Welcome to the first issue of the FEEI e-newsletter

As UNECE member states prepare for the UNFCCC Conference of Parties (COP-15) to be held in Copenhagen this December, the economics of climate change mitigation has emerged as a key issue among national policy makers in many countries. Much of the debate revolves around questions of what can be done to stop global warming, what will it cost and how can we pay for it. Some economists argue that it may not cost the global economy all that much and that the early stages of closing the 'energy efficiency gap' might actually come free. But self-financing climate change mitigation will not be easy. While some reports show that energy efficiency improvements alone could reduce global emissions 30 to 40 per cent, it is just not happening yet. The Financing Energy Efficiency Investments for Climate Change Mitigation project has been designed to address precisely these questions in some of the most carbon emissions intensive energy economies in the world. The United Nations Foundation, UN Environment Programme / Global Environment Facility and the Fonds Français pour l'Environnement Mondial jointly support this project as a step towards managing global greenhouse gas emissions. It aims to promote an investment climate in which cost-effective energy efficiency and renewable energy projects can be developed and financed by local teams in each participating country. Widespread efficiency improvements are not being made now because of a number of barriers and obstacles but chiefly because there are not adequate sources of dedicated financing specifically adapted to local needs. Potential energy savings are so large that only commercial sector financing can deliver meaningful results. And the private sector will need to be accompanied by the public sector in energy efficiency market formation through capacity building to develop projects, promote policy reforms and participate with the private sector in dedicated investment funds. This newsletter will keep readers aware of the progress of this project, provide opportunities to express your views and above all encourage your active participation.

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The Energy Efficiency 21 Programme is region-wide and aims to assist economies in transition to develop and promote sustainable energy policies, pursue energy efficiency strategies, reduce greenhouse gas emissions to meet international treaty obligations and enhance the security of energy supplies by producing the specific outputs from operational activities in the industry, housing and services, transport and energy sectors through national actions, bilaterally and multilaterally especially through the UNECE. EE21 is a programme under which the inter-regional, sub-regional and country-oriented projects are developed, including the Financing Energy Efficiency Investments for Climate Change Mitigation (FEEI) project.

The Programme is guided and monitored by a Steering Committee composed of delegates from national participating ministries and institutions, international organizations and donor agencies. The Steering Committee determines the activities, results, work methods, participation, procedures, budget, calendar of events and timetable of the project, and secures cooperation from other interested parties.

Sub-regional projects:
- Financing Energy Efficiency and Renewable Energy Investments for Climate Change Mitigation
- The Regional Network for Efficient Use of Energy and Water Resources in Southeast Europe (RENEUER)
- Energy efficiency market formation in South-East Europe
- Increasing Energy Efficiency for Secure Energy Supplies
- Buy Smart – green procurement for smart purchasing

Country-oriented project:
- Removing Barriers to Energy Efficiency Improvements in the State Sector in Belarus

Inter-regional project:
- Global Energy Efficiency 21 Project (GEE 21): cooperation between the United Nations regional commissions on energy efficiency for climate change mitigation

Interdivisional cooperation activities:
- Energy efficiency in housing
- Wood energy

For more information, visit the EE-21 website.
Participating Countries

The countries participating in this project include Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kazakhstan, Republic of Moldova, Romania, Russian Federation, Serbia, the former Yugoslav Republic of Macedonia and Ukraine.

Objectives

The Project is designed to establish a public-private partnership investment fund with a target capital of €250 million and develop a pipeline of new and existing projects to be financed by it.

It has established a network of National Participating Institutions and local experts who implement the project nationally and interact by means of advanced Internet communications.

The Project is also conducting national case studies and a comprehensive regional analysis of policy reforms to promote energy efficiency and renewable energy investments.

The project is to assist South-Eastern Europe (SEE) and Eastern Europe, Caucasus and Central Asia (EECCA) countries to enhance their energy efficiency, diminish fuel poverty arising from economic transition and meet international environmental treaty obligations under the United Nations Framework Convention on Climate Change (UNFCCC). The project will develop the skills of the private and public sectors at the local level to identify, develop and implement energy efficiency and renewable energy investment projects; provide assistance to municipal authorities and national governments to introduce economic, institutional and regulatory reforms needed to support these investments; and promote opportunities for banks and commercial companies to invest in energy efficiency and renewable energy projects through the development of new public private partnership investment fund.

