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**ECONOMIC COMMISSION FOR EUROPE**

**COMMITTEE ON SUSTAINABLE ENERGY**

Steering Committee of the Energy Efficiency 21 Project  
Sixteenth session, 29 June-1 July 2005

**REPORT ON THE MEETING**

**I. ATTENDANCE**

1. The Steering Committee of the Energy Efficiency 21 Project was attended by representatives from the following member countries: Albania, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Greece, Hungary, Italy, Kazakhstan, Kyrgyzstan, Norway, Poland, Republic of Moldova, Romania, Russian Federation, Serbia and Montenegro, Slovakia, Switzerland, The former Yugoslav Republic of Macedonia, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America and Uzbekistan. Representatives of the European Community also participated.
2. The following countries were represented under article 11 of the Commission's terms of reference: India, Islamic Republic of Iran, Saudi Arabia and Syrian Arab Republic.
3. The Steering Committee sessions, including the special session on the implementation of the Kyoto Protocol, were also attended by the United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), United Nations Framework Convention on Climate Change (UNFCCC), United Nations Office for Project Services (UNOPs), United Nations Foundation (UNF), International Labour Organisation (ILO) and the International Atomic Energy Agency (IAEA) were also represented. The following intergovernmental and non-governmental organizations were in attendance: Alliance to Save Energy (ASE), Black Sea Region Energy Cooperation (BASCREC), Black Sea Economic Cooperation (BSEC), Centre for Energy Efficiency

(EnEffect), Council of European Energy Regulators (CEER), Energy Charter Secretariat, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), EUROGAS, EUROHEAT, International Association of Oil and Gas Producers (OGP), International Energy Agency (IEA/OECD), International Energy Forum (IEF), North Atlantic Treaty Organisation (NATO) and World Energy Council (WEC).

4. In addition, the companies SwissRe, IXIS-CIB, Energy & Communications Solutions LLC, ENSI Energy Saving International AS, Energobanking/OTP Bank Ltd, Renaissance Finance International Ltd, Agency for Rational Energy Use and Ecology, Cintech, IT-Centre JSC, and RUSDEM - Energoeffect were in attendance.

## **II. OPENING SESSION**

5. The sixteenth session of the Steering Committee opened with a Special Working Session on 29 June, on the “Implementation of the Kyoto Protocol, Energy Efficiency and Climate Change Mitigation”, jointly organized with the Committee on Sustainable Energy. The meeting was opened with a statement by Mr. George Kowalski, Director of the UNECE Industrial Restructuring, Energy and Enterprise Development Division (IREED), who outlined that the Energy Efficiency 21 (EE21) project anticipated the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa, where world leaders reconfirmed their commitment to sustainable development and to establishing domestic programmes for promoting energy efficiency with the support of the international community. He noted how the EE21 Project was created to contribute to the United Nations overall programme in this field including the development of carbon trading from energy efficiency investments. The recent ratification of the Kyoto Protocol by the Russian Federation marked an important point in the implementation of its requirements and the session represented the best opportunity to check the project’s progress. The current three-year phase of the EE21 Project (2003-2006) has been successfully started, thanks to the fundamental contribution by or cooperation with three major partners of EE21 investment strategy: UNFCCC, UN Foundation and the Global Environment Facility (GEF). Mr. Kowalski described their contribution to the EE21 project and recalled also that no progress would be possible without public and private sector finance offered by different institutions including those present, such as the EBRD, the European Investment Bank, Swiss Re, IXIS Corporate and Investment Bank and Energy and Environment Capital LLC. The timetable with the different presentations was introduced, underlining their essential support to EE21 activities. Mr. Kowalski stressed the key question that EE21 sought to answer: “How do we translate a global convention into actual changes in specific countries, cities, buildings and factories?”

## **III. SPECIAL WORKING SESSION ON THE IMPLEMENTATION OF THE KYOTO PROTOCOL, ENERGY EFFICIENCY AND CLIMATE CHANGE MITIGATION**

**(Jointly organized with the Committee on Sustainable Energy)**

(Agenda item 1)

6. The Special Session was co-chaired by Mr. Lazslo Molnar, Chairman of the Committee on Sustainable Energy and Mr. Bernard Laponche, Chairman of the EE21 Steering Committee.

