

# Western Balkans Regional Energy Efficiency Programme (REEP)

Energy Efficiency Coordination Group  
Online, 17 November 2020



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**European Bank**  
for Reconstruction and Development

**KFW**



# REEP Case Study – Sarajevo Public Buildings

- Improving energy efficiency of **40 public buildings** in Sarajevo
  - ✓ Est. energy savings 13.7 GWh → 4,774 t CO<sub>2</sub> avoided annually
  - ✓ Direct beneficiaries > 26,000 children and patients
- EUR 10 million financing package
  - ✓ EUR 8 million loan (EBRD)
  - ✓ EUR 2 million investment grant (EU)



# Agenda

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- REEP overview and results
- Alignment with Green Agenda for the WB's and Renovation Wave
- REEP replenishment
- Discussion with Contracting Parties



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# REEP Overview

REEP & REEP PLUS & REEP PLUS EXT  
WINDOWS

€78.8 m  
EU grants

€25.9 m  
other grants

€512 m project financing

Objective: Sustainable Market for energy efficiency in the Western Balkans

## 2 Intermediated Financing



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- Credit lines to local banks for project finance
- For SME & public sector projects (small scale RE & EE)



- Credit lines to local banks for project finance
- For residential sector projects

## 1a ESCO Support

- Legislative support
- Technical project preparation

## 4 Direct Lending to Public Sector

- Project finance to States, cities, municipal companies
- For public building EE



## 3 Direct Financing



- Project finance to private sector (incl. ESCOs)
- For medium scale RE and EE

## 1b Policy Dialogue

- EED, EPBD legislation and strategic documents
- Policy implementation support



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# REEP Overview – Total results to-date

## Intermediated financing



- ✓ Signings: EUR 107m
- ✓ 9 PFIs
- ✓ 342 sub-loans for EUR 85.4m



- ✓ Signings: EUR 71.5m
- ✓ 16 PFIs
- ✓ 5,754 sub-loans for EUR 29.8m



- ✓ Signings: EUR 50(100)m
- ✓ 4 PFIs
- ✓ 597 sub-loans for EUR 30.8m

## Direct financing



### Private sector

- ✓ Signings: EUR 72m
- ✓ 17 projects



### Public buildings

- ✓ Signings: EUR 21m
- ✓ 2 projects

### KfW Public buildings

- ✓ EUR 75m signed, 2 projects
- ✓ SOC, EDU, ADM/ new+ recnstr.
- ✓ nZEB piloting

## Policy

- ✓ 62 policy products, of which 34 adopted / formally accepted
- ✓ ESCO: supported preparation of 46 projects

# Activity updates since last EECG (June'20)

## Intermediated financing



- ✓ + EUR 0.8m new sub-loans
- ✓ + 8 new sub-loans



- ✓ New signing: NLB Skopje
- ✓ + EUR 8.6m new sub-loans
- ✓ + 1,745 new sub-loans



- ✓ No changes. EU-funds exhausted; waiting for replenishment

## Direct financing



### Private sector

- ✓ Due diligence 2 wind farms



### Public buildings

- ✓ EUR 10m Sarajevo public buildings signed



### Public buildings

- ✓ Tender for NMK and ALB
- ✓ Signing ALB planned 2020, EUR 25m; 5 student dormitories, ready for tender early 2021
- ✓ nZEB regional TA: contracting

## Policy

- ✓ 2 new policy assignments started: EPBD in NMK, BA-Fed
- ✓ Albania EE Law amendments finalized, awaiting government adoption
- ✓ 1 assignment under preparation, awaiting formal kick-off



# Alignment with EU's Economic and Investment Plan for the Western Balkans

- **Economic Investment Plan for the Western Balkans**
  - Up to € 9 billion of EU funding for key investments
  - Western Balkan Guarantee Facility potential to mobilise up to €20 billion
- **Crucial role of energy efficiency in clean energy transition of the region**
  - identified as a **priority investment area**
  - **Energy efficiency first** as a guiding principle of European climate and energy governance
- **REEP recognised as the key mechanism to**
  - support the transposition and implementation of the EU energy efficiency **acquis**
  - leverage EU funds to accelerate the pace of EE and building renovation in the Western Balkans
  - provide **technical assistance** and **financing** to enterprises, households and public sector entities
- **Energy Community** continues to play key role for the countries' transition to energy efficiency





