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**ECONOMIC COMMISSION FOR EUROPE**

**COMMITTEE ON SUSTAINABLE ENERGY**

Steering Committee of the Energy Efficiency 21 Project

Eighteenth session  
Geneva, 30-31 May 2007

**REPORT ON THE EIGHTEENTH SESSION**

**I. ATTENDANCE**

1. Representatives from 21 member countries attended the session: Belarus, Bosnia and Herzegovina, Bulgaria, Canada, Croatia, Czech Republic, France, Germany, Hungary, Italy, Kazakhstan, Kyrgyzstan, Malta, Romania, the Russian Federation, Serbia, Switzerland, The former Yugoslav Republic of Macedonia, Ukraine, United Kingdom of Great Britain and Northern Ireland, and United States of America.

2. Representatives of the Economic and Social Commission for Western Asia (ESCWA), United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP)/Global Environment Facility (GEF) and the following specialized agency and intergovernmental organizations were present: United Nations Educational, Scientific and Cultural Organization (UNESCO), International Energy Agency (IEA), Centre for South Asian Studies.

3. The following governmental and non-governmental organizations attended: Arena-Eco, Centre for Energy Efficiency (EnEffect), CPV Conseil, Czech Energy Agency, Energy Centre Hungary, Italian National Agency for New Technologies, Energy and the Environment (ENEA), Energy Institute Hrovje Pozar, European Business Congress (EBC), French Global Environment Facility (FFEM), Novgorod Regional Center for Energy, Regional Energetic Commission of

Tomsk, Romanian Agency for Energy Conservation, sustainable Energy Development Center and World Energy Council (WEC).

4. The following companies attended: Belvneshenergo, Baker & Hostetler Efficiency Valuation, Biox Consultants, Conning & Co, Eni, EON Ruhrgas, Cintech, Intellectual Alliance of Civilizations, International Environmental Trading Group (IETG), JSC Electric Power Plants, OAO Promgaz and Renaissance Finance International Ltd.

## **II. OPENING SESSION**

5. The session opened with a statement by Mr. George Kowalski, Director of the UNECE Sustainable Energy Division, who underlined how recent international events and continuing volatility of oil and gas prices had raised concerns about energy security and climate change. In response to this, energy efficiency appeared to be emerging as a priority for energy exporting and importing countries. Within the United Nations system, the recent session of the Commission on Sustainable Development in New York (CSD-15) described energy efficiency and energy security as essential conditions for environmentally sound and sustainable economic development. Along these lines, the Energy Efficiency 21 Project (EE21) focused its efforts on market formation and promotion of energy efficiency and renewable energy investments in Eastern Europe. Financing energy security would be also a main focus of the discussion during the sixteenth session of the Committee on Sustainable Energy (28-30 November 2007).

6. Mr. Kowalski also stressed that the Energy Efficiency 21 Steering Committee had been very successful in achieving its goals over the last few years and conditions had now been established to achieve concrete progress, also thanks to the support from the United Nations Foundation, the French Global Environment Facility (FFEM), the Global Environment Facility (GEF) and the European Business Congress (EBC).

7. The project "Financing Energy Efficiency Investments for Climate Change Mitigation" would solicit the interest of significant public and private sector financial institutions to establish an investment fund to finance energy efficiency and renewable energy projects. Mr. Kowalski pointed out that the private sector had already responded to this with the recent announcement from SwissRe of the EUR 329 million European Clean Energy Fund. The UNECE project would now contribute to the expanding of the energy efficiency market further into Eastern Europe with the establishment of a new specialized Investment Fund. Within this context, public sector support was needed to address the obstacles and barriers to private finance in the participant countries.

