



**Economic and Social
Council**

Distr.
GENERAL

ECE/ENERGY/WP.4/2006/6
5 July 2006

Original: ENGLISH

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE ON SUSTAINABLE ENERGY

Steering Committee of the Energy Efficiency 21 Project

Seventeenth session
Geneva, 29-30 May 2006

REPORT ON THE SEVENTEENTH SESSION

I. ATTENDANCE

1. The session 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 session 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 seventeenth session of the Steering Committee opened with a statement by Mr. George Kowalski, Director of the UNECE Sustainable Energy Division (SED), who pointed out that recent international developments have placed greater importance on energy efficiency in most UNECE member countries. As oil and natural gas prices have risen sharply over the last year, concerns about energy security have re-emerged and energy efficiency figures prominently among the policy options being advocated by decision-makers to deal with the issue. Within the UN system, the recent session of the Commission on Sustainable Development in New York (CSD-14) gave deep consideration to energy efficiency and energy security as essential conditions for environmentally sound and sustainable economic development. The link between energy efficiency and energy security will be examined more closely at the next annual session of the Committee on Sustainable Energy (28-30 November 2006). Mr. Kowalski also stressed that the Energy Efficiency 21 Steering Committee has been very successful in attracting support for its activities over the last few years. In 2004 the UN Fund for International Partnerships and the Board of Directors of the UN Foundation approved a significant grant for the project and last year both the French Global Environment Facility (FFEM) and the Council of the Global Environment Facility (GEF) approved large grants as co-financing partners with the United Nations Foundation. Mr. Kowalski invited the participants to review the draft project plan for the period 2006-2009 and to come up with conclusions and recommendations. Once approved this plan will be transmitted for endorsement to the Committee on Sustainable Energy in November and, as part of the Committee's programme of work, will be reviewed by the new UNECE Executive Committee.

III. ADOPTION OF THE AGENDA

(Agenda item 1)

5. The Steering Committee adopted its agenda as contained in document ECE/ENERGY/WP.4/2006/1.

IV. ELECTION OF OFFICERS

(Agenda item 2)

6. Mr. Bernard Laponche (France) was elected Chairman. Mr. Zdravko Genchev (Bulgaria), Mrs. Milena Presutto (Italy), Mr. Trond Dahlsveen (Norway) and Mr. Boris Reutov (Russian Federation) were elected Vice-Chairmen. Mr. Dahlsveen and Mr. Reutov were not present at the meeting.

7. The Chairman introduced the EE21 Project, presenting the evolution of the project from initial efforts focused on capacity building, normative framework and policy reforms development as initially demanded by the participant countries, to a more market formation, project development and investment promotion type of work. He outlined the main difficulties encountered in financing energy efficiency projects and how the new phase of the EE21 Project will respond to the existing obstacles by facilitating the creation of a dedicated energy efficiency investment fund based on a public-private partnership and supported by the EE21 Project.

8. Two Special Presentations on the energy efficiency recent developments in the Russian Federation and Belarus were made.

9. The energy efficiency activities in the Russian Federation were presented by Mr. Mikhail Soloviev. The energy sector in the Russian Federation compounds around 30% of GDP and almost 63% of exports. Thus, a main goal of the Russian Government over the last years has been to restructure the economy with growth-oriented energy saving policies, aiming to substantially decrease energy consumption within the country. For this purpose, existing legislation has been amended with the aim of implementing several innovations: introduction of financial mechanisms for stimulating energy efficiency activities; division between federal and regional authorities in the energy sector; modernization of technologies and introduction of renewable energy sources; alignment with environmental and energy efficiency programmes – including the ratification and adoption of specific instruments of the Kyoto protocol. The new regulatory framework also aims to achieve decentralization of energy savings in such a way that energy surplus and deficit regions can work together on energy savings.

