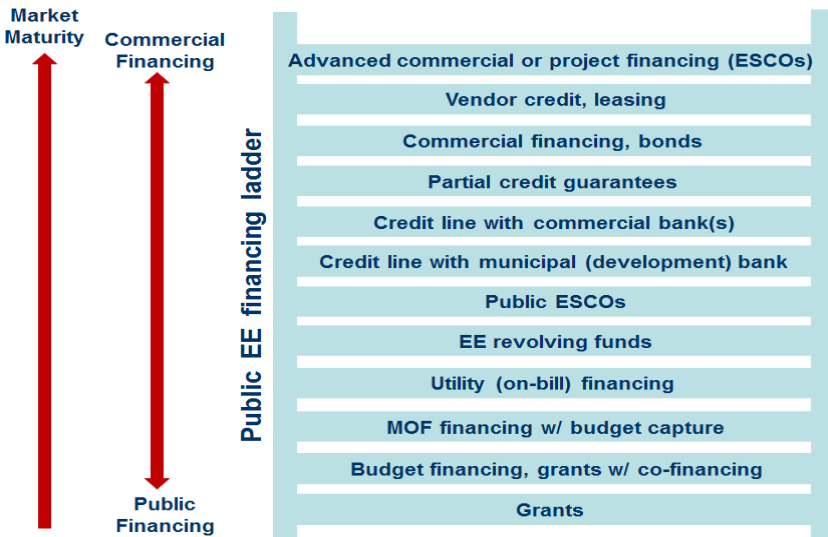
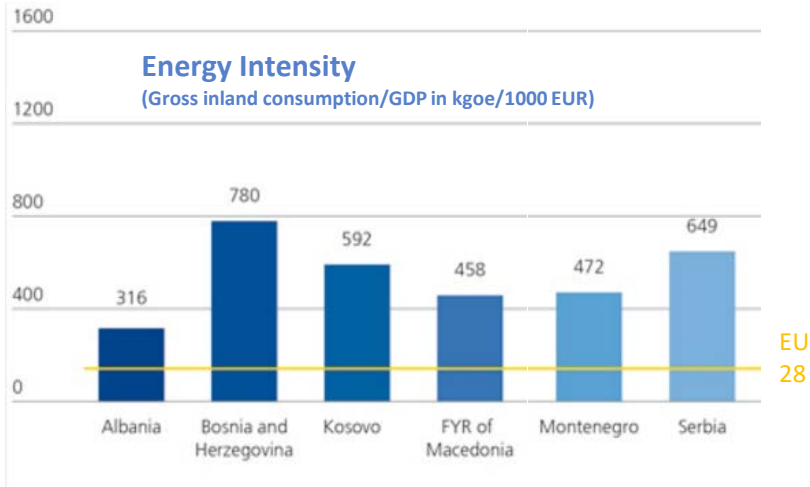


World Bank Energy Efficiency Program in the Western Balkans

22nd Energy Efficiency Coordination Group Meeting
Vienna, March 11, 2020

Energy Efficiency: Implementation lags its high potential



- WB6 countries maintain a high energy intensity relative to EU
- Energy consumption remains low, about 1/3 of EU; as incomes rise, energy intensity is likely to grow
- This creates potential to scale-up energy efficiency with many benefits:
 - ✓ Enhanced energy security
 - ✓ Reduced winter imports/shortages
 - ✓ Fiscal benefits from reduced energy costs
 - ✓ Creates green jobs
 - ✓ Reduces local pollution and CO₂ emissions
 - ✓ €1 invested in EE results in €4-5 in co-benefits
- WB6 countries committed to 9% energy saving targets by 2018, new National Energy and Climate Plans through 2030 pending.
- While there has been progress in legal and regulatory frameworks, transposition of EU directives, etc., several issues remain:
 - ✓ Lack of supporting secondary legislation
 - ✓ Low energy pricing
 - ✓ Weak energy efficiency institutions
 - ✓ Creditworthiness (e.g., SMEs, municipalities, homeowner associations)
 - ✓ Underdeveloped markets
- World Bank now developing demonstration projects and revolving funds (e.g., KEEF) as a key financing and implementation mechanism for public buildings, also promoting simpler ESCO contracting.
- Huge potential still remains in residential sector, particularly multifamily apartment buildings.

World Bank Energy Efficiency Engagement

Rationale

- Fiscal pressures on high energy costs, lack of energy security particularly during winter months, old and inefficient building stock, poor air quality— all are pressuring governments to scale up EE
- EU/Energy community obligations (e.g., renovation of >1% of central government buildings/year, NEEAP targets, building renovation strategies, EE Directive) will require more aggressive EE programs
- The Bank has invested over US\$250 million in EE in public buildings in last 15 years with strong demand for continued support
- Emphasis now is to support sustainable, scaled-up financing by supporting the development of sustainable revolving mechanisms to allow public funds to revolve, demonstrate that EE can pay for itself and better leverage EU /donor funds and eventually more commercial financing
- As the portfolio evolves, future efforts will focus on scaling up existing revolving mechanisms and expanding to the (larger) residential sector

Current WB Engagement

Current

- BiH: Energy Efficiency in PB, AF in 2018
- Kosovo: Energy Efficiency & Renewable Energy, AF in 2020
- Montenegro: Second Energy Efficiency (2018)
- N. Macedonia: Public Sector Energy Efficiency (2020)
- Serbia: Enhancing Infrastructure Efficiency & Sustainability Program-for-Results (2017)

Future

- Albania: EE Fund for Public Buildings (proposed)
- Serbia: EE in Multifamily Apartment Buildings (proposed)
- Scaling up existing revolving mechanisms in BiH, Kosovo, Montenegro and North Macedonia (TA)

Notes: AF – additional financing; TA – technical assistance.