7. Mr. Molnar opened the session by outlining how energy conservation actions needed to be focused not only on technological aspects but also on components of the process other than the financing one. He noted that more efforts should be considered to protect the environment and the development and promotion of energy efficiency should therefore be strongly supported.
8. Mr. Laponche introduced the orientation of the EE21 Project, outlining the natural progression and transition of the project, with the need to put greater emphasis on financing issues. He indicated the main difficulties in financing energy efficiency projects, and briefly presented the work done by the Bureau and the secretariat for the creation of one or more investment funds based on public-private partnership and linked with the EE21 Project, taking advantage of its network, experts, training and support activities.
9. The presentations gave an overview of different aspects of the topic: climatic change and implementation of the Kyoto Protocol; the EE21 project, its perspectives and its contribution in fostering climatic change practices; institutions supporting future phases of EE21 project; the role of development banks; and the potential involvement of financial institutions in the next developments of the EE21 project.
10. The climate is changing without doubt and the most visible impact is on developing and transition countries: the objective of the Climate Change Convention is framed over mitigation and adaptation as the key response strategies. Ms. Katia Simeonova presented the Convention objectives and described the innovative approaches for international cooperation coming from the Convention itself and from the Kyoto Protocol framework: Emission Trading, Joint Implementation, Clean Development Mechanism. New challenges and new opportunities are arising for the energy sector, and they concern cleaner and more efficient technologies, opportunities for companies and investors, carbon risk management and energy security.
11. Mr. Stepan Dudarev presented the National Carbon Unit, a non-profit organization established in 2003, in charge of the elaboration and development of the trading mechanism concept in the Russian Federation; it had created an information and analytical system to focus on the main steps to achieve a Carbon Units Market: a market mechanism for energy saving, GHG-emission reduction, implementation of Kyoto protocol requirements, and the creation of an emissions reductions transfer mechanism. He proposed an institutional architecture to be installed in the Russian Federation for the participation of the country in the "carbon credit international market", following the Kyoto Protocol requirements (ratified by the Russian Federation in November 2004), and in the Russian and European Systems carbon trading system.
12. As one of the main promoters of climate change mitigation policies, the work of the European Commission in this field was presented by Mr. Paolo Bertoldi. The Commission's new Green Paper on energy efficiency (2005) highlights the importance of energy efficiency to improve security of supply, meet the Kyoto obligations and contribute to the Lisbon strategy. The implementation of the present (adopted or soon to be adopted) policy measures will deliver 10% energy savings. Existing measures include also the emissions trading (for the industrial sector), and other industrial policies and programmes

(in particular voluntary agreements and the IPPC Directive). New measures will include the development of energy efficiency certificates ("White Certificates"), and their possible integration with the carbon market; the further development of Energy Services and Energy Service Companies (ESCOs); and of financial initiative to support investments in energy efficiency.

13. Mr. Laponche showed the main characteristics of the EE21 project and marked the distinction with the other programmes and projects (bilateral and multilateral cooperation) in the field of energy efficiency and climate change mitigation. The EE21 Project started in 1991 and has now reached its fourth three-year phase. Its broad initial objectives can be summarized as follows: to enhance east-west trade and cooperation, to improve capacities and networking, policy reforms access, to finance energy efficiency investments. The framework is provided by the regular budget and a Trust Fund: US\$ 2 million from the UN Foundation and other partners; US\$ 1.75 from the UN General Assembly; US\$ 400,000 from the European Commission, RENEUER, USAID and USDOE. The main objective for the current phase (2003-2006) is to enhance regional cooperation on EE market formation and investment project development to reduce greenhouse gas emissions in transition economies. The new activities will be the creation of carbon emission trading standards, the financing of energy efficiency investments and the promotion of policy reforms and sound business.

14. Mr. Bernard Jamet presented GEF activities and the EE21 Investment Fund. GEF has just finished its third phase and launched a fourth phase making confidence in a US\$ 3 billion financing. The fund is managed by a Council represented by member countries and its secretariat is located within the World Bank. Support to GEF's projects comes from the World Bank, UNDP and UNEP. In particular, the EE21 Investment Fund's objective is to support the investment projects in the field of energy efficiency and renewable energy. The Fund would attract and be constituted through capital commitments made of almost US\$ 300 million to which both public (i.e. governments, development banks) and private (i.e. banks, donors) investors should contribute; it is intended to participate in the financing of ESCOs. Its main characteristics are therefore the development of a public-private partnership, specialization in the field of energy efficiency and in relation to other EE21 activities.

