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Steering Committee of the Energy Efficiency 21 Project

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(Item 6 of the provisional agenda)

**– RENEUER –**

**A TOOL FOR PROMOTION OF SUSTAINABLE DEVELOPMENT  
OF MUNICIPALITIES AND REGIONS THROUGH RATIONAL  
USE OF ENERGY AND WATER RESOURCES**

Review of the potential for development of the Regional Network for  
Efficient Use of Energy and Water Resources in Southeast Europe (RENEUER)

Note by the secretariat

1. During its fifteenth session in May 2004, the Steering Committee:
  - (a) Welcomed the progress achieved under the RENEUER project and the contribution of supporting institutions and the project secretariat at EnEffect to the implementation of project activities;
  - (b) Expressed appreciation for the support and participation in the project provided by the Government of France, Government of Norway, Government of the Czech Republic, UNECE, USAID Municipal Network for Energy Efficiency (MUNEE) project implemented by the Alliance to Save Energy, US Department of Energy;
  - (c) Noted with satisfaction the results of the RENEUER training session on Carbon Trading and Financing Energy Efficiency Investments hosted by EnEffect in October 2003;
  - (d) Requested the Centre for Energy Efficiency (EnEffect) in Sofia to incorporate the recommendations and proposals for activities and support that delegations made during the session into the Project Work Plan for 2005 by the end of 2004;
  - (e) Encouraged the cooperation of RENEUER with the countries of Central and Eastern Europe and Central Asia. (ENERGY/WP.4/2004/4, par. 32).

2. **Project's brief description:** The Regional Network for Efficient Use of Energy and Water Resources in Southeast Europe (RENEUER) was founded at the end of 1999 at the initiative of representatives of several countries from the region<sup>1</sup>. Within a short time, all countries participating in the Stability Pact joined the Network<sup>2</sup>. This is a typical "*bottom up*" initiative aimed at facilitating and promoting sustainable development of the municipalities and regions in Southeast Europe through initiatives for efficient use of energy and water resources.

3. The Network is part of the Energy Efficiency 21 Project and operates under the auspices of the United Nations Economic Commission for Europe. The results from its activities are presented periodically to the Project Steering Committee. RENEUER receives technical and financial support via programmes of the US Agency for International Development (USAID), the US Department of Energy (USDOE) and the United Nations Development Programme (UNDP) and Global Environment Facility (GEF). The network has become part of the Southeast European Cooperative Initiative (SECI). Its activity is periodically reported to the SECI Agenda Committee and Business Advisory Council (BAC) and presented at other representative international SECI forums (Prague, 2002). The Network is well known to the donors and the Secretariat of the Stability Pact and, proposed by UNECE, it has been incorporated in the list of projects supported by the Pact. The substance and objectives of RENEUER have been presented also at the annual session of the European Bank for Reconstruction and Development (EBRD, Bucharest, 2002), the Central European Initiative (Portoroz, 2004), the Regional Environmental Centre (REC) in Hungary, as well as to representatives of the European Commission, the World Bank and other international organizations. The Network has obtained political, technical and financial support from some European governments (France, Czech Republic) and companies and organizations from Norway, Netherlands and the United States, among others.

4. Currently, the participants in RENEUER are reviewing the contents, objectives and tasks, as well as the modalities of the Network's activities in the light of current conditions and the new topical tasks of local communities. This report is designed to present the major results of the activities performed so far in the framework of the Network and on that basis to outline the potential benefits from its operation for promotion of sustainable development of municipalities and regions in the light of the accelerated European integration of the states from the region.

## BACKGROUND AND ANALYSIS

5. The idea to create RENEUER took shape on the grounds of the similarities in the historical fate of the States of the region, the similarity in their natural and climatic conditions and the common aspiration for accelerated integration into the European structures. The interest in exchange of information and experience is fostered by certain common priorities related to the political, economic and social reforms underway in the entire region. The economic underdevelopment of the majority of the countries in the region and the low living standards of their populations predetermine the similarity of the social tasks they are facing and for whose resolution rational use of energy and water resources is a matter of great importance.

6. At the same time, the relative advance of some of the countries of the region on the road towards European integration is a shared incentive for activation of cooperation and exchange of experience with the objective of diminishing the existing disparities among the countries and shortening the time before their accession to the European Union.