## **III. ADOPTION OF THE AGENDA**

(Agenda item 1)

8. The agenda was adopted as contained in document ECE/ENERGY/WP.4/2007/1.

#### **IV. ELECTION OF OFFICERS**

(Agenda item 2)

9. Mr. Bernard Laponche (France) was elected Chairman. Mr. Zdravko Genchev (Bulgaria), Mrs. Milena Presutto (Italy), Mr. Trond Dahlsveen (Norway) and Mr. Sergey Koblov (Russian Federation) were elected Vice-Chairmen. Ms. Irina Yazvina represented Mr. Koblov during this session. Mr. Dahlsveen was not present at the meeting.

10. A special presentation on the SwissRe European Clean Energy Fund (ECEEF) was made by Mr. Walter Blasberg, Managing Director of Conning/ SwissRe. SwissRe has successfully raised the EUR 329 million Fund under a mandate of the UNECE Energy Efficiency 21 Project. Mr. Blasberg presented this initiative as one of the largest funds for financing environmentally sound energy technology in Europe. The Fund is to provide capital for clean energy projects that reduce greenhouse gas emissions in the countries of Western, Central and Eastern Europe. It will finance energy efficiency and renewable energy investment projects that reduce CO<sub>2</sub> emissions and generate carbon credits or tradable certificates. Mr. Blasberg provided details on how the Fund offers attractive returns to institutional investors in Europe, Canada and the United States for financing energy efficiency, wind, solar, hydroelectric or geo-thermal projects while providing carbon market services.

#### **V. RECENT DEVELOPMENTS OF THE ENERGY EFFICIENCY 21 PROJECT**

(Agenda item 3)

11. Six presentations were made on the recent activities and projects related to the EE21 Project.

12. The achievements of the past phase of the EE21 Project and the recent developments were presented by the secretariat and commented upon by the Chairman. During the period 1999-2005, investment projects to reduce carbon emissions have been developed under EE21 with local counterparts in Belarus, Bulgaria, Kazakhstan, the Russian Federation, and Ukraine. While approximately US\$60 million of proposals have been prepared, investment projects of US\$14.9 million have been financed to date. This amounts to an estimated 136,000 tonnes of carbon dioxide avoided per year that could be compared to eliminating CO<sub>2</sub> emissions of 68,000 cars. Financial institutions such as the World Bank, the European Bank for Reconstruction and Development and the Nordic Investment Bank have played a key role in that respect. But they have also shown that this is a time-consuming and labour intensive process that needs to become much more fluid or business-as-usual in order to succeed on any meaningful scale.

13. This past experience has led to the development of a new phase of the EE21 Project also on the basis of the Project Plan for 2006-2009, approved by the Steering Committee of the EE21 Project during its seventeenth session in 2006 (ECE/ENERGY/WP.4/2006/6). The project "Financing Energy Efficiency Investments for Climate Change Mitigation" is the main activity approved in the project plan. Specific presentations were made on the other EE21 sub-projects, namely the Regional Network for Efficient Use of Energy and Water Resources in Southeast Europe (RENEUER); Removing Barriers to Energy Efficiency Improvements in the State Sector

in Belarus; Biomass Energy for Heating and Hot Water Supply in Belarus; Green Labels Purchase; Development of Coal Mine Methane Projects in Central and Eastern Europe and CIS.

14. The Chairman introduced the EE21 Project, made positive remarks on the progress achieved by the project and how it could relevantly contribute to the reduction of greenhouse gas emissions in Eastern Europe through the creation of a dedicated Energy Efficiency Investment Fund based on a public-private partnership. He also pointed out the new developments of Energy Efficiency at a municipal level in specific countries, like Bulgaria, that could and would have to be among the main actors in the implementation of the new phase of EE21.

