

15th ENERGY EFFICIENCY COORDINATION GROUP MEETING - MINUTES AND CONCLUSIONS

Energy Community Secretariat, Vienna

Wednesday, 22 November 2017, 9:30 - 17:30

The Energy Efficiency Coordination Group (EECG) meeting was attended by representatives of all Energy Community Contracting Parties and Turkey, the European Commission - DG Energy and DG NEAR, Donors' Community and IFIs: EBRD/ REEP Plus, the World Bank, European Investment Bank, KfW, GGF – Finance in Motion, UNDP, GIZ ORF EE and GIZ bilateral projects, as well as representatives of IFI and donor's Coordination Office, EU4Energy, consultants assisting countries on energy efficiency (ECA, GFA, e7), and the Energy Community Secretariat (ECS).

The List of participants is available online on the Energy Community website ("Events" section).

ECS (Mr. Janez Kopač, Ms. Violeta Kogalniceanu) welcomed participants and introduced the meeting agenda. *ECS (Mr. Borko Raičević)* presented the last meeting's conclusions and the status of implementation of the EECG Work Programme 2017-2018.

1. EED Core Topic 1 and 2: EED transposition and implementation – monitoring and reporting

Contracting Parties presented progress in transposition of Energy Efficiency Directive (EED) since the last meeting, as well as progress in achieving the 2020 energy efficiency target, and implementation of NEEAPs.

Ukraine achieved significant progress in 2017 with adoption of new legislation (on energy performance of buildings, metering, energy efficiency fund, technical regulation on energy labelling) and preparation of advanced draft laws to transpose EED (on EE and high-efficiency cogeneration), with assistance of ECS. The preliminary draft of EED annual progress report was submitted in June 2017 (by EED deadline); the draft is now being updated with support of EU4Energy project, and by using TIMES model and updated scenarios to set 2020 and 2030 targets (proposed FEC reduction of 20% in 2020 and 30% in 2030, compared to 2012 projections), targets for articles 5 and 7 etc. Draft Government Decree on EE targets will be prepared by SAEE, to be submitted to the Government approval before end of 2017. The duration of State Support Program for households was extended by Government until 2020, and is a key NEEAP measure for this sector.

Montenegro is in the process of implementation of EED, with amendments to primary laws (Law on Rational Use of Energy and Energy Law), fourteen bylaws in the process of adoption (on labelling and eco-design - with REEP and GIZ ORF EE support). Draft annual EED progress report was submitted to ECS, but there is need for updated statistical data (as Statistical Office is changing methodology and updating energy balances). EE target for 2020 and achieved NEEAP savings will be also updated, accordingly.

Serbia reported the continuous delay in starting of IPA project that will support the full transposition of EED. Certain activities already started, including work on inventory of central-government buildings and

implementation of Article 5, with bilateral GIZ project assistance. The Programme for implementation of the Energy Strategy was adopted in November 2017, with 2020 target set and used for reporting. A recent World Bank loan of 40 Million Euro was signed by the Government and includes energy efficiency measures in buildings (focusing on improvement of energy performance requirements). REEP PLUS is providing support to Serbia in implementation of EEOs.

In **the former Yugoslav Republic of Macedonia**, process of transposition of EED started, with ECS providing the model EE Law provided in August 2017, and continuation of work within the national working group. ECS recommended to split energy efficiency from complex and outdated Energy Law and prepare separate EE Law covering EED, EPBD and Labelling Directive, which was accepted by the Government.

Ministry of Economy established a working group composed of representatives from the competent ministries, the Energy Agency, the Energy Regulatory Commission and representatives from the donors (UNIDO/REC, Swiss Agency, and USAID). Third EEAP has been adopted in July 2017 and submitted to ECS. Ongoing activities include state incentives through the Ministry of Economy for installation of solar thermal systems and aluminium windows in households, under H2020 projects. The World Bank is providing assistance for the establishment of Revolving EE fund to implement measures in public sector.