7. **Major barriers to energy efficiency in Southeast Europe:** At the end of the 1990s the major barriers to the efficient end-use of energy and water were the lack of correlation between the prices and production costs of these resources and the poor state of industry, which was the major energy and water consumer. At the same time, a grave shortage of high quality projects in the field of improvement of end-use efficiency, capable of attracting international investors, was observed. In the background of the unfavourable economic circumstances in the region, some other shortcomings were also noted:

- Ineffective targeted policies on issues of how to improve the efficiency of energy and water end-use;
- Inadequate institutional and human potential for identification, development and implementation of investment projects aimed at improving the efficiency of energy and water end-use;
- Limited access to the actors and stakeholders' information.

8. The participants in RENEUER jointly agreed that these barriers could be overcome only through implementation of a comprehensive policy for improvement of efficiency based on an upgraded regulatory and legal framework, norms and standards, strategies, programmes and action plans. Local authorities and civil society in the region will undoubtedly have a significant role to play. Through its activities, RENEUER assists the realization of their contribution to energy policy.

9. **Fundamental principles:** In order to minimize the energy intensity of the local economies it becomes ever more indispensable to resolve a large number of specific *local* task, i.e. to improve energy efficiency of numerous small consumers – municipal or industrial sites, households, etc. The countries formulate the general policy and set up the regulatory framework for these processes and/or introduce incentives. The concrete activities to achieve improved efficiency, however, are implemented at the local level. That is why the initiative to establish RENEUER came from inside civil society in the countries of Southeast Europe (local authorities and the NGO sector) and focuses on cooperation and activities at the local (mainly municipal) level.

10. At their first meeting, the participants in the Network agreed that “RENEUER should be established at the local level, using the “*bottom up*” approach. Participants stressed the leading role of municipalities and local authorities in realizing network activities since they will be the most direct beneficiaries of the project” (Memorandum of the International Conference “Regional Network for Efficient Use of Resources”, Sofia, November 1999). Being a typical “*bottom up*” initiative, it has been conceived as an open network of local authorities and NGOs.

11. Because of the different degree of development of local self-government and the NGO sector, focal points in the individual countries have been established in a different manner. In Albania, Bulgaria and Romania, NGOs have been selected to act as focal points; in Croatia – a research institute has been selected; and in Bosnia and Herzegovina, Republic of Moldova, The former Yugoslav Republic of Macedonia, and Serbia and Montenegro specialized units within the respective ministries act as focal points. These diverse representation arrangements enrich the activities of the Network by introducing different viewpoints in the discussions. What remains unchanged, however, is the wish to *contribute to the European integration processes*, which manifests similarities rather than differences in the individual countries. *The Network is therefore*

*becoming ever more consolidated on the grounds of the similarity of the problems it is addressing rather than on the identical characteristics of those participating in it.*

12. Although since the very beginning municipalities and regions are the primary subjects of the Network's activities and the objects of its impact, the numerous acute problems of the national energy policies and the still heavily centralized nature of the energy sector in the countries of Southeast Europe help retain the activities of the Network within the scope of national tasks. In recent years, favourable opportunities have been created for allocating more attention to the specific functions of *municipalities* in the fields of energy planning and management.

13. At the Coordination Meeting held in Sofia in 2002 participants in the network agreed to:

- Promote RENEUER as a useful, timely and significant contribution to the policies for stabilization of Southeast European countries, which are prerequisites for their future integration in the EU structures;
- Promote and activate links between potential partners from the region for promotion of efficient use of energy and water;
- Encourage the promotion of the RENEUER initiative to the relevant local authorities, state institutions, R&D organizations, companies, NGOs, and international donors;
- Further support the RENEUER initiative as a means to contribute to sustainable development and growth in accordance with the policies and practices of the European Union and in fulfilment of the international obligations of the countries from the region under the UN FCCC (Memorandum of Understanding, RENEUER Coordination Meeting, Sofia, 20-22 January 2002)

14. **Directions of activities:** According to the basic concept of development of RENEUER, approved by the Steering Committee of the UNECE Energy Efficiency 21 Project, the activities of the Network may be grouped in five major directions:

- Policy Development and Advocacy – formulation and coordination of appropriate efficiency policies, based on a regulatory framework, norms and standards, strategies, programmes and action plans.
- Capacity Building – development of an appropriate institutional environment, organizations and structures, as well as education and training;
- Financial Development – identification, development and introduction of appropriate financial sources, financial instruments and mechanisms.
- Information Dissemination – dissemination of information on efficient use of energy and water resources.
- Business Promotion and Coordination – support to and facilitation of energy and water efficiency businesses in the region (ENERGY/4/2001/5, para.45).

The substance of the activity in these five directions ensues from the yet persisting barriers to energy efficiency in the region and the acute need for action to overcome them.