South-Eastern European, Eastern European and Central Asian countries are confronted with a wide range of economic and environmental problems caused by their inefficient and polluting energy systems. At the same time, their energy economies provide some of the most promising opportunities for reducing global greenhouse gas emissions.

This will require the use of cost-effective energy efficiency improvements and renewable energy technologies - the main self-financing methods to implement climate change mitigation.

The investment potential for energy efficiency is so large in these countries that only the private sector can provide the capital needed to achieve meaningful results. This in turn will require a market for energy efficiency in which large investments can be made with low transaction costs at an acceptable ratio of risk to returns within a reasonable period of time. At present, private investors do not often finance energy efficiency projects in these countries because dedicated sources of financing are lacking and local banks are generally unfamiliar with such investments. Another obstacle in financing energy efficiency projects is the absence of policy and institutional support for their implementation. The lack of knowledge and experience of how to select and formulate energy efficiency investment projects is often a challenge for local experts.

In order to address these obstacles, in January 2008 the United Nations Economic Commission for Europe (UNECE) began implementing the Financing Energy Efficiency Investments for Climate Change Mitigation Project. The Project is to assist participating countries to enhance their energy efficiency and reduce air pollution and greenhouse gas emissions in order to meet international obligations under the United Nations Framework Convention on Climate Change (UNFCCC) and UNECE environmental conventions.

The Project is addressing the following barriers:

- Lack of awareness of national governments, local authorities and representatives of private sector on energy efficiency issues;
- Lack of expertise in preparing bankable proposals;

The new project: Financing Energy Efficiency Investments for Climate Change Mitigation
• Lack of dedicated sources of financing. It will help to establish strategic partnerships between private and public sectors and the civil society. The Project will provide a platform for potential partnership between the governments of participating countries and the governments in other countries.

The project will accomplish the following:
• Identify investment projects and provide training (business development course) for national experts in both private and public sectors to strengthen capacities for the development of such projects;
• Provide assistance to national governments and local authorities in the participating countries to introduce economic, institutional and regulatory reforms for the support of investments projects;
• Support banks and commercial companies to invest in these projects through professionally managed investment funds.

Overall, this Project helps to promote a sustainable investment environment for energy efficiency and renewable energy projects.

The Fund

Supporting Institutions
This four-year project is supported by contributions from the following institutions:
• United Nations Foundation (UNF) and the United Nations Fund for International Partnerships (UNFIP);
• Fonds Francais pour l’Environnement Mondial (FFEM);
• United Nations Environment Programme/Global Environment Facility (UNEP/GEF);
• European Business Congress e.V. (EBC).

The participating countries and the UNECE Secretariat provide in-kind contributions.

The FEEI project will support the creation of a dedicated investment fund and will provide a pipeline of new and existing projects to dedicated public private partnership investment funds that can provide up to $250 million of mezzanine and/or equity financing to project sponsors.

The establishment of a public private partnership investment fund will be done in four steps:
(a) Structure and prepare the investment fund under the leadership of a Lead Private Investor including establishing the investment objectives, investment structures, commercial success criteria, sub-projects eligibility criteria, conditions, exclusions and restrictions, hurdle rate, expected returns, exit strategy, coverage by sector and geographical coverage, potential fund size, market, management structure and costs, etc.
(b) Analyse the financial, legal and fiscal issues including the capital structure and all necessary legal arrangements with investors;
(c) Solicit public sector entities from both the participating countries and other countries as well as private sector investor participation, on the basis of an investment memorandum to be prepared as part of the activity and;
(d) Select an experienced fund manager through internationally approved procurement procedures.