15. The main institutions supporting the new phase of the EE21 project were the French Global Environment Facility (FFEM) and UN Foundation. Mr. Francis Stephan, from the French Ministry of Foreign Affairs, presented the FFEM and its new programme for EE21 project financing and institutional support. The French support to the UNECE consists in support to the RENEUER energy efficiency circles, in the preparation and in the approval of the EE21 project. In particular, the FFEM contribution to this project is Euro 2 million divided between different kinds of activities: setting up a network of energy efficiency experts in target countries; support to energy efficiency policies and promotion of renewable energies; setting up a public-private partnership up to 300 millions euros investment fund to finance energy efficiency and renewables energy projects.

16. Mr. Duncan Marsh spoke about UN Foundation activities. In relation to climate and energy, UNF has two priorities: to reduce the risks of climatic change and to improve the access to energy of the poorest populations (two billion people do not have any access to

modern energy services). The UNF Climate and Energy programme aims at: energy efficiency; political initiatives and reinforcement of capacities (in particular on the CDM); development of renewable energies in rural areas; financial mechanisms; investors and climatic risks. UNF notes a favourable evolution in the "climate" of investments in the fight against climate change: on the one hand, on behalf of the investors who are starting to take into account the "climatic risks" in their evaluations, on the other hand, on the side of the companies, trade union organizations, environmental associations that might be gathered together in a joint effort: "Energy Future Coalition". Lastly, the UNF has observed an evolution inside the United States, in particular in a certain number of companies, the Senate, an increasing number of States and the public. This is not yet reflected in a modification of the government's attitude with respect to the efforts of multilateral cooperation.

17. On the side of EE21's financial contacts and potential partners, during the meeting two development banks and three financial institutions presented their experiences and activities in the energy efficiency field and their involvement in the EE21 project.

18. Mr. Henry Marty-Gauquié presented the contribution of the European Investment Bank (EIB) group to the EU "Linking Directive" policy on climate change. As a financial institution of the European Union, the EIB Group supports, by setting banking instruments financed through capital market, the realization of public or private investments contributing to:

- reducing the greenhouse gas emissions;
- supporting the development of a market for carbon trading.

After a short inventory of features of the Kyoto Protocol implementation in the EU and a review of the actions of the Bank concerning environmental protection and the reduction of GHG emissions, the presentation described the initiative for the prevention of climatic changes defined by the Bank's Board of Directors in its meetings of January and April 2004. This initiative has three main components:

- (i) CCFF – Climate Change Financing Facility;
- (ii) CCTAF – Climate Change Technical Assistance Facility;
- (iii) EPCF – European Partnership Carbon Fund.

19. The European Bank for Reconstruction and Development (EBRD) also plays an important role in the financing of sustainable energy and energy efficiency. Mr. Jean-Willem Van de Ven from the Energy Efficiency team of the EBRD presented the Bank's experience in financing Energy Efficiency investment projects. The EBRD has invested 100 million euros since 2003 with payback periods of 1.5 years, 2.5 years and 4 years. The EBRD has different projects in this field, such as:

- the "Emission Reduction Carbon Fund" in the Netherlands: carbon credits purchasing from MOC projects financed by the EBRD;
- the "Multilateral Carbon Credit Fund" (MCCF), created by the EBRD itself;
- the "Project Support Facility ETC" for MDC projects in Central Asia and Caucasian countries.

The Bank is well aware of the enormous potential for profitable investment projects in the area of energy efficiency.

20. During its next preparation phase the EE21 project developed close links with financial institutions directly interested in participating in the Investment Fund, which is the main innovative element of the project. Three of these institutions gave presentations on their activities, their objectives and their interest in the next EE21 steps. Mr. Martin Whittaker and Mr. Walter J. Blasberg presented the cooperation between SWISS RE and Conning Asset Management; their joint presentation related to the creation of the "European Clean Energy Fund" (ECECF) the first concept of was presented at the EE21 Steering Committee in December 2003. This fund would be designed and established by three companies: Swiss Re, Conning Asset Management and TCW Energy & Group Infrastructure. The three societies are involved in the project in different ways and the Fund should be made up of two components: the Main Fund, working for projects on "clean energy" in Western Europe, and the Co-investment Fund, linked to the first for investments in transition countries of Eastern Europe. The first should be of 200 million euros, while the second one of 50 million euros; the contribution of the three "sponsor" companies would be 25 million euros and the "round table" of the investors should be closed in the fourth quarter of 2005.

