
**“Financing Energy Efficiency Investments
for Climate Change Mitigation”**

Mission Reports
Albania, FYR Macedonia, Kazakhstan

Trond Dahlsveen,
ENSI - Energy Saving International

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Albania

Introduction:

- Heating of buildings mainly by electricity; electricity = 30% of the total primary energy supply
- Electricity produced in Albania almost 100% hydro power, but 50% is imported (often power cuts)
- Electricity tariff 2008 average 7 €cent/kWh.
- Concession given to a number of Small Hydro Power Plants (upgrade/new). Feasibility studies prepared by companies and investors, but no contracts yet signed
- Feed-in tariffs 2008 = 8,1 €cent/kWh for SHP < 15 MW (no other feed-in tariffs established)
- National Strategy for Renewables being prepared
- A new 97 MW, 100 mill €thermal power station in Vlora is planned to be finished by spring/summer 2009 (owned by KESH; 30% equity, 70% loan by WB, EBRD and EIB)
- National Strategy on Energy and Energy Efficiency Law exist, but not in force (to be updated 2009)
- Ongoing decentralization process, municipalities can obtain loans (Albanian Association of Municipalities active)
- No district heating system in operation
- Low indoor winter temperatures in hospitals, schools, etc – barrier for EPC?
- EBRD, USAID, KfW, UNDP, ...

Albania

Summary and Conclusions:

- The legal and regulatory framework for business development in Albanian develops quickly and seems to be beneficial, and the Government seems to be very supportive to ensure foreign investments and private initiatives
- Lack of equity (mezzanine) seems be a main barrier to investments in the energy sector
- Fund participation in the Small Hydro Power sector seems to be the most promising, public purchase commitments for electricity only from power plants less than 15 MW might be a barrier
- Fund participation in wind farms might also be promising
- Due to absence of operating district heating systems, low level of heating of buildings, low tariffs and not enough public priority and awareness, the market does not seem to be ready for a Fund involvement in an ESCO establishment
- It seems to be limited, real interest from public and private investors in Albania to participate in the European Energy Efficiency Investment Fund. The interest from International Financial Institutions needs to be clarified by their headquarters
- Local Banks (incl. international branch offices) are interested in co-financing projects with the Fund
- There is a substantial need for capacity building in Albania, both related to “Investment Project Development” and “Equity and Mezzanine Finance Business Development”

FYR Macedonia

Introduction:

- Primary energy supply dominated by coal (50%) and crude oil (35%). Almost 50% of the primary energy supply is imported
- The residential sector is the second largest energy consumer (30%), and electricity is the major energy used in the sector (increasing, 53% in 2005), including for space heating (less than 9% of the households are connected to district heating networks)
- The Government gives priority to the development of renewable energy sources, construction of small hydro power plants has the highest importance for the country
- Feed-in tariffs established for electricity from SHP, wind power, biogas and PV
- Due to wide use of electricity, the residential sector is a key target for energy efficiency improvement programs. Priority targets for commercial projects include lighting systems, space heating and hot water
- A credit and guarantee scheme is established through the Macedonian Bank for Development Promotion and 5 local, commercial banks
- MT ESCO within the GEF/WB “Sustainable Energy Project” not operational
- EBRD, USAID, SEAF, KfW, World Bank, UNDP, ...

FYR Macedonia

Summary and conclusions (1):

- The legal and regulatory framework for investments in RE seems to be unclear, the government is still discussing how to arrange leasing of sites for small hydro power plants and wind farms
- After having the necessary legal and regulatory framework in place, Fund participation in the Small Hydro Power sector seems to be the most promising
- The Energy Law obliges municipalities to develop and implement five-years Local Energy Efficiency Programmes and action plans for their implementation. This should create a larger market for energy efficiency in Macedonia
- When the second stage of decentralisation will be completed, municipalities will be able to borrow directly from international financial institutions (IFIs) and to offer financial guarantees in respect of loans to their municipal utility companies
- There are several barriers to energy efficiency in municipalities; incl. rules for public tendering, no departments responsible for energy efficiency, lack of awareness to energy efficiency among municipal decision makers. Changing of staff every four years is also a barrier