15. **Expected Benefits from RENEUER:** At the time RENEUER was founded, it was anticipated that its activities would contribute to the creation of an adequate regulatory framework, management and executive structures, and financial instruments in the countries of the region. This would help create a favourable investment climate and accelerated penetration of the urgently required private foreign investments for improvement of the efficiency of end-use of energy and water resources. RENEUER could turn into a favourable medium and instrument for coordination of different investment and other initiatives, including international programmes and projects. Wasteful duplication and overlapping of activities would be avoided. Instead, conditions would be created for dissemination and multiplication of the achieved effects and maximizing the efficient use of investment and donor programmes. By activating "bottom-up" activities, the Regional Network would use historically existing good contacts and relationships at the local level among local authorities and organizations from the countries in the region. This would help multiply the positive precedents of cooperation and might prove to be a valuable support and "bottom up" pressure on governments in the region to take respective steps and actions in the spirit of good neighbourly relations and cooperation.

16. **Major achievements:** Since the founding of the Network, a variety of activities have been conducted in the framework of RENEUER in close cooperation with organizations and experts from different countries in the region, sometimes with the participation of foreign consultants from Western Europe, the United States and Canada.

(a) In the field of energy policy reform

17. With the leading participation of APER (Romania) a comparative study of the general policy on energy efficiency in the region was launched. The Albania-EU Energy Efficiency Centre coordinated an investigation of the specific instruments for financing energy efficiency projects and series of specialized seminars with the participation of RENEUER representatives were organized in Ukraine, Poland, Romania, Republic of Moldova, and Serbia. At the initiative of the French Government and under the leadership of the International Energy Consulting (ICE), a one-week Energy Efficiency Circle on "Energy efficiency policy - methods, tools and instruments" was held in Paris (attended by Albania, Bosnia and Herzegovina, Bulgaria, Republic of Moldova, Romania, The former Yugoslav Republic of Macedonia, Yugoslavia and the RENEUER Secretariat). Under the auspices of USAID a comprehensive study of the assistance programmes for low-income strata of the population was implemented (with the participation of Bulgaria, Croatia, Republic of Moldova, Romania, Serbia and Montenegro, The former Yugoslav Republic of Macedonia.), which ended with an international conference held in Sofia. Energy efficiency programmes have been worked out for municipalities in Serbia, Republic of Moldova and Bulgaria

(b) In the field of local capacity building

18. Training seminars and specialized courses on local energy planning, energy auditing and business planning, designated for local decision-makers and experts from municipalities from the region, have been conducted in Bulgaria, Republic of Moldova, and Serbia. Parallel with the education, specific energy efficiency investment projects are being worked out in Serbia, Republic of Moldova and Bulgaria. An international conference for exchange of experience among municipalities was organized in Gabrovo (Bulgaria), while specialized workshops for local authorities and NGOs were conducted in Belgrade (Serbia and Montenegro), Chisinau (Republic of Moldova) and Struga (The former Yugoslav Republic of Macedonia). With support

from the USDOE a specialized web site, “Win-Win Business” was created. This web site and a series of seminars serve as effective channels for dissemination of information about good practices in the region and in municipalities from Central and Western Europe.

(c) In the field of organizational strengthening of the network

19. Significant efforts are devoted to strengthening the network itself. The most valuable contribution to that effect has been made by the UNECE secretariat, the Steering Committee of the Energy Efficiency 21 Project and USAID, who have assisted the organization of the coordination meetings of the national coordinators for the countries participating in the network (held in Sofia, Chisinau, Maribor, Struga, Paris and Geneva). Several missions to countries in the region were conducted to study specific conditions in the respective countries and to present the objectives and tasks of RENEUER (Bosnia and Herzegovina, Bulgaria, Croatia, Republic of Moldova, Romania, Serbia and Montenegro, and The former Yugoslav Republic of Macedonia). An information database about participants in the network is being developed.

## **THE PRESENT SITUATION**

20. Important political and economic transformations and dynamic democratization processes have taken place in the region of Southeast Europe since RENEUER was founded. Significant progress has been achieved in some of the urgent tasks of the 1990s, which were part of the original basic concept of the Network. Meanwhile, under the pressure of numerous urgent reforms, the transition economies of South-east Europe have unfortunately delayed the development of strong policies. There have been multitudes of isolated efforts, that either fall short of their full potential or are short-lived due to the lack of fundamental framework elements [3]. These circumstances give rise to new challenges, which open broad opportunities for RENEUER as well.