21. The second main financial institution involved with the EE21 project is the IXIS Corporate and Investment Bank (CIB); Mr. Heneage Legge-Bourke and Mrs. Pascale Thévenoux presented the project of building up a public-private partnership related to the EE21 framework. They showed different advantages of the PPP vehicle and proposed the setting up of a 3-phase-process: initial structuring and public fund identification; private fundraising; and set up and launch of the investments of the fund.

22. Mr. John Palmisano gave a presentation on the Energy & Environment Capital LLC's recent activities; he presented a team of experts and companies from Western, Central and Eastern European countries having strong experience in the field of energy efficiency and renewable energies. The current team includes AFK Sistema, the Moscow Bank for Reconstruction and Development, Rosno and the FEEEM (Ukrainian NGO). The main objective of the team is building a pipeline of projects, through a well defined scheme going from the identification of potential projects to the achievement of tradable environmental benefits; the second step foresees the integration of different elements, such as project pipeline, insurance assistance, banking assistance and financial analysis and environmental trading, with a particular focus on the Russian Federation and Ukraine.

#### **IV. ADOPTION OF THE AGENDA**

(Agenda item 2)

Documentation: ENERGY/WP.4/2005/1

23. The agenda was adopted.

#### **V. ELECTION OF OFFICERS**

(Agenda item 3)

24. Mr. Bernard Laponche (France) was elected Chairman; Mr. Trond Dahlsveen (Norway), Mr. Zdravko Genchev (Bulgaria), Mr. Boris Reutov (Russian Federation),

Ms. Milena Presutto (Italy), Mr. Thomas Sacco (United States of America) and Mr. Alan C. Schroeder (alternate US representative) were elected Vice-Chairmen.

**VI. PRESENTATIONS ON THE ENERGY EFFICIENCY 21  
PROJECT IMPLEMENTATION**  
(Agenda item 4)

25. The session was made of three parts: (a) presentations by the four vice-chairman concerning the activities developed in their sector of interest within the framework of the EE21 project; (b) presentations by national delegations and team of experts; (c) current situation and future activities of two EE21 project components: "Financing Energy Efficiency for Climate Change Mitigation" and "RENEUER: the Regional Network for the Efficient Use of Energy and Water Resources".

26. Mr. Boris Reutov, Deputy National Project Director of the Federal Agency on Science and Innovation, presented two themes. The first one, more general, concerned the energy sector situation in the Russian Federation; the annual consumption is almost 650 Mtoe, of which 250 for heating purposes (two thirds for heating of buildings). This high level of consumption is also due to other factors such as the rigid climate, the poor levels of production, transportation, distribution and consumption problems. The main obstacles to energy efficiency are represented by the lack of organization, the system's centralization and the large amount of resources available; moreover, the potential of energy saving on heat consumption is estimated to be around 35-40% of total consumption. These are the rationales for the demonstration project in Vladimir municipality: not only a technical project but also a management experiment, with Federal Government and UNDP/GEF support. The second presentation concerned the "Russian Programme for Renewable Energy", created within a GEF project carried out by the World Bank and implemented under the responsibility of the Ministry for the Education and Science of the Russian Federation (US\$ 80 million funding). The project structure foresees different steps starting from the training process to the development of legislation with regard to renewables, up to the establishment of financial mechanisms for programme implementation.

27. Mr. Trond Dahlsveen, from Energy Saving International AS (ENSI), gave a presentation on the Norwegian capacity building programmes in Central and Eastern Europe and the CIS, within the framework of the EE21 project. This programme is financed by the Norwegian government and implemented by ENSI and the Norwegian Energy Efficiency Group (NEEG). The programme has been developed according to the concept of "demonstration zones" of the EE2000 project (that preceded EE21); it covers the following activities: information, education and training; demonstration projects; new technologies; financing; organization and animation of networks; selection and preparation of projects. The local capacities development is directed towards technical universities, industrial enterprises, local and regional institutions and research centres. In the Russian Federation six "Energy Efficiency Centres" have been just created which employed 33 people in 2004.