FYR Macedonia

Summary and conclusions (2):

- If the ESCO within the GEF/WB project will start its operation within short period of time, this might be an interesting possibility for the Fund
- Toplifikacija (private owned district heating company in Skopje) could be an interesting partner for the new Fund
- No real interest from public and private investors to participate in the European Energy Efficiency Investment Fund identified. The interest from International Financial Institutions needs to be clarified by their headquarters
- It would be useful for the Fund Designer and later the Fund Management to learn about the experiences from SEAF (Small Enterprise Assistance Funds), local operations and their headquarter
- There is a substantial need for capacity building in FYR Macedonia, both related to “Investment Project Development” and “Equity and Mezzanine Finance Business Development”. There are some experts that seem to have capacities and skills that could be utilised for the new Fund, but the resources are too limited to support a wider market development

Kazakhstan

Introduction:

- Large energy and mineral resources, app. 50% of the energy produced is exported
- More than 2/3 of the electricity is produced by coal power plants, mainly cheap coal from open coal mines (some of the coal has 40-60% ash content)
- Due to low electricity tariffs, very limited funds spent on maintenance and renovation of the electricity systems, and the investment needs are high
- The electricity demand has steadily been growing the last years, and now all the power plants are operating at full capacity – this is probably the main reason for full attention to energy efficiency now
- The governmental policy regarding heat supply is directed to privatization
- District heating sector: very limited funds been spent on maintenance and renovation, and the investment needs are high. The total heat losses in the distribution systems are about 40%
- District heating bills, about 35% is based on measurements. For domestic hot water, about 75% is based on measurements
- Installing energy meters in the residential sector: measured energy consumption substantially higher than the norms, mainly due to higher indoor temperatures. No interest - sometimes installed meters have “easily been broken”
- Energy efficiency in public buildings not in focus due to the budget code system; savings could not be used to repay the investment (reduced budget next year)

Kazakhstan

Summary and conclusions (1):

- EE has got high political priority only this year, mentioned by the President in several of his speeches. According the President, tariffs need to and will be increased
- New laws on Energy Savings and on Renewable Energy are being drafted, and are expected to be approved during next year. The future market development very much depend on the contents of these laws.

- There is a large need for new investments in the energy sector due to several years without investments and renovations
- At present, the market for investing in RE seems not to be favourable due to low tariffs and lack of legal framework incl. land concession and access to the public grid

- At present, the market for investing in EE in the public sector seems not to be favourable due to low tariffs, lack of awareness to energy efficiency among municipal decision makers and lack of incentives (savings gives reduced budgets)
- If the Almaty ESCO within the UNDP/GEF project will start its operation within short, this might be an interesting partner for the Fund. Rules for public tendering might be a barrier

- EE investments in the private sector, especially industry seems to be the most promising for the time being. Most of the investments, however, are mainly motivated from the need of more efficient and increased production

Kazakhstan

Summary and conclusions (2):

- Regarding the European Energy Efficiency Investment Fund, we met with few potential public and private investors. Bank TuranAlem (the third largest bank in CIS) will consider participation in the Fund. The interest from International Financial Institutions needs to be clarified by their headquarters
- It would be useful for the Fund Designer and later the Fund Management to learn about the experiences of Bank TuranAlem from financing of the energy sector
- KAZSEFF (EBRD) is interested in co-financing of projects with the Fund and in cooperation on capacity building activities

- There is a substantial need for capacity building in Kazakhstan, both related to “Investment Project Development” and “Equity and Mezzanine Finance Business Development”. There are some experts that seem to have capacities and skills that could be utilised for the new Fund, but the resources are too limited to support a wider market development

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