World Bank EE Financing in the W. Balkans

Country	Project Name	Approval Date	Closing Date	Amount
Albania	TBD			
Kosovo	Energy Efficiency & Renewable Energy Energy Efficiency & Renewable Energy (AF)	June 12, '14 Feb 11, '20	Aug 31, '20 Dec 31, '22	US\$31m (IDA) €10 m (EU-IPA)
North Macedonia	Sustainable Energy Energy Efficiency Fund for Public Buildings	Dec 19, '06 Jan 30, '20	March 30, '13 Sept 30, '25	US\$5.5m (GEF) €25m (IBRD)
Montenegro	Energy Efficiency Energy Efficiency (AF) Second Energy Efficiency	Dec 9, '08 Dec 23, '13 June 4, '18	Dec 20, '14 March 30, '18 Dec 31, '23	US\$8.8m (IBRD) US\$6.8m (IBRD) US\$7.4m (IBRD)
Serbia	Energy Efficiency Energy Efficiency (AF) Enhancing Infrastructure Efficiency & Sustainability (P4R)	March 16, '04 June 20, '07 Nov 3, '17	Oct 31, '11 April 30, '13 Dec 31, '21	US\$21m (IDA) US\$27.3m (IDA, IBRD) US\$48m (IBRD)
Bosnia & Herzegovina	Energy Efficiency Energy Efficiency (AF)	March 13, '14 October 30, '18	Dec 31, '19 March 30, '24	US\$32m (IDA) US\$32m (IBRD)
Total				US\$252 million

Notes: AF – additional financing.

World Bank TA program on EE financing and delivery mechanisms in buildings sector

Objective: Support the development and/or operationalization of customized EE financing and delivery mechanisms.

Components:

- **Residential building EE options studies in select countries**, including: (i) residential building stock to assess the EE potential and related investment needs; (ii) gap analysis on residential EE; and (iii) development of customized EE financing mechanisms and programs.
- **Development and operationalization of EE Funds and revolving financing mechanisms**, including: (i) support the commercialization of revolving financing schemes by advancing development of instruments facilitating the involvement of energy service companies, PPP structures or customized energy service agreements; and (ii) develop and maintain a regional tracking database on key results indicators for public building EE programs, conduct case studies and promote lessons learned/ results achieved.
- **Policy support/reviews, knowledge sharing and partner outreach**, including in partnership with Energy Community



Status of EE Financing in the Western Balkans

- ❑ There are now several active EE Revolving Funds in the region: Armenia (R2E2 Fund), Bulgaria (EERSF), Croatia (EPEEF), Moldova (FEE), Slovenia (ECO Fund), Romania (FREE)
- ❑ Albania: EE Law (approved Nov '15) called for the creation of an EE Fund, 3rd NEEAP (approved Jan '18) also indicated EEF, Bank prepared and issued Options Paper (Nov '19) on the basis of a building inventory report
- ❑ Bosnia & Herzegovina: Latest Bank financing includes mechanisms to revolve funds on basis of achieved energy cost savings with partial recovery of investment costs; strengthening capacity and involvement of existing Environmental Protection Funds
- ❑ Kosovo: KEEF staffed in Jan '20, World Bank and EC approved capitalization of Fund with ~€15m (Feb '20), initiation of marketing in March '20, hope to sign initial energy service agreements by April/May '20
- ❑ North Macedonia: Government approved EEF creation under its development bank (DBNM), new Bank loan (approved Jan '20) includes €5m to provide initial capital to Fund, EC has preliminarily agreed to provide €3m to the Fund now and more under IPA 3
- ❑ Montenegro: World Bank working with Government to operationalize a revolving financing model under ongoing project using a budget capture scheme
- ❑ Serbia: Government now exploring EEF creation with EU-IPA funds; under P4R operation, preparation of medium-term public building renovation program one of the results indicators
- ❑ EE Funds are now being considered/developed in several countries in the broader region, including Belarus, Kazakhstan, Ukraine (for residential), Turkey (possible super ESCO under Iller Bank)

World Bank Sustainable Heating Engagement

Rationale

- BiH, Kosovo and N. Macedonia have highest levels of air pollution due to inefficient and highly polluting heating systems being used in urban areas, including the capital cities of Sarajevo, Pristina and Skopje. The three countries are requesting donor support to address air pollution problem caused by the heating sector but also improve the availability and affordability of various heating options.
- Alarming levels of air pollution, especially in the winter months in capital cities
- Lack of affordable alternatives for heating and nearly half of the households cannot keep homes warm during winter months
- Widespread use of unsustainable firewood and coal for heating
- Modern biomass and heat pumps seem to be a promising alternative

Engagement

2020

- TA to assess heating alternatives for major hotspot cities in the region and identify financing mechanisms to support switching to cleaner heating.
- TA Serbia: District Heating Tariff Study and Poverty and Social Impact Assessment to support the design of municipal EE programs in 2 cities

Future lending or budget support operations possible.

Thank you!

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