

22nd ENERGY EFFICIENCY COORDINATION GROUP MEETING - MINUTES AND CONCLUSIONS

Wednesday, 11 March 2019, 9:30 - 16:45

Energy Community Secretariat, Am Hof 4, Vienna

The 22nd Energy Efficiency Coordination Group (EECG) meeting was physically attended by representatives of all Energy Community Contracting Parties with the exception of Georgia and Moldova who followed it remotely) and Armenia (Observer). Due to travel restrictions imposed by the respective institutions, the European Commission (EC) DG NEAR and IFIs: EBRD/ REEP Plus and GEF, European Investment Bank, GGF, EU4Energy, KfW, Habitat for Humanity International, and GIZ bilateral projects, were not able to attend the meeting in person, but remotely. The EU4Energy, GIZ ORF - Energy Efficiency, WBIF IPF and World Bank, as well as consultants (ECA) attended in person. The meeting was chaired by Energy Community Secretariat (ECS).

ECS (*Ms. Violeta Kogalniceanu*) opened the meeting by welcoming the participants and introduced the meeting's agenda. The EECG documents and presentations are available online on the Energy Community website ("[Events](#)" section).

1. EECG Work Programme 2019-2020 and Brainstorming session on potential new topics

EECG Work Programme 2019-2020: ECS (*Mr. Borko Raičević*) reported on the status of realisation of the EECG Work Programme and the key activities implemented since previous EECG meeting held on 19 November 2019 in Vienna. The Work Programme is under implementation, with all Expert Areas being tackled, as well as horizontal and cross-cutting issues (new EU legal requirements and 2030 framework).

A brainstorming exercise was organised with the aim to present and discuss new ideas, topics and areas that may deepen EECG Work Programme and be taken up in 2020. The below topics were presented and discussed between CPs, donors and IFIs.

- *The European Bank for Reconstruction and Development (Mr. Nigel Jollands)* highlighted the **Green Deal policy priorities for the Western Balkans:** ensuring a just transition; decarbonisation of the energy sector; pursuing green finance and investment and leveraging private finance; integrated approach for green cities (mobility, buildings, adaptation, waste management etc.); and mobilising industry for a clean and circular economy. In the EnC just transition is crucial, therefore EBRD is developing Just Transition Diagnostics to include this element into programmes, financial and policy products in cooperation with other MDBs. Regarding green finance EBRD is supporting banks to include climate risks into policy documents. On decarbonising the energy sectors, the EBRD is supporting investments, in particular related to the Green Deal in energy efficiency, renewables and heating and cooling. The green cities sustainable urban infrastructure developments are supported through stakeholder engagement, Green City Action Plans (GCAPs), among others. Under circular economy investments are supported by policy action, like strengthening the regulatory framework for mainstreaming secondary raw material use.

- *The European Commission, DG NEAR (Ms. Anna Soltysik)* shed some light on the forthcoming **EU support and pipeline for green financing in Energy Community**. This includes support for Covenant of Mayors regarding the development and implementation of the SECAPs. A new initiative is launched to support this in the Western Balkans, which will be implemented by GIZ ORF EE. The first activities should start in early 2021. Regarding the support for the Green Agenda implementation in the Western Balkans, there are internal consultations ongoing within the Commission. However, during the WB6 Summit in May 2020, new plans should be introduced. A communication is being prepared and it should be made available for the CPs for comments and tabled during the Summit later on. The Green Agenda should be similar to the European Green Deal, in terms of being holistic and covering several aspects, like social, financial, economic, etc. There is an idea of having a technical assistance part of the Agenda on a demand basis. The Green Agenda is focusing on 5 pillars: decarbonisation, pollution and air quality, circular economy, biodiversity and sustainable agriculture. Around EUR 12 billion is scheduled for the IPA III (2021 to 2027) programme (to be decided), however there will be some changes made. There will be no more country envelopes, but covering 5 different windows. The green development and innovation windows (which includes energy efficiency and renewable energy) will make around 55% of the total financing. EC will propose its “vision” regarding the windows, in the coming months, however the beneficiaries should propose country programmes after April this year.

- *The European Bank for Reconstruction and Development (Mr. James Falzon)* shared experience, challenges and opportunities regarding **heating and cooling in the Energy Community**. It was highlighted that the sector accounts for around 50% of the final energy consumption in the EU, and most of this comes from fossil fuels. In order to decarbonise the sector, new green technologies should be introduced in the residential sector, such as efficient gas boilers or biomass boilers, which are already available. Currently there is a strong high-level policy framework and drivers for decarbonising heating and cooling in the EU and CPs, like the NECPs, EU Directives, etc. Furthermore, there is a huge bottom-up drive at city and local level as well. The EBRD further discussed with participants the main challenges and opportunities, role of heat pumps in CPs and e.g. how tourism affects the need for cooling.