Conning Asset Management Ltd, United Kingdom (www.conning.com) has been selected as the Investment Fund Designer and awarded a contract offer for 12 months. Under the terms of the contract, Conning will structure and prepare the investment fund; analyse the financial, legal and fiscal issues; solicit public sector entities and private sector investor participation; and prepare the terms of reference for an experienced fund manager.
In the initial stages of the preparation of the regional analysis of policy reforms, the assessment missions were conducted in eleven out of twelve countries. The mission to Romania has not taken place because the country has temporarily suspended its participation in the project, however the assessment was done based on the existing data and research available. The missions were conducted over the period from 29 September to 21 November 2008, each lasting from two to four days, and included over 150 separate meetings in 11 countries.

The consultants engaged to conduct the assessment missions submitted comprehensive reports on each mission, which should prove valuable in guiding the further work of the project. A draft Investor Interest and Capacity Building Needs Report on the outcome of the assessment missions was presented to the thirteenth session of the Ad Hoc Group of Experts.

Pöyry Energy Consulting AG, Switzerland (www.poyry.com) has been awarded a contract offer for 12 months to undertake Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments. The contractor will collect and analyse economic and energy policy data from 12 participating countries; prepare an analytical report and case studies that will be issued as a publication by the United Nations; and present the findings to senior policymakers. Among the tasks included in the contract are identification of specific policy, regulatory and institutional “bottlenecks” to energy efficiency and renewable energy market formation and analysis of how policy reforms could transform economically attractive investment projects into bankable projects.

Training

The purpose of the capacity building programme is to contribute to increased awareness, knowledge and skills in preparation of bankable investment projects for energy efficiency and renewable energy. The objective set is to train the participants in financial engineering and business planning skills to identify, select and develop energy efficiency and renewable energy investment projects and prepare bankable project proposals. The first target group for the programme is local project developers, experts (e.g. ESCO staff) and managers representing project owners and utilities. The second target group is top management and decision-makers in companies, facilities and utilities with potential investment projects for energy efficiency and renewable energy, government representatives, National Coordinators and Involvement of Private Sector

To implement the assigned tasks under the Project, the contracts with private companies, namely Conning Asset Management Limited, Pöyry Energy Consulting AG and Center for Energy Efficiency EnEffect have been signed. Three contractors have been selected following an international competitive bid tender process:

(i). Conning Asset Management Limited, United Kingdom as the Investment Fund Designer;
(ii). Pöyry Energy Consulting AG, Switzerland to undertake Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments; and
(iii). The Centre for Energy Efficiency EnEffect, Bulgaria has been selected to undertake the Development of a Website and Internet Communications Network of Energy Efficiency Managers in Eastern Europe.
Networking is a proven instrument for easy exchange of information and experience and for the establishment of business relations, cooperation and partnerships. Networking within the project Financing Energy Efficiency Investments for Climate Change Mitigation will aim at the creation of favourable environment for cooperation and exchange between energy managers from Eastern Europe with an emphasis on 12 participating countries. This network is expected to serve as a favourable communication tool for the implementation of the project and the achievement of its objectives.

The network of this project will be based on free vertical and horizontal relations between project partners and stakeholders, called in general energy managers. It will provide an easy and fast access to the desired network partners avoiding hierarchical ways of communication.

The project network will consist of two groups of institutions and individuals:

(a) Direct Project Partners (DPP), including Project Implementation Unit (PMU), National Coordinators (NC), National Participating Institutions (NPI), national project partners (at least two per country) and major project consultants (contractors).

(b) Potential Clients (PC), including potential project owners/applicants to the Fund.

(c) Indirect Project Partners (IPP), including other international, regional and national organizations and networks of institutions, international and national financial institutions and other organizations and individuals, relevant to the project.

Thus, the network will set up three sub-networks, each of them with its scope and functions, as well as accessibility and specific relations with the others. The communication platform of the network will be based in Internet and will provide the external links to donors and financiers, suppliers and consultants, clearinghouses and other information sources, research and development organizations, etc.