## **MAJOR EMPHASES OF RENEUER ACTIVITIES**

21. Viewed in its entirety, the essence of the basic concept for development of the Network approved in 2001 continues to be valid, although some of the priorities are gradually evolving and determine new immediate and urgent tasks. The countries manifest ever more clearly their European orientation and some of them are realizing significant advances in the process of accession to the European Union. Therefore, there is an ever more evident need of closer linkage of the tasks of RENEUER with the policies and priorities of the European Union in the field of efficient use of energy and water resources. In this connection, two key factors determine the Network's new tasks:

- European orientation of the countries from the region;
- The growing role of local authorities and civil organizations.

22. The development of the Network until now provides grounds to anticipate that in the short term the focus of activity should remain predominantly in the field of energy efficiency, while preparing stepwise conditions for expansion of its scope to cover also water resources. Two major priority directions form the backbone of the Network's future activities:

- The role of energy efficiency in the preparation of the countries from Southeast Europe for integration in the Internal European energy market;

- The contribution of energy efficiency to the implementation of the countries' commitments, under UNFCCC and the Kyoto Protocol.

23. In recent years much has been done to establish national policies in support of energy efficiency, national institutions are being set up and/or existing ones strengthened, a modern regulatory framework of efficiency is being set in place. The basic principles of behaviour of the actors on the future liberalized (deregulated) regional energy market are being identified and concrete actions are being taken for implementation of the commitments under UNFCCC and the Kyoto Protocol. The central governments of the countries in the region play an important role in these actions, making profound efforts in the atmosphere of active cooperation.

24. At the same time, despite the efforts of governments, practical implementation of the new policies in the field of energy efficiency is as yet far from satisfactory. Their successful implementation depends to a considerable extent on the involvement of a broad circle of actors, among which local authorities and civil organizations (NGOs) play a key role. A clear trend towards decentralization of governance and increased role and significance of local authorities and NGOs is observed in all countries of the region, which is in line with European good practices. In some of the countries these processes are in their initial stage of development, while in others there is a significant advance in this respect. For this reason *RENEUER continues to become established as a Network of local authorities and organizations, who are involved in specific actions for implementation of the national policies for energy efficiency improvement under the conditions of a liberalized energy market.*

25. The participation of local authorities and the NGO sector in the implementation of the national policy on energy efficiency, as well as the collaboration at local level in this field, are often hindered by the different degree of decentralization in the countries of the region, the shortage of local human and institutional capacity for application of the national policies, and the different degree of access of the individual countries from the region to the programmes of the European Commission. The linkage between the national objectives and the concrete local actions is thus often disrupted and the impact of the national energy efficiency policies under the new market-based circumstances is gravely diminished. Targeted support for local capacity building is therefore necessary, as well as the launching of programmes, to which all States of the Stability Pact would have equal access.

## **PARTICIPANTS IN THE NETWORK**

26. Although the objectives and activities of RENEUER are concerned above all with local authorities and civil organizations, initially a broader range of institutions both from the countries of the region and beyond it have been attracted to participate in the Network. Among them are bodies of the central and local authorities, representatives of the private sector (banks, companies and public funds), NGOs, international programmes and organizations, and financial institutions.

27. With the advance of the democratic processes in the countries of Southeast Europe and the growing importance of local authorities and civil organizations (NGOs) the number of municipalities, which directly or indirectly get involved in activities of the Network, is also growing. In this way the focus of RENEUER is laid ever more strongly on the primary object of its activities - *local policies for efficient use of energy and water resources*. At the same time contacts and exchange of information and experience with other similar local-level networks are

conducted, such as MUNEE<sup>3</sup> and Energie-Cites<sup>4</sup>, as well as with certain national energy efficiency networks, such as EcoEnergy (Bulgaria), Orase Energie and the Municipal Energy Efficiency Network (Romania), UNEEC<sup>5</sup> (Ukraine). RENEUER is a Network open to contacts and cooperation with similar networks from Central Europe, the Commonwealth of Independent States (CIS) and the countries of Central Asia.

## **SPONSORS**

28. RENEUER activities are still implemented under the auspices of UNECE and are coordinated by it. Contacts with USAID, the Stability Pact for Southeast Europe, the Central European Initiative (CEI), international financial institutions, governments of European States (France, Czech Republic, etc.) are maintained as usual. Recently, the links with the European Commission have been pursued more actively. These actions have been made in an attempt to achieve closer coordination of the Network's objectives with the EU priorities. This coordination will create prerequisites for integration of RENEUER in the international efforts for strengthening of local authorities and civil society in the countries of Southeast Europe and fostering their role in the application of a coordinated European energy policy.