# WBs Renovation Wave

## “Renovation Wave” as an *Investment Flagship*

- Western Balkans to triple the current renovation rate and energy savings in existing buildings and achieve nearly-zero energy and emission standard in new buildings



## Renovation Wave

The European  
Green Deal

October 2020  
#EUGreenDeal



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# Proposed REEP Replenishment Overview

## REEP ++ Overview – Renewable Energy & Energy Efficiency

Window 1a



### ESCO Support TA



Legislative & project  
preparation support

Window 1b



### Policy Dialogue TA



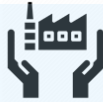
Policy support

Window 2

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### Intermediated Financing through local banks



RE & EE projects in  
SMEs



EE and RE in the  
residential sector



EE in the municipal  
sector



Window 3



### Direct Financing to Private Sector (project and corporate finance)



Small and Medium  
scale  
RE & EE projects



EE and RE in in the  
residential sector



Western Balkans  
Sustainable Energy  
Direct Financing Facility

Window 4

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### Direct Financing to Public Sector (sovereign/sub-sovereign)



EE and RE in  
buildings



Sustainable heating  
and cooling



Innovation and smart  
solutions

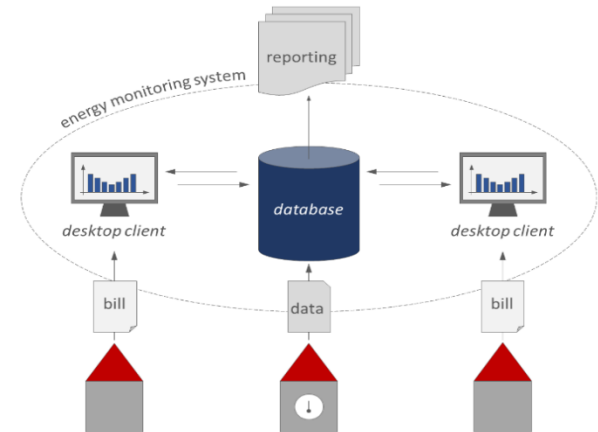


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# REEP Replenishment

## New Theme: Innovation and smart solutions

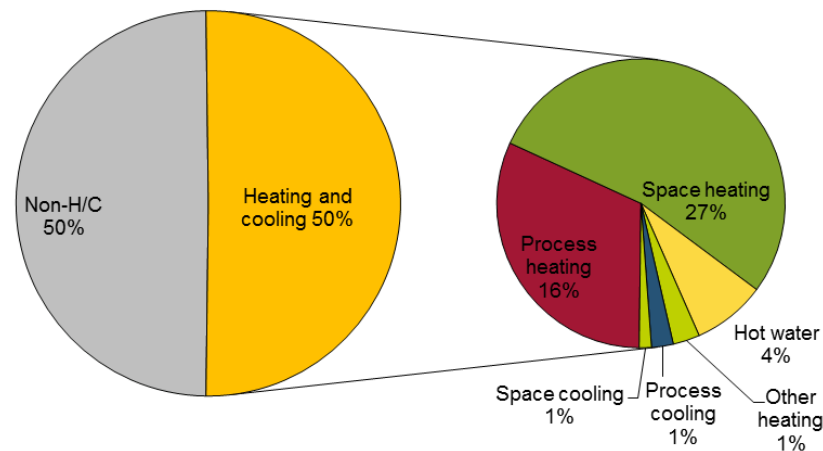
- *NZEB Definition of EPBD recast Article 2:* ‘nearly zero-energy building’ means a building that has a very high energy performance, as determined in accordance with Annex I. The **nearly zero or very low amount of energy required** should be covered to a **very significant extent by energy from renewable sources**, including energy from renewable sources produced on-site or nearby;
- *Article 9:* Member States are responsible for the **practical application** of the definition. The national application of the definition of nearly zero-energy buildings shall reflect national, regional or local conditions...
- **Energy Monitoring and Control Systems**  
Building automation, control systems, devices that regulate temperature at room level etc.