National Participating Institutions. Based on predefined and announced criteria, participants will be invited to the interactive capacity building programme, bringing suitable projects for which they will develop bankable project proposals. The capacity building programme should be interactive combining classroom lectures, instructions, discussions and consultations with development and preparation of bankable project proposals as homework between and after the classroom sessions (“learning by doing”). Additional guidance and support may be needed for the most promising projects to secure project financing. This could include further consultation on how equity or mezzanine financing from the investment fund could be utilized.
Our interview:

There is a great potential in energy efficiency investments

Mr. Philippe Bosse, Ingenieur Changements Climatiques at Greenhouse Gas Sector, Fonds Français pour l’Environnement Mondial (FFEM), France

Mr. Philippe Bosse had been responsible for climate change issues at the Fonds Français pour l’Environnement Mondial (French Global Environmental Facility, FFEM), one of the major donors of the FEEI Project, until September 2009. He was instrumental in shaping the Project and providing guidance for its development and implementation. Mr. Bosse’s new assignment with the Groupe Agence Française de Développement (French Development Agency, AFD) is at the Centre d’Etudes Financières, Economiques et Bancaires (Center for Financial, Economic and Banking Studies, CEFEB) in Marseille, France.

Which are the most important results and improvements you expect from the project?

I think there is a growing opportunity for improvement of energy consumption in this part of the world, which is very important. The French GEF, in fact, before being part of this project, was involved in other projects in the region. The new experience was a settlement of the new private investment fund with EBRD and Dexia in the late 90s in Hungary and Poland, which was one of the most innovative and most successful funds on energy efficiency. Our idea was to develop on a broader scale this kind of experience and involve government. As you know, in this part of the world the level of energy consumption on a GDP per capita basis is very high compared to other countries. There is a great potential and the question is how to realize this potential by investing in companies, local authorities sector, governments and as well as how this potential can be used at the level of citizens themselves. Further on, the French GEF had projects in the country that is now a part of the EU, namely Lithuania in 2005. This project was to support the private company – it is called “Lithuania” – which is in charge of the heating system in Vilnius, to develop a new approach using renewable energy and, in particular, biomass and it was quite a success.

How do you evaluate the role of the future Investment Fund to be established on the Project?

The purpose of the Fund is to invest, implement projects, and after a couple of years, at the end of the term of the investment, leave the investment to the owner, which could be a company or municipal authority. The investment fund is only a tool, and it can work only in conjunction with all players. It is meant to speed up the process, analyze properly bankable projects and make various partners around the project feel involved.

Can we expect that the current financial and economical crisis will slow down the project?

In all cases, financial and economic crises slow down the global economy. Some countries are more affected than others, but every crisis is also an opportunity to see back what was happening, what were our priorities, define new priorities and improve energy efficiency as one of the priorities, not only for the countries, but also at the level of human beings, at the level of the Planet. Otherwise, if people are not aware and not careful, we will face more and more difficulties and it will not be only equation of financial crisis but of humanity crisis, which will be more and more difficult to handle.
Our interview:

The real work on the project takes place in the different countries

*Interview with Glen Skovholt, Monitoring and Evaluation Adviser, United Nations Foundation*

Mr. Skovholt, how do you assess your cooperation with UNECE?

I am here representing the United Nations Foundation, and the UNF is a private organization that provides money to projects. This foundation is unique because it was set up by Ted Turner ten years ago. Ted Turner is quite familiar around the world, he started the cable television and CNN. And he was very concerned that the United Nations was not receiving sufficient funding to undertake important projects. So he made up a magnificent contribution and pledged – he promised to provide USD 1 billion over ten years to help the UN to carry out projects that otherwise it would not be able to do. And the FEEI project is a perfect example of it. It is a project that has a lot of potential but at the same time very risky. It is working with countries and trying to develop there a system where commercial funds will be available to invest in projects to reduce energy consumption and at the same time reduce the carbon footprint. It is a challenging project that UN would never consider in its normal budget because it is just something new, different and risky. But it is exactly what the UNF does and what Ted Turner had in mind when he set this foundation.

Could you describe the process of evaluating such broad-range international projects?