10. The recent energy efficiency achievements and prospects in Belarus were presented by Mr. Voitekhovic, UNDP Project Manager, on behalf of Mr. Lev Dubovik, Chairman of the Energy Efficiency Committee of the Council of Ministers of Belarus. The figures presented showed how the Government has managed to fulfil the goals of the Programme of Socio-Economic Development for the period 2001-2005 to decrease the energy intensity of GDP by 25%. In 2000-2005 measures for financing energy efficiency increased substantially. To achieve energy savings and increase energy security in 2006-2010, the energy intensity of GDP should be further decreased; at least 25% of total heat and electricity production in the Republic should be achieved by using local fuels and alternative sources of energy. The Belarusian Government will work to improve institutional and technical activities (regional and sectoral energy conservation programmes, state programme of modernization of facilities, programme on EE equipment production etc.) with the support of international organizations such as the World Bank, UNECE, UNDP and GEF.

V. PRESENTATION OF RECENT DEVELOPMENTS IN THE ENERGY EFFICIENCY 21 PROJECT

(Agenda item 3)

Documentation: ECE/ENERGY/WP.4/2006/2

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

12. The recent developments in the Energy Efficiency Investment Project for Climate Change Mitigation 2000-2005 were presented by the secretariat and commented upon by the Chairman. The project achieved the main objectives to: (i) develop communications and skills in 15 locations in the private and public sectors at the local level; (ii) strengthen energy efficiency policies in the five participating countries; (iii) promote opportunities for commercial banks and companies to invest in energy efficiency projects. Project proposals for a total value of US\$ 60 million have been identified and of these 18 projects for approximately US\$ 15 million have been financed, contributing to an estimated annual CO₂ reduction of 136,000 tonnes.

13. The experiences of the Italian National Agency for New Technologies, Energy and Investment (ENEA) in energy efficiency of end-uses and buildings was presented by Mrs. Milena Presutto, of its Unit for Sustainable Development. The presentation revealed the impact of energy efficiency standards and labels for major household appliances. One of the priorities suggested would be to increase general awareness of environmental choices that could give economic benefits. This could be done also by promoting “energy/ecological labels”. Other efforts could focus on facilitating energy improvements in the renovation of existing buildings through specific incentives, good practice examples and exchange of know-how.

14. The activities and the products of EnEffect and RENEUER in Bulgaria for the period 2005-2006 were outlined by Mr. Zdravko Genchev, Executive Director of the Centre for Energy Efficiency – Eneffect Bulgaria. The presentation focussed on three main issues: (i) the EE21 website: a strong growth trend of daily visits has been noticed in the last years; the website has been updated with examples of good practices to be used for training purposes; partnership with financial communities has been started and also a new initiative of on-line distance learning; (ii) RENEUER website: a new website reflecting the current priorities of the programme, includes project documents, detailed information about participants, events, country profiles; the main actor within the RENEUER framework is the municipality, because it can act at the same time as a consumer, distributor, regulator and motivator; (iii) EU BISE process: Mr Genchev expressed the need for a closer link between the BISE project and RENEUER.

15. The Chairman of the Steering Committee commented positively on the presentation introducing the new developments of Energy Efficiency at municipal level in specific countries, like Bulgaria. Municipalities are the leaders; information exchange and training have been successfully implemented within municipalities. At national level, however, much less information exchange has been noted and much less cooperation. At this level, there is a lack of initiatives and of resources. Consequently, there is a need to promote the exchange of best practices of national policies and national legislation in the future.

VI. REPORT OF THE MONITORING AND EVALUATION ADVISER TO THE UNF “ENERGY EFFICIENCY INVESTMENT PROJECT DEVELOPMENT FOR CLIMATE CHANGE MITIGATION”

(Agenda item 4)

Documentation: ECE/ENERGY/WP.4/2006/4

16. The UNF Monitoring and Evaluation Adviser, Mr Glen Skovholt, provided an overall assessment of the project. His observations on the EE21 website, publications and workshops were that they are innovative and contribute valuable guidance to the project. The workshops were crucial since most of the participants were excellent technical experts but had little financial expertise and business planning knowledge. Training was thus essential to the project. The demonstration zones provide real results of energy saving projects and economic incentives for policy reforms. Overall, the project was a success. However, the major source of funding for the national projects was public funds. Mr. Skovholt pointed out that in the future it would be necessary to develop private financial markets that will provide commercial financing to the energy efficiency projects.