# REEP Replenishment

## New Theme: Sustainable Heating and Cooling

- Heating & Cooling accounts for half of EU final energy demand; majority of the energy comes from non-renewable sources.
- Decarbonisation of heating and cooling is critical to meet long-term climate objectives
- To address this challenge through REEP, additional emphasis on heating and cooling will be delivered through new activities
- Policy (W1)
  - increasing share of renewable energy in heating and cooling (RED)
  - efficiency in heating and cooling (EED)
  - eco-design
- Lending for public sector (W4)
  - district energy facilities, e.g. solar thermal plants
- Intermediated finance (W2)
  - heating and cooling technologies for residential end-users

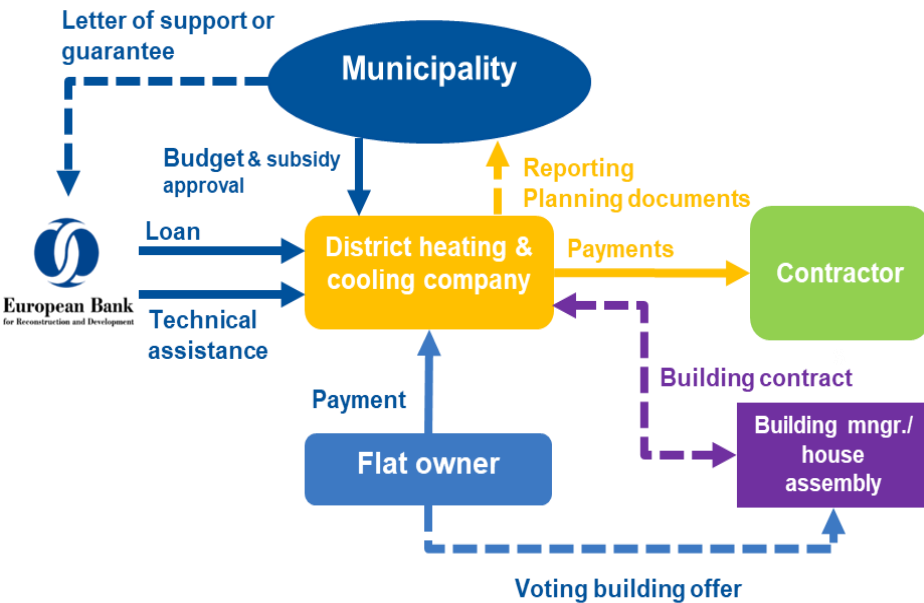


EU Final Energy Demand Breakdown from <http://www.heatroadmap.eu/>

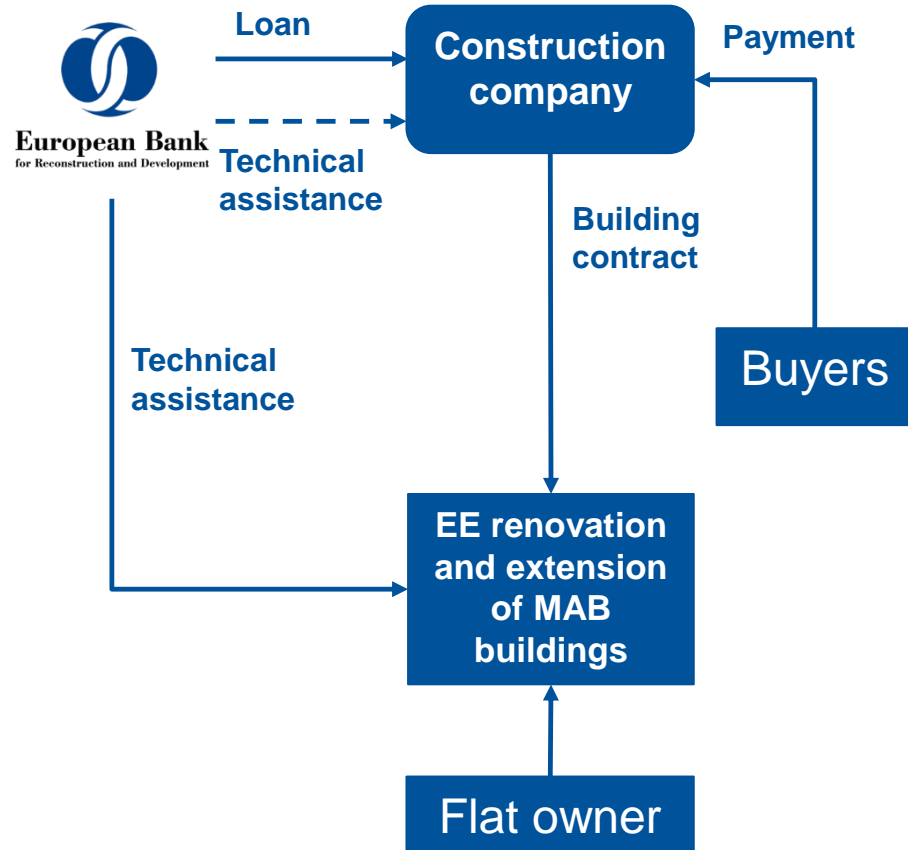
# REEP Replenishment

## New Theme: Residential buildings renovation – other intermediaries

### Public ESCO/Utility intermediated EE



### Pilot urban retrofit – private sector



# Your Perspective...

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Q & A with Contracting Parties



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# Thank you

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## Presenters

- Ana Bachurova, Associate, Energy Efficiency and Climate Change
- Remon Zakaria, Associate Director, Intermediated Green Finance Unit
- Bodo Schmülling, Principal Project Manager, Energy and Mobility Southeast Europe

## Team

- Nigel Jollands, Associate Director, Policy Products Unit
- Yasuko Goto, Principal, Financial Institutions
- Beata Paroczai, Associate, Energy Efficiency and Climate Change
- Meran Lukic, Principal, Sustainable Infrastructure Group



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# ANNEX



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# REEP Replenishment Policy Window

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## Thematic focus

- energy performance of buildings (residential and public)
- sustainable heating and cooling
- other EE/ RE acquis relevant to enabling investments under the REEP Windows

## Policy products

- primary and secondary legislation
- strategic policy planning tools
