (UNOPS) for administrative services for selected project activities;
- (f) Welcomed the role of the United Nations Environment Programme (UNEP) and European Bank for Reconstruction and Development (EBRD) as GEF Co-implementing Agencies for the Project, in particular in relation to the investment fund;
- (g) Noted that the innovative quality of the project, especially with regard to the development of a dedicated equity fund for energy efficiency investments in East European and South-east European countries, will require significant commitments from participating

governments for policy reforms and the encouragement of participation in the investment fund by public or private sector institutions;

- (h) Noted with satisfaction that the final agreements and administrative arrangements with donor institutions were nearing completion with a view to beginning project operations during the second half of 2006;
- (i) Requested the secretariat, upon completion of the final agreements with all donor institutions, to transmit the Project Document to National Coordinators;
- (j) Agreed to provide written confirmation to the secretariat of National Coordinators, National Participating Institutions and National Coordination Units.