VII. PRESENTATION OF THE NEXT THREE-YEAR PHASE OF THE ENERGY EFFICIENCY 21 PROJECT

(Agenda item 5)

Documentation: ECE/ENERGY/WP.4/2006/5

17. The secretariat introduced this agenda item with a short presentation on the next phase of the EE21 Project (2006-2009). The general objective of the new phase is to enhance regional cooperation on energy efficiency market formation and investment project development to reduce greenhouse gas emissions in economies in transition. The EE21 Project will implement different activities in order to: (i) accelerate regional networking between national participating institutions and international partners by enhanced internet communications; (ii) promote municipal level projects to enable local energy efficiency development also through the development of a new public-private partnership Investment Fund; and (iii) develop and harmonize regional policies and standards to introduce the economic, institutional and regulatory reforms needed.

VIII. PRESENTATION OF THE SUB-REGIONAL AND COUNTRY ORIENTED PROJECTS

(Agenda item 6)

18. The European Directive for Energy Performance of Buildings (EDEPB) requirements in Bulgaria were summarised by Mr. Zdravko Genchev, who also gave an overview on how the initial UNECE EE21 support contributed to compliance with these requirements in Bulgaria. He presented the four phases of the Sustainable Approach to Build Local Capacity since 1995. Mr. Genchev stressed the fact that new energy efficiency legislation for buildings is needed for the next Phase Three (2004-2006) and Phase Four (2007 and later). He also anticipated the future focus of the project to be on networking, good practices dissemination and targeted training on municipal energy planning, project formulation and financing instruments.

19. The UNDP/GEF/UNECE project in Belarus for removing barriers to energy efficiency improvements in the State sector was presented by Mr. Evgeniy Nadezhdine. He described the different phases of the project: project development facility A (2003–2004), project development facility B (2004-2006), and the full Project (2006-2010) whose objective is an increase of US\$ 18 million in internal investment in energy efficiency projects in the State sector. The full project aims to: (i) increase incentives for state organizations to invest in energy efficiency; (ii) ensure a more efficient use of financial resources, provided by the state sector for energy efficiency; and (iii) achieve the sustainable success of the project throughout Belarus. He also underlined that in Belarus about 62-64% of all energy is owned by the State, consequently it is more important for them that the State itself supports energy efficiency projects, through state enterprises or collective ownership funds.

20. An overview of the progress achieved on the Biomass Energy Project in Belarus was provided by Mr. Vladimir Voitekhovich through presentation of the work done in five demonstration sites. The first, a boiler house, has already been implemented. Three projects are in the implementation phase through the construction of biomass boiler houses. The fifth project is still in a preparatory phase. The demonstration sites are financed by a revolving fund with a

substantial GEF contribution. For the success of the project it has been assessed that there is great availability of forest residues in Belarus and in the project region; a monitoring laboratory has also been established to assess wood fuel quality and to monitor the dust and CO content of emissions. Training courses have been held locally and abroad. The expected CO₂ emission reductions due to the project activities are 1.08 million tons of CO₂ over the next 15 years.

21. A project promoted by the European Community and ENEA for the use of green labels with household appliances was presented by Mrs. Milena Presutto. The countries involved in this project are Austria, Bulgaria, Germany, Finland, Hungary, Italy, Latvia, Poland and Slovenia. The goals of the project, which started in January 2006 for 30 months, are to: (i) raise awareness and knowledge about Energy Labels as a simplifying instrument in public and private purchasing procurement; (ii) develop and disseminate standardised tools to support a wider distribution of energy related “greener” procurement procedures; (iii) identify the main barriers to energy related “greener” procurement actions; (iv) use energy related “greener” procurement pilot projects as the first step for a comprehensive EU green procurement. The main focus areas of the project are efficient appliances, as information technologies and household appliances and specific products and services, as lighting products, efficient clean vehicles, building components and green power.

22. The secretariat presented projects on Financing of Coal Mine Methane (CMM) in the EECCA region, focusing on a related capacity building project. Financing of energy efficiency projects has proven difficult so far due to unawareness and poor understanding of the financial and efficiency gains by the financial community, that is why, this project aims to provide technical assistance, link with financial institutions, document and report on the lessons learned and develop roadmap for financing additional projects in the region. The project would help the CMM industry to develop financial engineering skills and ability to prepare investment grade documents.