28. Ms. Milena Presutto from the Unit for Sustainable Development of the Italian National Agency for New Technologies, Energy and Investment (ENEA) gave a presentation on the impact of energy efficiency standards and labels for major household

appliances. The presentation focus was on three main issues: (a) energy efficiency policies and measures for cold and washing appliances in Europe; (b) effects of EU standards and labels on cold and washing appliances in the EU15 new Member States and ACs; (c) price of efficient appliances in CEECs. She listed the European Directives relating to the energy performances of the cold and washing appliances and the voluntary agreements with the manufacturers implying reductions in electricity consumption. The impact of these policies and measurements on production over the period 1992-2003 has been remarkable: 40% of energy savings realized between 1990 and 2003 for EU-25.

29. Mr. Zdravko Genchev's presentation outlined EnEffect experience in Bulgaria aimed at summarizing the lessons learnt in overcoming obstacles to successful financing of EE investment projects. He described the experience gained from the introduction of innovative financing instruments for EE improvements in a transition country, and identified possible areas of cooperation and mutual support within the framework of the EE21 Project in coming years. The implementation of different kind of projects (such as street lighting projects or district heating projects) showed a huge potential and attractive economic parameters for EE projects, the need to define EE potential and barriers, the effectiveness of capacity building only when addressed to national and local authorities, financial institutions, energy services providers, the need of national and local institutions. The EnEffect work has also permitted the identification of the preconditions essential for an emerging EE market. The possible areas for cooperation within the EE21 project mainly concern the partnership on financing (exchange of information and experience, cooperation in the identification of projects, the study of possibilities for direct partnership of national and international funds, based on co-financing of joint projects).

30. Twelve additional presentations were made in relation either to EE21 project activities or to experts' initiatives in Central and Eastern European countries and the CIS.

31. Mr. Mark Vebdy presented the UNDP/GEF Energy Efficiency Team in Romania; the team's aim is to stimulate energy efficiency investment, applying the principle that "a small investment by UNDP/GEF can leverage a much larger investment by a third party". This straightforward approach has already helped to leverage more than US\$23 million in energy efficiency investment in Romania. The project team has also a broad capacity-building role.

32. Mr. Deltcho Vitchev, from Renaissance Finance International, focused on different aspects of energy efficiency and renewable energy sources projects, stressing their complementary intervention to promote investment fund development such as the case of the EE21 project. The basic difference between energy efficiency and renewable projects is essentially that an energy efficiency project aims at reducing the use of resources and energy, while a renewable energy project aims to generate energy from the use of renewable sources. This principal technical difference is also the cause of their fiscal difference – while an energy efficiency project saves money (reduces the cash outflow), the renewable projects generate money with the sale of the energy generated (produces income). As both approaches present the most viable means to reduce GHG emissions, UNECE programmes in this field are aimed at tackling the most important issues associated with investments in renewable and energy efficiency projects – lack of prepared bankable projects and of financial mechanisms to finance such projects.

33. Ms. Eva Weöres and Mr. Botond Weöres presented Energobanking/OTP project financing experience in the fields of energy efficiency and renewables, restoration of heat networks, development of ESCOs in Hungary and in the neighbouring countries: Slovakia, Croatia, Romania, Bulgaria. The bank energy financing concerns district heating and renewable energy projects, municipal institutions and residential blockhouses. The bank has identified a range of opportunities such as the increasing of energy prices to encourage putting pressure to modernization, the increasing of disposable incomes and environmental awareness, support to district heating residential modernization (also with EU funding), and the availability of long-term financial instruments.

34. The ARENA ECO project, presented by Mr. Sergey Surnin from the Agency for Rationale Energy Use and Ecology, addresses the existing capacity gap by developing and enhancing technical, institutional and human resources capacity in Ukraine, to measure, monitor and report GHG emissions and to apply measures, policies and international mechanisms to reduce these emissions according to national targets. The project stresses the need to prepare information, methodological and human resources for meeting UNFCCC and Kyoto Protocol commitments and identifies its success criteria which will enable it to continue the implementation of these commitments independently in the countries after the end of the project.