It is difficult, especially as I live in the US and I come to periodic meetings such as the Steering Committee session this year. I learn a few things at the meetings, but the real work on the project, of course, takes place outside of these meetings, it takes place in the various countries. I was fortunate last fall to visit both Croatia and Albania, two of the twelve countries involved in this project. That was extremely valuable, because I was able to learn exactly what are the needs, interests, expertise and capacity in these countries. And that has helped me a great deal in growing senses for what this project needs to do and how it needs to focus. Even in the best of these countries, in the region, the idea of establishing of investment fund is a new idea, it is not a norm. You will see some of these in Western Europe, but this is Eastern Europe and Central Europe and it is far more challenging.

Which are the most important results and improvements you expect from the project?

I think the most important outcome will be each of these countries having enacted and implemented strong energy efficiency legislation. This makes energy efficiency in the countries more than a goal or an aspiration, but a part of their economy, a part of their system. I think that is the most important aspect and the one that has the best opportunity for success. And as you do that, as you pass the laws and provide thorough implementation you will also get the expertise and the capacity of the institutions of the other countries.
Every Stage of the FEEI Project is Important by itself

Mr. Alexandre Chachine, Chief of the Sustainable Energy Section at the UNECE Sustainable Energy Division

What will be the most important outcomes of the Project?

I think the most important outcome will be when we see in reality that countries participating in the project (twelve countries), are in fact benefiting, receiving financial support for project implementation in their countries. We hear each participating country, through the microphones at the meetings and while meeting with us, saying: “When will we see real money coming to the projects and they start being implemented?.”

I think that - now as we are already in 2009 - we are at the stage when this moment is very close. To respond to your question, ultimately, the most important outcome would be when the project starts working, when money (cash flow) starts going to the countries, when the project starts to repay and the mechanism is in full strength. But I think that every stage of this project is important by itself and the fact that we are progressing is reflected by the countries - by their attitude and interventions - and it is also encouraging for the Secretariat.

In this sense, what do you think will be the impact of the financial crisis on the project?

I can’t say that I don’t see positive sides of it. The word “crisis” does not imply much of positive sense. However, in some cases it may trigger some things which are dormant and then give birth or starting point to, I would say, more pronounced and positive actions. In this sense, there could be some more creative new financial mechanisms which are adapted to this particular situation of crisis, but, as a human being, when you hear crisis you definitely anticipate something negative.

We rely very much on the expertise of Conning Asset Management – they are the principal contractor for the Fund design – who said that they see no danger for jeopardizing the Programme and they are confident that the Programme and our Project will continue and will work successfully.

What else do you think we should all know about this particular project?

I think we should know one thing - there should always be patience because some things are not happening that easy. Everything needs to be worked on, some time is needed, and sometimes it takes more time than expected or wanted to happen. One should be persistent, patient and always hope for the future, when targeting the horizons which are outlined, in this case, in our project document. I think that we should follow the lines which are there and adjust the situation or adjust our methods with respect to the situation prevailing and I am very positive on that.
20th session of the Energy Efficiency 21 (EE21) Steering Committee

The 20th session of the Energy Efficiency 21 (EE21) Steering Committee was conducted in Geneva on 3-5 June 2009. Among many topics discussed, one of the main accents was the first meeting of the Global Energy Efficiency 21 (GEE21) project, the outcomes of which will be briefly presented in one of the following issues.

From the EE21 Library (http://www.ee-21.net) you can download the draft EE21 Project Plan 2009-2012 and the program document on the Global Energy Efficiency Project (GEE21). All presentations referring directly to the FEEI project are also available, including:

- Financing Energy Efficiency Investments for Climate Change Mitigation Project: Current Status (Oleg Dzioubinski, Interim Project Manager, Sustainable Energy Section, SED).
- Investment Fund Designer (Markus van der BURG, Director, Conning Asset Management Limited, UK)
- Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments: Overview of current project progress (Francesca Paoletti, Poyry Energy Consulting (Schweiz) AG)
- Presentation by the Project Contractor on Website and Internet Communications Network of Energy Efficiency Managers in Eastern Europe (Zdravko GENCHEV, Director EnEffect, Bulgaria)

14th Ad Hoc Group of Experts

The 14th Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation will be held at the Palais des Nations, Geneva, on 7-9 October 2009. The provisional agenda includes the following topics:

1. Adoption of the agenda.
2. Election of officers.
4. Recent developments of the project “Financing Energy Efficiency Investments for Climate Change Mitigation”.
5. Presentation of the work-in-progress by the three project contractors: Investment Fund Designer; Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments; and Development of a Website and Internet Communications Network of Energy Efficiency Managers in Eastern Europe.
6. Draft work plan for the third year of project operations (2010).
7. Review of progress in implementation of grants by the National Participating Institutions.
8. Other business.