IX. PRESENTATION OF NATIONAL PARTICIPATING INSTITUTIONS

(Agenda item 7)

23. The delegations of Latvia, Russian Federation and Ukraine presented recent developments in the energy efficiency field and project activities undertaken. The representative from Latvia focused on different activities and specific projects related to investments in new technologies for energy efficiency improvements. Among a number of projects, a specific one was presented on a study to present the state of art of photovoltaics in new Member States and candidate countries of the European Union. The presentation from the Russian Federation documented an intelligent management and ecological monitoring system for energy saving and environmental protection in the Russian Federation developed within an international project of recreational tourism. Ukraine’s presentation provided an overview of the potential for energy efficiency and renewable energy investments in Ukraine.

24. Other presentations were related to the implementation of European directives on energy efficiency, the Euro White-Cert project and to specific examples of energy efficiency investments using existing technologies in the United Kingdom on wood gasification, solar thermal, zero energy house, wind turbine hydrogen production system and others.

25. As examples for the new phase of the EE21 Project, representatives from the European Investment Bank (EIB), the Revolving Fund in Belarus and IXIS-Corporate and Investment Bank presented their experience in financing energy efficiency projects. The Director of the EIB, Paris Office, presented the strategy of the Bank in support of the EU's Climate Change Programme (ECCP) through the implementation of a Climate Change Initiative for the provision of loans for energy efficiency and renewable energy projects. Examples of environmental investment funds in Central and Eastern Europe were presented, including one on financing energy efficiency projects using a revolving fund mechanism in Belarus, within the framework of the UNDP/GEF project "Biomass Energy for Heating and Hot Water Supply in Belarus".

X. OTHER BUSINESS (Agenda item 8)

26. The next session of the Steering Committee of the Energy Efficiency 21 Project will be held from 30 May to 1 June 2007.

XI. CONCLUSIONS AND RECOMMENDATIONS (Agenda item 9)

27. The Steering Committee:

- (a) Expressed satisfaction with the results achieved by the Energy Efficiency 21 Project during the 2003-2006 phase;
- (b) Noted that the activities of the Energy Efficiency 21 Project provided UNECE members States with an appropriate region-wide strategy to address their commitments towards climate change mitigation and to meet their international treaty obligations under the UNECE and UNFCCC;
- (c) Welcomed in particular the results of the United Nations Foundation (UNF) supported "Energy Efficiency Investment Project Development for Climate Change Mitigation" that demonstrated how to identify, develop and finance energy efficiency and renewable energy efficiency investment projects that will reduce greenhouse gas emissions in Eastern Europe and the CIS;
- (d) Expressed appreciation to the external UNF Monitoring and Evaluation Adviser, Mr. Glen Skovholt, for his active participation in the project, guidance on project implementation to the Steering Committee and reports provided to the United Nations Foundation and the United Nations Fund for International Partnerships;
- (e) Recommended that Mr. Skovholt serve as the Monitoring and Evaluation Adviser to the United Nations Foundation supported project "Financing Energy Efficiency Investments for Climate Change Mitigation (ECE-INT-04-318)";
- (f) Noted with satisfaction that, through an elected Bureau and the broad composition of the Steering Committee, the EE21 Project maintained the coordination needed to eliminate any overlapping or duplication of effort with the programmes of other international

institutions and agencies;

- (g) 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;
- (h) 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;
- (i) Approved the next phase of the Energy Efficiency 21 Project on the basis of the draft Project Plan 2006-2009 (ECE/ENERGY/WP.4/2006/5) as of 1 June 2006;
- (j) Requested the Bureau and the secretariat to introduce the amendments to the Project Plan agreed during the Steering Committee session and to issue the final Project Plan by 30 June 2006 which will be transmitted for endorsement to the next session of the Committee on Sustainable Energy;
- (k) Noted in this regard that networking Immediate Objective One should be strengthened to comprise in-depth information exchanges and discussions during project meetings, seminars and related events;
- (l) Further noted that the Energy Efficiency 21 Project website should be significantly revised and upgraded for more interactive use, capable of providing distance learning services and based on new internet software technology;
- (m) 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;
- (n) 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), United Nations Environment Programme / Global Environment Facility (UNEP/GEF); and European Business Congress (EBC);
- (o) Requested the Bureau and the secretariat to circulate the final conclusions and recommendations of the meeting to Steering Committee by 30 June 2006.