## **VI. LAUNCHING OF THE PROJECT “FINANCING ENERGY EFFICIENCY INVESTMENTS FOR CLIMATE CHANGE MITIGATION”**

(Agenda item 4)

15. The secretariat made a comprehensive presentation for launching the new project “Financing Energy Efficiency Investments for Climate Change Mitigation”. The main objective is to create a EUR 250 million Investment Fund that will help finance environmentally beneficial energy efficiency activities in the selected twelve countries of South-Eastern Europe (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, and The former Yugoslav Republic of Macedonia,) and of Eastern Europe, Caucasus and Central Asia (Belarus, Kazakhstan, Moldova, Russian Federation, Ukraine). Along with creation of the Fund, the UNECE will provide the necessary technical assistance to help an energy efficiency market formation and promote relevant economic, institutional and regulatory reforms in the selected countries.

16. This Investment Fund will provide financing for projects in the East European countries and complement the EUR 329 million Clean Energy Fund, recently raised by Swiss Re for the European Union countries under a mandate of the United Nations. The Fund will provide equity or quasi equity investments and will encourage public participation in order to stimulate private investments. Participant countries confirmed their strong interest in the new phase of EE21 and in the creation of the Fund. Indeed, private financial community still regards investments in energy efficiency in Eastern Europe as risky and of a slow return period.

## **VII. ROUND TABLE: FOCUS ON THE ACTIVITY “REDUCING GREENHOUSE GAS EMISSIONS THROUGH INTER-FUEL SUBSTITUTION IN THE RUSSIAN FEDERATION”**

(Agenda item 5)

17. Representatives from the Government of the Russian Federation, the region of Tomsk and the private sector participated in this round table, focused on reducing greenhouse gas emissions through inter-fuel substitution. The discussion centred on the idea of establishing a High Efficiency Zone in Kolpashevo, supported by the administration of the Tomsk region and of the Kolpashevo district. The Promgaz representative pointed out that between 1998 and 2006 prices for coal and oil had increased exponentially. This increase was much higher than the price growth for heating, which led heating supply organizations to difficult economic conditions, depriving them of resources needed to maintain and modernize the equipment of boilers, hot

water systems and heat consumption. In addition, price growth in heating and energy resources now represents an obstacle to the industrial development of the district.

18. Gasification could be a solution to this economic problem in Kolpashevo, since it could bring down the costs of heating and lower the industrial consumption of energy. The Gasification programme, financed by Gazprom, is planning to complete the inter-district gas pipeline to Kolpashevo in 2007. It could be now useful to examine the existing structure of heat and power supply and the means to transform the municipal and industrial boilers to the use of gas as a fuel. An energy efficiency demonstration zone will be created in Kolpashevo to ensure energy safety and fuel supply reliability, to increase efficiency of heating and electric supply system, to apply modern technologies and help market formation for profitable energy projects.

### **VIII. PRESENTATIONS OF NATIONAL PARTICIPATING INSTITUTIONS AND NATIONAL COORDINATORS**

(Agenda item 6)

19. Country representatives from Belarus, Bulgaria, Croatia, Kyrgyzstan, Russian Federation, The former Yugoslav Republic of Macedonia, and Ukraine presented the situation of energy efficiency and renewable energy development in their respective countries. They also focused on adopted strategies, on their experience in creating Energy Saving Companies (ESCOs), on problems tackled and on proposed or adopted solutions. Representatives from national Participating Institutions provided information on how their activities could be useful and instrumental for implementing activities of the new EE21 project, such as in attracting investments, facilitating the adoption of standards for carbon emission trading and emission registration, setting standards for efficiency evaluation, monitoring energy efficiency and climate change mitigation progress, developing awareness and educational programmes, training local experts for energy efficiency and renewable energy investments development, and submitting bankable projects to the dedicated Investment Fund.

20. As part of the intersectoral and inter-divisional cooperation, Mr. Christopher Prins, Chief of the UNECE Timber Section, presented the potentiality of wood energy and bio-fuels, in particular in the western Balkans.