35. The US Agency for International Development (USAID) and Alliance to Save Energy (ASE) presented two region-wide studies being conducted under the Municipal Network for Energy Efficiency (MUNEE) programme; these institutions were represented by Mr. Ira Birnbaum and Ms. Astghine Pasoyan. The first study concerns Urban Heating and focuses on policies, institutional restructuring and reform efforts in the heating sector to examine their effectiveness in attracting investment, improving efficiency, and addressing social and economic needs. The study is intended to inform assistance programmes about donors and IFIs. The second study concerns Energy Efficiency and Urban Residential Utility Affordability and provides empirical evidence that energy efficiency should be considered part of an energy social safety net to help vulnerable customers meet utility costs. In particular, the intent of the study is to incorporate energy efficiency into social safety net funding. The study recognizes the need to respond to the consequences of energy sector reforms. The studies build on earlier analyses from various organizations in an effort to address heating and affordability issues among crosscutting sectors addressed through assistance programmes.

36. The Russian Federation was represented by several interventions concerning different fields of action. Ms. Svetlana Prokopchina summarised CINTECH and Intelligent System Scientific Corporation works. She presented the example of Ecoanalyst, an analysis system built on the 5-E concept: Energy, Ecology, Environment, Economy, and Efficiency. Her presentation included several case studies and demonstration projects.

37. Mr. Igor Nesterenko from the IT-Centre JSC showed an analysis of investments in energy infrastructure and brought some examples of the optimization of the heating network restoration through the combination of technical and economic solutions. As an answer to the crisis in housing and communal complexes, he predicted the necessity to organize urgently a single regional system of gathering, processing and analysing the

authentic and detailed information on the state of the power supply system, to reveal the most problematic issues and to define related technical and financial measures.

38. Ms. Vera Khmeleva summarized MUE Zelenstroy activities. Its main purpose is to develop social-nature landscapes for the transformation of greenhouse gases into biomass. It is now developing a new combined heat supply system for the achievement of a stable temperature in hothouses where the specific landscapes plants are grown. Its technologies of growing, transmission and utilization of biomass will be implemented in the building up of the Tecnopark "Agroenergetical complex Saharovo" and the demo zones with efficient solar energy, natural gas and biomass use.

39. Mr. Eugene A. Zenyutich presented the Nizhny Novgorod regional training-scientific innovation centre for energy saving. This centre works on the development of energy efficiency and environmental projects and programmes; the development of business plans and financial mechanisms for investments in energy saving; the development and management of demonstration projects in the framework of the High Energy Efficiency Demonstration Zone "Nizhny Novgorod" (EE21 Project); energy audit and development of enterprise energy passports; professional training of energy auditors and energy managers. This is a network made up of the Ministry of Energy and the Ministry of Education of the Russian Federation, RUSDEM, the Interregional Association of Energy Saving Centres and the Committee on Energy Saving of the Association "Big Volga"; it is financed by IBRD, Sberbank, Gazprom Bank, and the Dresdner Bank.

40. Mr. Sergeev Sergey presented the Energy Saving programme in educational establishments in the Russian Federation. The first phase of the project provides inspections of buildings and educational establishments, the modernization and reconstruction of the energy supply system using low-cost energy saving measures, qualified specialists training, and the development of model fast pay back energy saving measures and their dissemination in educational establishments of the Ministry of Education of the Russian Federation. The second phase foresees the dissemination of new energy saving equipment and technologies, the development of scientific and methodological basis for the establishment of a complex long-term energy saving programme for educational establishments, and the development of the information-analytical energy consumption-monitoring programme "Metering and control of the fuel and energy resources (F&E resources) consumption". Up to now 923 have been concerned by energy efficiency measures, with a total amount of financing of almost US\$ 35 million.

41. The situation and experience in Romania were shown by Mr. Robert Gavriiliuc and Ms. Ana-Maria Bianchi, from the Technical University of Civil Engineering. They presented the Romanian national strategy regarding the thermal energy supply of cities. They analysed heating networks situations in the country and discussed the potential intervention of university and research centres for the elaboration and implementation of policies, measures and energy efficiency projects. They predicted that new governmental actions should also decrease production costs by modernizing the system for energy production and supply and encouraging investments to rehabilitate the Centralized System for Urban Heating CSUH, to increase energy efficiency and reduce consumption of primary resources.