## **THE FUTURE**

29. Based on the experience of RENEUER until now and because of the new developments in Europe in general and in the region of Southeast Europe in particular, one may outline the possible directions for development of the Network in the coming years. Under the existing fragile political balance and economical stability, the efforts that the countries might invest in the priority spheres listed below are strongly dependent on international political and financial support. Their success depends further on the continuation of the close cooperation among the countries in the region and the support for the Network on the part of the European Commission and the UNECE "Energy Efficiency 21" Project.

## **SPECIFIC FORMS OF ACTIVITY OF RENEUER**

30. RENEUER will continue to use forms of activities that are inherent to an informal international network and will try to avoid duplication of functions and activities of other national and international institutions. The Network will aim at consolidating its positions as *a favourable medium for cooperation and facilitated exchange of experience and information, in which participants themselves will specify the focus of their interests and range of activities.*

31. The Network remains open to any individual municipality or civil organization or networks and associations of networks that wish to join it. The network is also open to representatives of small and medium-sized businesses, which are responsible to a great extent for the economic development of local communities and for which energy efficiency is of decisive importance. The basis for cooperation among participants is the joint aspiration for improved awareness of energy efficiency and strengthening of the local institutions as important tools to improve the general investment climate in the region and to accelerate identification and implementation of local energy efficiency projects. To this end, special attention is paid to identification and dissemination of successful policies and good practices in the efficient use of energy and water resources and building, strengthening and accession to RENEUER of national networks and associations of local authorities and NGOs.



32. **Dissemination of good practices:** The exchange of experience and information through dissemination of good practices from the countries of the region and from the developed countries will continue to be used as a *primary instrument* for achieving the objectives of the Network. The positive experience and specific successful policies and practices should be closely related to the policy development process and be illustrative in terms of managing and delivering strong and sustainable results. The European Commission could seek to marshal foreign aid and best practice expertise from international donors to add value in this process and RENEUER contributes to the success of these efforts [3].

33. An important role in that respect is assigned to the upgraded Clearinghouse of RENEUER in Internet ([www.reneuer.com](http://www.reneuer.com)), which facilitates the exchange of information and experiences and the local capacity building process in the countries of the region. It also makes possible business communication between donors, investors and potential recipients and establishes effective linkage to other similar information sources in Internet. Parallel to this, the design of distance learning and self-training manuals and teaching aids is envisaged. The use of other modalities of exchange, such as electronic newsletters, periodical publications, seminars and conferences and study tours of experts etc. is also planned.

34. The donors have requested the European Commission to systematically visit all the capitals of the region in order to effectively communicate its policies [4]. In this connection support is envisaged for the organization of regional conferences, donors meetings and investment forums [1], as well as actions to encourage investments and technical support for efficient use of energy and water resources in Southeast Europe.

35. **Network of networks as a policy instrument:** The more national networks and associations of local authorities and civil organizations are created in the countries of the region, the higher the effectiveness of RENEUER will be. The future development of the regional Network is therefore linked to promotion of the setting up of national networks of municipalities and local NGOs active in the energy efficiency field. In this way, RENEUER will gradually get established as a regional network of national associations and will turn into *a unique coalition of people and institutions, who support the reforms in the energy sector in the countries of the region through active exchange of experience and information and thus contribute to the more efficient use of the energy and water resources.*

36. In this way, it will perform the function of effective policy instrument for the countries of the region. The integration of RENEUER into the European BISE<sup>6</sup> process, initiated by the European network Energie-Cites, is an important prerequisite for its further linkage to the EU priorities and tasks and for the acceleration of the European integration processes in the countries of the region.

## PRINCIPAL THEMATIC DIRECTIONS OF THE ACTIVITY

37. The European Commission considers energy efficiency an important priority of the regional strategy for the creation of the energy market in SE Europe [1]. It is expected that energy efficiency may significantly contribute to this process at least in two directions:

- Lessening of the difficulties caused by the implementation of energy reforms;
- Reduction of the total volume of investments required for building of new energy production capacity.

To achieve this objective, the Commission underlines the basic requirement that the signatories to the Athens Memoranda have to quickly adopt legislation enabling them to be in line with the *acquis communautaire* [2]. On that basis the participants in RENEUER give priority to thematic spheres and activities of common interest or at least of interest to more than one country of the region.