During its eleventh session, the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation adopted the Revised Work Plan for the First Year of Project Operations (ECE/ENERGY/WP.4/GE.1/2007/2/Rev.2). During its thirteenth session, it adopted the Work Plan for the Second Year of Project Operations (2009), which was endorsed by the twentieth session of the Steering Committee of the Energy Efficiency 21 Project (ECE/ENERGY/WP.4/2009/6). The draft work plan for the third year of projects operations (2010), including information on the objectives, activities and the role of participants of the project together with a set of outputs, timetable and budget in accordance with the Project Document and taking into account activities undertaken during 2008-2009, is available at address http://unece.org/energy. The total duration of the Project is four years, beginning from 1 January 2008.
Seminar on Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments

Implementation of the Financing Energy Efficiency Investments for Climate Change Mitigation (FEEI) project is dependent on developing and implementing relevant policy reforms in the participating countries. In accordance with the Project Document and the Work Plan the Seminar on Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments is organized as part of the fourteenth session of the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation.

The objectives of the seminar are to:
- a) share experiences on policy reforms to promote market-based energy systems, energy efficiency and renewable energy investments in the countries participating in the FEEI project;
- b) highlight accomplishments in and obstacles to implementation of reforms;
- c) present measurable outcomes of the reforms;
- d) outline trends and short- and medium-term plans in introducing new policy reforms; and
- e) develop recommendations for promoting future relevant policy reforms in the participating countries.

Participation in the seminar of representatives of all entities involved in implementation of the FEEI project is anticipated: governments, National Participating Institutions, National Coordinators, supporting institutions, major project contractors and other interested governmental, intergovernmental and non-governmental organizations. The seminar is organized by the UNECE secretariat in close cooperation with Pöyry Energy Consulting AG - contractor for Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments, and National Participating Institutions. Participation of the government representatives directly involved in developing and implementing policy reforms to promote energy efficiency and renewable energy investments is of particular importance.

The secretariat issued a draft Summary Analysis of Policy Reforms in Energy Efficiency and Renewable Energy in Selected UNECE Countries* - prepared by Pöyry Energy Consulting AG, which serves as a basis for discussion on recommendations for promoting further policy reforms and their implementation.

Project Logo

New logos of EE-21 Programme and FEEI Project were developed. The logos and the concomitant graphical elements are expected to be used in all related electronic and printed publications, including the new layout of the official EE-21 web site, FEEI regional web site, national pages and FEEI web blog. The current first issue of the FEEI electronic newsletter is the first publication to use the brand-new design features.
National Participating Institutions

ALBANIA
Albanian National Agency of Natural Resources (AKBN)

BELARUS
Research and Production Communal Unitary Enterprise BELVIEC

BOSNIA and HERZEGOVINA
Department for Energy, Ministry of Foreign Trade and Economic Relations (MOFTER)

BULGARIA
EnEffect, Center for Energy Efficiency

CROATIA
Energy Institute “Hrvoje Pozar”

KAZAKHSTAN
Kazakh Research Institute Power Engineering named after Sh. Ch. Chokin

REPUBLIC OF MOLDOVA
Climate Change Office at the Ministry of Ecology and Natural Resources

ROMANIA
Romanian Agency for Energy Conservation
Ministry of Economy and Trade

RUSSIAN FEDERATION
International Sustainable Energy Development Centre (ISEDCC)

SERBIA
Ministry of Mining and Energy

THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA
Energy Agency of the Republic of Macedonia

UKRAINE
Agency for Rational Energy Use and Ecology (ARENA-ECO)