**VII. PRESENTATION OF THE NEXT THREE-YEAR PHASE OF THE  
ENERGY EFFICIENCY 21 PROJECT**  
(Agenda item 5)

Documentation: ENERGY/WP.4/2005/2; ENERGY/WP.4/2005/3

42. The secretariat introduced this agenda item with a short presentation on the next phase of the EE21 Project. During the last three-year phase, the project addressed, inter alia, five countries: Belarus, Bulgaria, Kazakhstan, Russian Federation and Ukraine. This activity was supported by the UN Foundation with a US\$ 2 million co-financing grant with several other partners. Among the achievements are: 30 business plans with a value of US\$ 60 million and a carbon emissions reduction potential of 368,000 tonnes/year; US\$ 9.7 million financing approved in Belarus, Bulgaria, Russia and Ukraine; the production of a Carbon Emission Trading Handbook, a Guide to Investors in Energy Efficiency and Climate Change projects; several energy efficiency country reports; and the EE21 website which operates at some 55,000 visits per year.

43. The objective of the new phase of the EE21 project is to assist South-east European, East European and CIS countries to enhance their energy efficiency, diminish fuel poverty arising from economic transition and meet international environmental treaty obligations under the UNFCCC and the UNECE. The EE21 Project covers the development of carbon emissions trading standards and emissions tracking; finance for energy efficiency investments through advisory services to project sponsors and investors on bankable projects. The intention is to promote a sound business environment and corporate governance to introduce the economic, institutional and regulatory reforms needed to support energy efficiency investments to reduce greenhouse gas emissions and promote the Kyoto Protocol mechanisms. These objectives are met through energy efficiency investment project development, capacity building, private sector involvement, government policy, institutional reforms, standards and labels, and development of NGOs.

44. During the last Steering Committee meeting, the Bureau and the secretariat were requested to work on the establishment of an investment fund to promote the formation of an energy efficiency market in economies in transition (ENERGY/WP.4/2004/4). Dedicated funds are now under development by SwissRe and Conning Asset Management, IXIS Corporate and Investment Bank, Energy and Environment Capital LLC. A new technical assistance project related to the investment fund and financial mechanism was approved last year by UNF/UNFIP and a complementary project was endorsed more recently by the French Ministry of Foreign Affairs and the Fonds Francais pour l'Environnement Mondial (FFEM). The Global Environment Facility (GEF) is the third co-financing partner for this work in partnership with UNEP, one of the GEF Implementing Agencies. The next steps of the project should be the designation of National Coordinators, specification of the annual 'in-kind' counterpart contributions of US\$ 25,000 for each participating country, the preparation of EE21 project plan 2006-2009, and finally the approval of the Project Document. The next meeting of the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation to prepare the new phase of project activities is scheduled for 1-2 December 2005.

## **VIII. PRESENTATION ON THE REGIONAL NETWORK FOR THE EFFICIENT USE OF ENERGY AND WATER RESOURCES (RENEUER)**

(Agenda item 6)

Documentation: ENERGY/WP.4/2005/4

45. Mr. Zdravko Genchev gave an overview of the past and current activities of the Regional Network for the Efficient Use of Energy and Water Resources (RENEUER). RENEUER is a network of organizations and local communities for the cooperation, exchanges of knowledge and expertise. The main domains of action are energy efficiency in the European market, energy efficiency and Kyoto protocol, local authorities and energy management. The presentation examined the energy efficiency investments in Bosnia and Herzegovina, The former Yugoslav Republic Macedonia, and Serbia and Montenegro. Regarding cooperation with the EE21 project, Mr. Genchev recommended: support for the "capacity building", actions' differentiation in each country, continuation of the support for the identification and the development of projects, the partnership for financial instruments setting, support for the regional process of networks creation and reinforcement.

## **IX. OTHER BUSINESS**

(Agenda item 7)

46. The following UNECE Energy Publications recently issued and forthcoming were considered as a positive outcome of the EE21 work. The publications are available on request by contacting the secretariat.

Recently Issued ECE Energy Series:

- (a) No. 22 Experience of International Organizations in Promoting Energy Efficiency – Belarus, ECE/ENERGY/55;
- (b) No. 23 Experience of International Organizations in Promoting Energy Efficiency – Bulgaria, ECE/ENERGY/56;
- (c) No. 24 Experience of International Organizations in Promoting Energy Efficiency – Kazakhstan, ECE/ENERGY/57;
- (d) No. 25 Experience of International Organizations in Promoting Energy Efficiency – The Russian Federation, ECE/ENERGY/58;
- (e) No. 26 Experience of International Organizations in Promoting Energy Efficiency – Ukraine, ECE/ENERGY/59;
- (f) No. 27: Energy Efficiency Policies and Measures in Europe, CD Rom, ECE/ENERGY/60;

New Issues of ECE Energy Series:

- (g) No. 28: Financing Energy Efficiency and Climate Change Mitigation: A Guide for Investors in Belarus, Bulgaria, Kazakhstan, the Russian Federation and Ukraine. CD Rom ECE/ENERGY/61;

47. The EE21 Steering Committee hosted the first Expert Working Group Meeting of the Municipal Network for Energy Efficiency (MUNEE), organized by the Alliance to Save Energy (ASE) and the US Agency for International Development (USAID).