**38. The role of energy efficiency in the preparation of the countries of Southeast Europe for joining the Internal European energy market:** It is a well-known fact that the European Commission is seeking to create a competitive regional market for electricity in Southeast Europe, where all customers enjoy continuous supplies of electricity and have choice of supplier. The electricity market must deliver reasonably priced energy with the highest service level to the final customer. It therefore appears that most of the countries need to make a considerable effort to create open transparent electricity markets based on Community legislation. The encouraging element is that all have realized the necessity to move forward with adopting compatible market designs [2]. The Commission's perspective is that the market in Southeast Europe will develop similarly to the rest of the European markets. Integration of this market into the Internal market is the key aspect [4]. This integration requires the joining the efforts of the local market actors, including municipalities and regions.

39. The establishment of a regional energy market and its integration into the internal European energy market is a complex and difficult process, known as the Athens Process. RENEUER may contribute to its successful evolution at least in two directions and in particular in an alleviation of the painful consequences of the reforms and to the formation of an adequate public attitude to energy efficiency and the energy market.

(a) Social Protection of Vulnerable Customers

40. The regulator's main task is to create and implement a system of regulations with a view to ensuring the proper functioning of the electricity sector and market in terms of efficiency, competition, transparency and consumer protection [2]. Nevertheless, the reforms in the energy sector, including the creation of a competitive energy market, might increase the burden of energy costs on low-income end-users at certain periods. Energy efficiency can be a reserve for alleviation of the burden of energy costs on low-income households [1]. In a number of countries, specific programmes are operated in this respect and they might serve as the basis for useful exchange of experience and design of new models. Following the example of the European Union, incentive energy efficiency programmes might be worked out and introduced in the region with respect to certain typical communal end-users, such as public buildings (hospitals, schools, residential buildings), street lighting, district heating, etc. This process could be significantly facilitated through exchange of experience and information about good policies and practices.

(b) Change in consumer attitudes

41. Improvements in energy efficiency depend not only on technical innovations but also largely on a change in consumer attitudes and in a strong institutional framework for the gains to be sustainable. In order to achieve such changes, convincing and solid national policies are required, which could bring structure to government actions as well as provide the right signals and motivations to encourage market transformation [3]. However, the introduction of a deregulated energy market requires adequate market behaviour on the part of both the states (in

the person of their governments and national energy companies) and the local market actors – the individual small energy producers and end-users.

42. The change in the behaviour patterns of energy end-users and its alignment to the market conditions and energy efficiency requirements need a profound shift in priorities in most states. This change is connected above all with public awareness raising and building of specific human and institutional capacity at the local and regional level. The building of institutional capacity and rules regulating flows of electricity among the countries of the region will facilitate the integration of the Southeast Europe Energy Market into the European Internal Energy Market [2].

43. There is an acute need of training guides and tools on local energy planning and management, which will serve for direct and distance training and for self-training of local managers and specialists in the region. Training of local trainers from the region will provide for sustainability of the capacity building process in the countries in Southeast Europe. Local capacity building and formation of market behaviour in the individual local actors is in the focus of RENEUER activity.

**44. Energy efficiency in support of the implementation of the commitments of the countries from Southeast Europe under UNFCCC and the Kyoto Protocol:**

**(a) Long-term plans and strategies for energy efficiency**

45. A national energy efficiency policy might typically consist of a comprehensive multi-year plan that describes in broad yet flexible terms what realistic objectives, strategy, action plan, legal framework and organization are needed. These policies might cover specifically energy efficiency, energy conservation and renewable energies. Under such circumstances, technical solutions could become instruments of change, rather than ends for themselves [3]. The majority of countries in the region have their own energy efficiency strategies and programmes. The development of an Internal energy market requires synchronization of these programmes, which might be effected because of active exchange of information and good practices.

46. RENEUER might become the basis for synchronization of the energy efficiency programmes of the countries of the region by laying the emphasis on the role and participation of *local* actors in these programmes. In this way, the Network will grow into a driving force for the elaboration of a regional energy efficiency strategy as an integral part of the Strategy Paper for the Regional Energy Market in Southeast Europe. This strategy may include as main elements (among others): improvement of energy efficiency (in cooperation with the UNECE “Energy Efficiency 21” project), overcoming of energy poverty (in cooperation with USAID), social impact of district heating prices (in cooperation with IEA) and reduction of the total volume of investments required for building of new energy generation capacity.

**(b) Promotion of the utilization of renewable energy resources**

47. The use of renewable energy sources and in particular of those available in ample quantities in the region – biomass, solar energy, and geothermal water – is an important priority of the countries in the region. There are untapped opportunities for useful exchange of information in this field as well, which might be successfully utilized by RENEUER. This part of

the Network's activity may be coordinated with the efforts of the UNECE "Energy Efficiency 21" project.