### **IX. INPUT TO THE “ENVIRONMENT FOR EUROPE” BELGRADE CONFERENCE**

(Agenda item 7)

21. Mr. Kaj Barlund, Director of the Environment, Housing and Land Management Division, presented the Environment for Europe process and the preparatory work of UNECE for the Belgrade Conference (10-12 October 2007). The Sustainable Energy Division is actively participating in the Environment for Europe process and provided inputs on the Energy Efficiency 21 Project (EE21) to the Belgrade Conference. An analytical paper (category I) has been submitted on Public Sector Participation in the Energy Efficiency Equity Fund which will be created by the EE21 project. A background paper has been prepared on Financing Energy Efficiency for Climate Change Mitigation in Selected Transition Economies, which examines financial mechanisms for energy efficiency in transition economies from the example of five countries: Belarus, Bulgaria, Kazakhstan, Russian Federation and Ukraine.

## **X. OTHER BUSINESS**

(Agenda item 8)

22. The next session of the Steering Committee of the Energy Efficiency 21 Project will be held from 28 to 30 May 2008.

## **XI. CONCLUSIONS AND RECOMMENDATIONS**

(Agenda item 9)

23. The Steering Committee:

- (a) Expressed satisfaction with the final version of the Project Plan 2006-2009 for the Energy Efficiency 21 Project endorsed by the fifteenth session of the Committee on Sustainable Energy (ECE/ENERGY/2006/6);
- (b) Welcomed the significant progress made in achieving the goals of the Energy Efficiency 21 Project, in particular concerning financing energy efficiency investments that reduce greenhouse gas emissions in Eastern Europe and the CIS;
- (c) Welcomed with appreciation in this regard, in particular, the announcement of Conning and Company of the SwissRe Group of the EUR 329 million European Clean Energy Fund designed to provide equity financing for energy efficiency and renewable energy investments in relation to the Energy Efficiency 21 Project;
- (d) Welcomed further the development of the EUR 250 million Eastern European Energy Efficiency Fund under the auspices of the Global Environment Facility by the “Financing Energy Efficiency Investments for Climate Change Mitigation” subregional project;
- (e) Noted that the activities of the Energy Efficiency 21 Project provided UNECE member States with an appropriate response to the recent session of the United Nations Commission on Sustainable Development (CSD-15);
- (f) Agreed to follow carefully the modalities of joint implementation for demand side energy efficiency projects under the UNFCCC Kyoto Protocol;
- (g) Welcomed cooperation with the Committee on Environmental Policy on the “Environment for Europe” process and on the preparations for the Ministerial meeting in Belgrade;
- (h) Requested the secretariat to explore how the current cooperation with the Timber Committee on wood energy and bio-fuels, notably in the western Balkans, could be enhanced and formulated as a subregional project of Energy Efficiency 21;
- (i) Noted with satisfaction that, through an elected Bureau and the broad composition of the Steering Committee, the EE21 Project maintained the coordination needed to stimulate cooperation, enhance institutional complementarities and eliminate any overlapping or

duplication of effort with the programmes of other international institutions and agencies;

- (j) Noted with appreciation that the participation of representatives from governments, non-governmental institutions, international institutions, the business community and the financial sector provided the project with the diversity of views needed to accomplish agreed results;
- (k) Welcomed the participation of representatives of relevant energy efficiency and climate change mitigation national and international programmes in the network and activities of the Energy Efficiency 21 Project;
- (l) Noted that the structure of the Energy Efficiency 21 Project provided for cross-cutting Objectives and Activities that were largely implemented through sub-projects in which the UNECE served as the Executing Agency, Associated Agency or provided direct value-added information dissemination services;
- (m) Expressed appreciation for the financial support to the project provided by the United Nations Foundation (UNF), United Nations Fund for International Partnerships (UNFIP), French Ministry of Foreign Affairs, French Global Environment Facility (FFEM), the United Nations Environment Programme / Global Environment Facility (UNEP/GEF); and the European Business Congress (EBC);
- (n) Requested the Bureau and the secretariat to circulate the final conclusions and recommendations of the meeting to the Steering Committee by 30 June 2007.