The World Bank argued that not only the high investment cost, but also the difficulties in maintenance and good quality services have to be tackled to make heat pumps more viable in CPs. Based on Ireland experience, it is really important for heat pump systems to have certified and good quality installers and maintenance services to ensure good performance.

Kosovo* explained that there is still a lot of room to introduce heat pumps in the country, but mostly in bigger buildings. Kosovo* shared experience of successfully implemented project of biomass CHP district heating plant in the city of Gjakova. Before that, several investments stalled, because their size was too small for MDBs, but positive outcome was reached by combining supply sources and mixing new investment funds with the new biomass incentives; residential biomass heating can be also incentivised, but first the certificates of origins have to be introduced that residents buy certified biomass.

KfW mentioned several targeted projects in the region to introduce certificates of origins of woodchips for residential biomass heating. Furthermore, another aspect is to shift from square meter tariffs to consumption based ones in district heating to incentives energy efficiency.

Moldova informed on an EU funded biomass project on a similar topic, and volunteered to prepare a short paper on lessons learned from the project for the next EECG meeting. ECS suggested to KfW to organise for EECG and broader audience a workshop dedicated to efficient heating and cooling (with participation of other IFIs active in this area).

- *KfW (Mr. Bodo Schmölling)* presented the **importance of nearly zero energy buildings (NZEB)**, and explained info material on NZEB shared prior to the EECG meeting. The Directive on Energy Performance of Buildings highlight that the new buildings occupied and owned by public authorities

have to be NZEB by mid-2018 in EU MSs (by mid-2019 in EnC CPs), while all other new buildings have to be NZEB by mid-2020 (by mid-2021 in EnC CPs). Furthermore, to reach net zero emissions by 2050 and the goals of the European Green Deal, the building sector has to be incentivised. In the Western Balkans KfW has so far signed contract with Montenegro to build a nearly-zero government building. However, the whole concept is not yet widely known or implemented in the region, therefore more dissemination is needed. North Macedonia informed that 3-4 NZEBs were built by the private sector about 10 years ago.

ECS asked KfW to organise a webinar on NZBs and the financial aspects of building NZBs, which the KfW agreed to and also to give a presentation during the next EECG.

- ECS (Mr. Borko Raičević) presented **current practices in implementation of the energy efficient product policy in the Energy Community**. While ecodesign is still not in place in the Energy Community, most CPs have experience and the eco-design regulations are being transposed broadly on a voluntary basis and in combination with energy labelling regulation. The introduction of ecodesign is done through green procurement, EEO schemes, or financial incentives. EECG further discussed ways of implementation of the complete **energy efficient product policy** regulations.

Montenegro shared experience in implementation of ecodesign regulations, highlighting importance of gradual implementation with prioritisation of product groups and adequate support and training to the market surveillance authorities as a key for successful implementation. These activities were supported by REEP Plus programme in Montenegro and can be replicated in other CPs.

Issues of the future role of ecodesign for the EEO target and prioritisation of products were highlighted by Kosovo* and Serbia. ECS proposed that since there is no legislation to be adopted this year, the time could be used to analyse and table the ecodesign Directive and a number of product regulations, to be discussed in next EECG meeting.

Conclusions:

- 1.1 The EECG Work Programme 2019-2020 is under implementation, with all Expert Areas being tackled and 2020 focus on implementation of existing acquis and on horizontal and cross cutting issues - new EU legal requirements and 2030 framework.
- 1.2 The brainstorming session identified the following areas and follow-up activities to deepen the work under Work Programme:
 - a. green policy priorities: EECG supports new integrated approach and prominent role of energy efficiency presented by EU DG NEAR and EBRD, and is ready to be fully involved in designing and steering of Green Agenda, country programmes or new initiatives that include energy efficiency as part of decarbonisation package.
 - b. energy efficient heating and cooling: integrated approach towards decarbonisation, including promotion of renewables in district heating; promotion of efficient boilers and appliances; strong cooperation with local authorities to address investments in efficient heating and cooling; harmonised programmes for training of workforce etc.;

EECG agreed that ECS organise a dedicated workshop back to back with the next EECG, focussing on heating and municipal interventions, jointly with EBRD/ReDEWeB Fund and other interested IFIs/donors.

- c. nearly zero energy buildings: there is increasing importance of NZEB and EECG is ready to be involved; KfW agreed to continue to lead on this topic and organisation of a dedicated webinar on NZEB was welcomed by participants (the date will be agreed and communicated at a later stage).

- d. new acquis in the Energy Community: EECG thanked ECS for the presentation of current practices in implementation of the energy efficient product policy in the Energy Community and supported the work on harmonisation and possible adoption of ecodesign Acquis in the Energy Community in 2020, to complete the energy efficient product policy package. EECG should be fully involved in this process.