  - Building Renovation Strategies
  - Policy guidelines
- policy implementation support
  - Monitoring, verification, enforcement frameworks

## Links to other REEP windows

- GEF - residential
- Public buildings renovation



# REEP Replenishment

## Credit lines

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### EBRD: Western Balkans Green Economy Financing Facility II

- On-lending for the residential sector
- *New Dwelling Window*: on-lending will be extended for green technologies in *new* individual dwellings/ multi-residential buildings
- Window 2 Replenishment (EUR 18.65m IPA funding) to enable further financing of up to EUR 100 million from 2021 onward
  - ✓ capture the continuous investment needs in energy efficiency renovation
  - ✓ new construction of residential buildings,
  - ✓ momentum generated would not be interrupted under the adverse post-COVID19 macroeconomic environment

### KfW: SMEs boosting energy efficiency investments

- Expansion to renewable energy investments in SME's
- Municipalities and municipal companies: investments for clean air, green energy, energy efficient municipal buildings, EE illumination infrastructure etc.



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# REEP Replenishment

## EE in buildings – direct finance to public sector

Total approx. public building floor area and total estimated investment needs for refurbishment



Total Public building floor area in Western Balkans:

**56 million square meter**

Total stock expected to be refurbished\*:

**39 million square meter**

Total investment needs\*:

**Light Renovation € 1.6 billion**

**Deep Renovation € 5.9 billion**

Potential energy savings\*\*

**Light Renovation 1,408 GWh/a**

**Deep Renovation 2,815 GWh/a**

\*Assumption – 70% of public building stock to be refurbished

\*\*Light Renovation at 40 €/m<sup>2</sup>; Energy saving 20%;

\*\*Deep Renovation at 150 €/m<sup>2</sup>; Energy saving 40%

- Demand exceeds the supply thus additional sources of funding are needed to help renovating the building stock
- Targeted public buildings are in the municipal, administrative, educational, health sectors
- New financing structure targeting EE in residential buildings through municipalities or public utility companies (Public ESCO)