48. The UNECE secretariat summarized its targets in energy efficiency and renewable energies<sup>7</sup>. It could contribute to an increase in the market share of RES in the current energy mix by promoting RES market formation and the development of RES investment projects for UNECE transition economies. Thus, UNECE could help reach its ultimate objective of reducing GHG emissions. In pursuit of this strategy, UNECE supports regional partnership networks. To secure the success of RES related projects, it is important to identify and promote best practices as well as foster investment opportunities. Public awareness about RES needs to be increased, especially in Eastern and Southeast Europe and CIS countries [5].

(c) Energy efficiency in buildings

49. It has been found that buildings account for about 40% of the energy consumption in the EU Member States. For this reason energy efficiency in the building stock is a priority task for the EU. Article 7 of Directive 2002/91/EC of 16 December 2002 on the energy performance of buildings stipulates that: "Member States shall take measures to ensure that for buildings with a total useful floor area over 1,000 m<sup>2</sup> occupied by public authorities and by institutions providing public services to a large number of persons and therefore frequently visited by these persons an energy certificate, not older than 10 years, is placed in a prominent place clearly visible to the public." This extended "top down" process can be accelerated by means of parallel and complementary actions, which are closely linked to the legislation itself and which get the end participants involved by offering them the option of implementing the provisions of the Directive on a voluntary basis, well before it is transposed into national law, and using a "bottom up" approach.

50. A number of projects of the European Commission are oriented in this direction<sup>8</sup>. Via RENEUER, their results might be effectively taken up and disseminated in the countries of the region, many of which do not have yet full access for participation in the programmes of the Union. Even this opportunity alone, if realized, offers a sufficiently broad platform for cooperation among the countries of Southeast Europe to make use of the positive experience of the developed European states in the field of building stock. RENEUER may successfully use the advantages of the *networking approach*, which provides a new way of thinking, producing, proposing, building and implementing ideas which is at the same time both political and practical, European and local. Thus it may show how European and national institutions may better use the strength of networks of players and give them more encouragement to play their part.

(d) Flexible financing mechanisms under the Kyoto Protocol

51. Although the countries from the region are included in different Annexes of the UNFCCC and have different international commitments, there are broad opportunities for exchange of positive experience and information among them with a view to a more rapid penetration of the Kyoto flexible mechanisms in all countries of the region. The awareness raising and the pilot implementation of selected innovative financial instruments will test their applicability in single countries, in groups of countries and in the entire region. Specific steps can be made to create and introduce in practice an appropriate financial instrument (or package of instruments) that will facilitate financing of small and medium-sized projects in the region for energy and water

efficiency improvement. RENEUER may play its role in this direction in close coordination with the UNECE “Energy Efficiency 21” Project, which in the coming years will to a growing extent lay the focus on the implementation of the countries’ obligations under UNFCCC and the Kyoto protocol.

**52. Realization of the key role of local authorities and civil organizations in local energy management:** Under the conditions of a liberalized energy market, wholesale buyers (suppliers to final consumers and large consumers directly connected either to the transmission or distribution grid, such as municipalities, for instance) can choose their supplier, bringing competition into the generation and wholesale supply. Assessing the experience gained both at European level as well as in several countries of Southeast Europe; the European Commission believes that the establishment of a regional electricity market is an evolving and gradual process. The countries of the region have stressed that a standard market design may be necessary to develop the market but they have concerns about a top-down approach that does not recognize the realities of progress to date [2]. *The bottom up initiatives may therefore significantly contribute to the achievement of balanced approaches in which local communities will be able to play an important role.*

(a) Local (municipal) and regional energy planning

53. While the local technical capabilities are often highly commendable, the ability to develop long-term plans and to define strategies is less so [3]. This is particularly characteristic for local communities, since the available experience in energy planning and management there is very scanty in the majority of the countries of the region. That is why promotion of local and regional energy planning and management is an important priority for RENEUER. It is viewed as the basis for establishment of the new functions of municipalities in energy management under market-based circumstances.

54. According to the practice in EU Member States, municipalities have four major functions in the field of energy management, which are implemented to a different extent in the individual countries. Municipalities are most frequently acting as energy end-users, producers and motivators for efficient energy use. Under the conditions of a liberalized energy market some of these functions will get significantly more active and/or modified. Local/regional energy planning is an effective tool for optimal utilization of the functions of municipalities in the field of local-level energy management.