2. EED - Expert Area 2 and 5: Buildings renovation strategy

Ukraine (Mr. Igor Gorovykh, SAE and Ms. Astghine Passoyan, EU4Energy Consultant), Kosovo (Mr. Butrim Gjonbalaj, KEEA and Mr. Kevin O'Rourke, REEP Plus Consultant) and Bosnia and Herzegovina (Ms. Sanja Kapetina, MOFTER and Mr. Esad Smajlović, GIZ ProEE BiH) presented the ongoing and advanced activities for development of Buildings Renovation Strategies (BRSs) to support the long-term renovation of building stock in these countries.*

These countries successfully ensured strong engagement of relevant institutions and local experts, in combination with valuable support provided by EU4Energy, REEP Plus and GIZ respectively. All BRSs follow comprehensive approach and requirements from acquis (EED in EnC) and include comprehensive overview of the national building stock, overview of national initiatives and planned policies, actions and necessary financing to stimulate cost-effective deep renovation of buildings. Other CPs briefly reported on the status with the preparation of Buildings renovation strategies.

ECS (Mr. Tibor Schaffhauser) presented the state of play of ECS data gathering on buildings renovation investment programmes in the Energy Community. This initiative is planned to be prepared in partnership with IFIs and CPs. It is integral part and one of the key reporting measure under the new Western Balkans Energy Transition Report, that is planned to be presented at the EU-Western Balkans Summit in May 2020. It is also envisaged to be used for the assessment and proposal of new legislation (e.g. EPBD, ecodesign), NECP preparation and other support measures in the Energy Community. Data are currently being gathered or updated from the available public sources – both from CPs and donors (KfW, the World Bank, EBRD, USAID, EU, GGF, etc). While all CPs have some ongoing building renovation programmes (focusing on public sector), most of reports are lacking detailed quantitative information on the EE measures in building, including energy savings, emission reduction, number of renovated buildings etc.

EECG thanked North Macedonia for the compressive feedback and reporting on the ongoing renovation programmes. Other CPs provided brief update at the meeting on their ongoing building renovation programmes: Albania (building renovations in Tirana municipality with parallel promotion of energy audits), Bosnia and Herzegovina (World Bank Programme for EE renovation of public buildings), Montenegro (EE renovation programmes focused on public buildings, supported by KfW and World Bank), Serbia (public building renovation projects financed by budgetary EE Fund, World Bank with parallel promotion of buildings' certification and introduction of energy management system) and Ukraine (public and residential buildings financed by state budget and National EE Fund).

ECS reminded EECG about the questionnaire which was sent last February with request for feedback and reporting deadline by 30th March 2020; ECS will than proceed with data update and evaluation by by mid-April, in order to be able to finalise and present Report in May 2020. ECS invited all CPs and IFIs to continue monitoring of the implementation of the building renovation programmes and report regularly to ECS.

Conclusions:

- 3.1 EECG thanked Ukraine, Kosovo* and Bosnia and Herzegovina for their detailed presentations of approach and ongoing activities on development of Buildings Renovation Strategies. ECS thanked

EU4Energy, REEP Plus and GIZ for their valuable support and encouraged CPs to follow/replicate the examples and finalise work on BRSs during 2020.

- 3.2 EECG thanked ECS for presentation of the state of play of ECS data gathering and matrix with buildings renovation investment programmes, as well as for inclusion of building renovation reporting in the Western Balkans Energy Transition Report. EECG members agreed to continue monitoring of the implementation of investment programmes and support regular reporting at the meetings or directly to ECS.

3. Regional Programmes and Initiatives

The European Bank for Reconstruction and Development (Mr. Remon Zakaria, Ms. Ana Bachurova, Ms. Veronika Špacapan, Ms. Yasuko Goto) and KfW (Mr. Bodo Schmülling) reported on the progress and new assignments under Regional Energy Efficiency Programme for the Western Balkans (REEP Plus) since last EECG meeting.

REEP Plus as an integrated package of sustainable finance, technical assistance and policy dialogue is implemented jointly with ECS. Under ESCO Policy support, ESCO contract templates were produced and shared with all WB6 countries and formally adopted in 4 countries, while ESCO project preparation support is on-going in the region, with 2 consultancy contracts. REEP Plus supported significant number of deliverables under Policy Dialogue assistance: 40 policy outputs were delivered, 35 adopted or accepted by the relevant authorities and 8 policy assignments are currently ongoing. In the meantime, (since the last EECG meeting), EED/EPBD/ELD compliant EE Law in North Macedonia was adopted by the Parliament, EPBD support in BiH (FBiH and RS) finalised, draft EE Law in Albania entered public consultation process etc.