## X. CONCLUSIONS AND RECOMMENDATIONS (Agenda item 8)

48. After its deliberations, the Steering Committee:
- (a) Expressed appreciation for the excellent presentations of all participants during the joint Special Session of the Committee on Sustainable Energy and the EE21 Steering Committee on the Implementation of the Kyoto Protocol, Energy Efficiency and Climate Change Mitigation;
  - (b) Noted with appreciation 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;
  - (c) Noted with satisfaction 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;
  - (d) Noted with appreciation that the Bureau of the Project had made significant progress in developing a financing mechanism or investment fund by working with supporting institutions and fund management teams, in line with the decisions taken at the fifteenth session of the Steering Committee;
  - (e) Expressed appreciation for the support to the project provided by the United Nations Foundation (UNF), French Ministry of Foreign Affairs, French Global Environment Facility (FFEM), and the Global Environment Facility (GEF);
  - (f) Expressed appreciation to the European Commission and the Government of Italy for the support of the joint UNECE/EC activity on Enhancing the Government Regulatory Energy Measures Impact and Diffusion Speed Appraisal Method (E-GRIDS) issued as a United Nations e-Book Energy Efficiency Policies and Measures in Europe;
  - (g) Noted with satisfaction the participation of the European Commission, the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Environment Programme (UNEP), the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) for their manifested interest and participation in the project activities;
  - (h) Expressed appreciation for the active participation of by the Swiss Reinsurance Company (Swiss Re); Conning Asset Management; IXIS Corporate and Investment Bank; Energy and Environment Capital LLC in the project preparation, in particular for their interest in establishing a financing mechanism and/or investment funds in relation to the Energy Efficiency 21 Project for energy efficiency and renewable energy investments;
  - (i) Noted with appreciation the wide range and qualified participation of several national governmental and non-governmental institutions, regional and local actors, research

institutes, academia, consultancy firms and business sector representatives in the project preparation through their shared experience and expertise from Western Europe, Central and Eastern Europe, South-east Europe and CIS;

- (j) Welcomed the positive cooperation between the UNECE and USAID under the activities of the MUNEE Expert Advisory Panel Meeting coordinated by the Alliance to Save Energy (ASE), in particular for the first meeting of the advisory panel organized in cooperation with the EE21 Steering Committee and within its annual session;
- (k) Requested the Bureau and the secretariat to continue its work towards completing the Project Plan 2006-2009, including the creation of financing mechanisms or Funds following the approval of proposals to donors, co-financing partners and potential Fund participants and specification of the annual 'in-kind' contributions from the participating countries;
- (l) Recommended that the Bureau and the Ad Hoc Group of Experts on Energy Efficiency Investments meet before the end of the year to:
  - (i) provide for a wide range of financial mechanisms for energy efficiency and renewables investment projects to implement climate change mitigation strategies;
  - (ii) expand the traditional Energy Efficiency 21 Project activities such as technical assistance, capacity building, training, institutional and policy reform so that these complement the activities of the investment fund managers;
  - (iii) reflect the different components in the Project Plan 2006-2009 as indicated by all actors, including donors, country representatives, international financial institutions, energy efficiency investment fund experts, and international organizations associated with the project;
- (m) Welcomed the results achieved by the RENEUER secretariat to update the RENEUER strategy with the support of UNECE and USAID/ Alliance to Save Energy;
- (n) Noted with satisfaction the significant positive changes of the investment climate in most RENEUER countries and the similarity of needs of support in the region, although a differentiated approach is often required in each country;
- (o) Encouraged cooperation between RENEUER and the MUNEE Expert Advisory Panel for the achievement of common objectives, including through the implementation of joint activities;
- (p) Encouraged cooperation between RENEUR and UNECE for the exchange of information and experience between national investment funds and international financial institutions and for possible partnership in contributing to the implementation of similar financing instruments and Funds.

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