55. Energy planning is also the basis for development of the local market for energy services in municipalities and regions and for promotion of investments at the local level. Some of the countries of the region possess definitely specific experience in the field of local and regional energy planning and that is a good basis to build on for the purposes of beneficial exchange of experience and information.

(b) Building of local energy efficiency institutions

56. Support could be given to the countries in the region to create and/or strengthen appropriate local institutions and networks that may disseminate experiences and information and may contribute to the local capacity building in each of the participating countries. Thus, favourable conditions will be created to achieve countrywide sustainability of the network activities.

57. Institutional building/strengthening is oriented in two directions. One of them is related to local authorities and the operating municipal administrations, in which in the majority of cases there are no specialized energy efficiency units capable of formulating and implementing a comprehensive holistic energy policy. In the European countries, there are different models that might be evaluated and applied in the region. Anyway, institutional capacity building for energy efficiency within the local and regional administrations is connected with the creation of adequate databases concerning energy production and consumption, as well as financial and technical tools for implementation of concrete programmes and investment projects.

58. The second direction in institutional building/strengthening is connected with the NGO sector, which marks a certain advance in recent years in the majority of the countries of the region. At the municipal and regional level, however, this development is as yet not very satisfactory and does not provide adequate support to local authorities in their policies and practice.

59. In both these directions of institutional building/strengthening RENEUER is in a position to offer substantial support through its specific tools for exchange of experience, information and good practices.

## CONCLUSION

60. Despite the difficulties, there exist good preconditions in the framework of RENEUER for mutual exchange of experience among the countries of Southeast Europe, as well as between the region as a whole and the EU Member States for the purposes of:

- Establishing adequate local energy efficiency policies under the conditions of a liberalized energy market;
- Building adequate local institutional infrastructure for promotion of energy efficiency;
- Raising the awareness of the general public, local authorities and experts with a view to building adequate market behaviour of the local actors on the energy market;
- Minimizing the need for construction of new energy generation capacities through attraction of investments for energy efficiency improvement.

61. Under the auspices of UNECE, the participants in RENEUER will continue at a growing pace to seek coordination of their activity with the priorities and programmes of the European Union and in this way to assist the European integration processes at the local and regional level. Cooperation will be sought also with the traditional donors and partners of the Network, such as USAID, UNDP/GEF, IEA, etc.

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## NOTES

<sup>1</sup> Albania, Bulgaria, Croatia, Greece, Romania, The former Yugoslav Republic of Macedonia, together with guests from the Czech Republic, Netherlands, Norway, Russian Federation and United States of America and representatives of UNECE and UNDP.

<sup>2</sup> Currently, participants in RENEUER are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Republic of Moldova, Romania, Serbia and Montenegro, and The former Yugoslav Republic of Macedonia.

<sup>3</sup> Municipal Network for Energy Efficiency, established and supported by USAID/Alliance to Save Energy for Central and Eastern European countries and countries of Former Soviet Union

<sup>4</sup> European network of municipalities, based in Besançon, France

<sup>5</sup> Ukrainian Network for Energy Efficient Communities

<sup>6</sup> Better Integration through Specific Exchanges/for Sustainable Energy (BISE) is an European movement for better integration through specialized exchange of experience, founded in 2004 at the Grenoble Forum (France) and supported by the European Commission. The second forum of the movement is scheduled for 27-28 October 2005 in Sofia.

<sup>7</sup> A special working session dedicated to Renewable Energy Sources (RES) was opened at the fifteenth session of the Steering Committee of "Energy Efficiency 21" project, May 2004 in Geneva. A general overview on renewable energies in the UNECE region was presented by the UNECE secretariat (ENERGY/2003/1). According to the overview, the Kyoto Protocol commitments, the Johannesburg Implementation Plan, and the Ministerial Conference "Environment for Europe" (Kiev, Ukraine, May 2003) provided a political impetus to renewable energy sources in the UNECE region.

<sup>8</sup> This is precisely the objective of the projects “Display” and “Towards Class A” of the European Commission, since the idea is to encourage municipalities to display their consumption and emission performance on a voluntary basis, for its own sake and because they are an example to the public and to local players. In this way, they facilitate the implementation of national transposition acts in all EU countries, once these have been adopted.

**For further information:**

E-mail: [gianluca.sambucini@unece.org](mailto:gianluca.sambucini@unece.org)  
Internet: [www.unece.org/ie/](http://www.unece.org/ie/); [www.ee-21.net](http://www.ee-21.net)

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