WeBSEFF II credit line facility for SMEs is active and 6 additional sub-projects (333 in total) have been signed since the last EECG meeting, with the total financing amount of EUR 84.4 millions. Under this window, KfW (with EUR 5 mil. grant from EU) achieved huge interest and signed EUR16,3 mil. sub loans – leveraged to another EUR 50 mil financing.

GEFF Residential Facility is active in five out of six WB countries, while in Montenegro signing is expected before summer 2020. Kosovo* and North Macedonia are quite active with majority of sub loan portfolio. In total around EUR 20 mil. was disbursed under GEFF, with around 3700 loans, financing primarily EE measures for replacement of windows, insulation of walls, installation of heat pumps or biomass/CHP technologies. The new project for refurbishment and verification of the first multi-apartment building in Sarajevo is planned to be completed in March 2020, while new innovative pilot project is planned for newly built residential block in Albania.

Under Windows 4 (Direct Lending to Public Sector Facility - implemented by KfW and EBRD), EBRD approved two municipal public building renovation programmes in Sarajevo and Pristina - expected to be signed under REEP extension; Scoping studies were launched to support the identification, prioritisation and structuring of EE investments in public buildings, demand exceeds the supply and additional sources of funding (outside REEP plus) are being investigated by the EBRD. KfW committed EUR 10 out of 15 mill EUR of EU grant under REEP Plus: for the comprehensive public building rehabilitation programme in Montenegro (focus on schools, with refurbishment and new construction program incl. remote monitoring), and for the Programme for energy efficient rehabilitation of seven student dormitories in North Macedonia.

The World Bank (Ms. Katharina Gassner) updated EECG on the World Bank Energy Efficiency Program in the Western Balkans. In last 15 years World Bank has invested over USD 250 mill. in EE in public buildings. Huge potential still remains, and World Bank is now developing demonstration projects

and revolving funds (e.g. KEEF) as a key financing and implementation mechanism for public buildings, as well as simpler ESCO contracting.

The new TA for EE financing and delivery mechanisms in buildings sector includes: development of Options Studies for EE Residential Building and development of customized EE financing mechanisms and program, development and operationalization of EE revolving financing mechanisms, and policy support, reviews, knowledge sharing and partner outreach.

The World Bank sustainable heating engagement TA is in the phase of diagnostic. BiH, Kosovo and North Macedonia have requested TA support to address air pollution problem caused by the heating sector (especially in capital cities) and to improve the availability and affordability of various heating options. World Bank TA will assess heating alternatives for major hotspot cities in the region and identify financing mechanisms to support switching to cleaner heating.

On behalf of **USAID, Habitat for Humanity International (Mr. Besim Nebiu)** presented USAID/Habitat activities in the Western Balkans and the regional project “Accelerating Residential EE Investments-Development of sustainable financing mechanism for EE in Multi-apartment buildings”. It is based on previous analysis and deep understanding of social, economic and environmental context in SEE and CIS countries. Approach of USAID/Habitat is to prioritise homeowners and associations and eliminate firstly housing system failure and market failure to enable and scale up sustainable energy efficient improvements, building maintenance and management. Some of the ongoing TA products include: the Residential Energy Efficiency for Low-income Households (REELIH) knowledge sharing and advocacy; mapping and building stock assessment of Tuzla canton (BIH); testing of different financials models tested and tried resulting in reconstruction of 60+ buildings, Register of Collective Apartment Buildings (North Macedonia).

In January 2020, a follow up 3-year project under EU Horizon 2020 started and Habitat signed contract with USAID to conduct gap analysis research on HOA systems (in BiH, Kosovo*, North Macedonia and Serbia). End result should be policy for de-risking mechanisms for commercial loans for energy efficiency investments in multi-apartment buildings. In December 2019 work on Energy poverty was finalised and published by BPIE, while feasibility study on a scaled residential EE financing products in Western Balkans is planned by December 2020.

Conclusions:

- 3.1 EECG thanked EBRD and KfW for updates on activities under REEP Plus programme, and acknowledged the good progress with REEP Plus. EECG will continue to be actively involved (as a regional steering group) in the promotion and implementation of REEP Plus and other regional support programmes.
- 3.2 EECG thanked World Bank and for updates on their project in the Western Balkan, and invited World Bank to regularly update EECG on these activities.
- 3.3 EECG thanked USAID/ for financing a new Western Balkans programme “*Accelerating residential energy efficiency investments: development of sustainable financing mechanisms for energy efficiency in multi-apartment buildings*”, and Habitat for Humanity for presenting the topic. EECG agreed to follow and promote the findings of the new phase of the programme through a series of info sessions jointly prepared by USAID/Habitat and ECS.
- 3.4 EECG thanked donors and IFIs for their continuous coordination, valuable support and regular reporting to EECG and CPs.

The next EECG meeting and EE Workshop are planned for 10 and 11 June 2020 in Ohrid, North Macedonia. However, this is still tentative date and location, to be confirmed by ECS.