In **Bosnia and Herzegovina**, the Entity of Federation of Bosnia and Herzegovina reported on progress with adoption of EE Law and EEAP that includes a roadmap for implementation of EED. Implementation of EP certification scheme is ongoing, with 19 licensed companies, 500 educated engineers and more than 1000 EPCs in the registry. GIZ bilateral project /UNDP/USAID prepared all background documents for Renovation Strategy (typology and cost benefit analysis). Work on Article 7 (introduction of whole concept, implementation model and workshops with beneficiaries) is ongoing with TA provided by USAID. Pilot ESCO projects through PPP scheme are also ongoing. There was no reporting/representation of the Entity of Republika Srpska.

ECS reported on meeting with EU Delegation in BiH, willing to support real EE investment projects in BiH. Development of building renovation strategies can be good input for EU Delegation.

GIZ bilateral project reported on behalf of MOFTER (EECG member) on the state of annual progress report under EED. Donors' support for energy efficiency is well coordinated (GIZ/USAID/UNDP). NEEAP was drafted with TA and through established working group involving all relevant institutions. State NEEAP is pending discussion within the Council of Ministers (the Entity of Federation BiH already adopted the entity's EEAP). EEAP includes EED roadmap and EED targets. EED roadmap was used as ToR for donors – with work focused currently on four articles: Article 4 (GIZ leading strategy development, together with BPIE, engaged as consultant); Art 5 (UNDP TA - ongoing work on 2020 target and the building stock's inventory with engagement of state Working Group); Article 7 (USAID TA with advanced work on EEO scheme; obliged parties will be electricity distribution companies, but future law is needed to define scheme – specific energy levies will be introduced; Article 14 (GIZ support to map the potential for the application of high-efficiency cogeneration and efficient district heating and cooling, which requires work on complex GIS database, with utilization of good experience of Croatia.

In **Albania** 2nd NEEAP (covering 2nd and 3rd reporting period) is still with the government, waiting for adoption. EE Agency was established and Director and first staff appointed, EPBD Law adopted and new REEP/EBRD assistance started focusing on EPBD secondary legislation. Typology of buildings was developed to support work on building renovation strategy (to be developed in 2018). There was reported a new KfW project for renovation of student dormitories, as well as GIZ project focused on local municipal managers. EE Law was adopted in 2015, and only partly transposed EED articles, focusing on Agency, funds, and energy audits.

ECS reminded Albania that EE Law should be amended to fully transpose EED. There is available support from REEP Plus, ECS, or other donors.

Kosovo: Draft EE Law transposing EED is in final phase of drafting, including establishment of EE Fund by the same Law. EPBD Law was adopted and secondary legislation in process of adoption, with REEP support. GIZ is also providing support for EP certification of buildings. 3rd EEAP was adopted in August 2017 (to be sent to ECS), while there is delay with annual report due to organizational issues in EE Agency (will be sent quickly after EEGG).

Moldova: PEC/FEC show variations over time, due to economic crisis in the country, statistical recalculations of biomass etc. Moldova set 2020 energy savings target, with reported savings of only 54ktoe in 2016 out of 93 ktoe intermediate target planned for 2016. The Ministry decided to use alternative approach for EEO scheme, while obliged parties will contribute to EE fund. Moldova presented annual progress report and ongoing projects to implement EED: all targets were set, the focus is on residential buildings and public sector. Draft EE Law is finalized and being discussed with governmental bodies, including Ministry of Finance, that appear to question the Energy Community obligations. EPBD Law: gap analysis is supported by EU4Energy project, which will be extended to develop national EP calculation software. Reorganization of government integrated obligations for EED and EPBD under one Ministry; 2018 will be the year of EE.

Georgia: 1st NEEAP will be finally sent to Government with no objection from other state institutions, and be adopted by the end of 2017, hopefully before structural changes in the government (merging of ministries). Both PEC and FEC targets and savings are calculated, including overall target and targets for specific measures. The EU4Energy programme supports transposition of EPBD and development of primary law.

Turkey shared information on EE developments in the country: there are no obligations under association process (energy chapter is still not open, but it is expected to be in near future). However, good progress was achieved with adoption of eco-design and labelling regulation. EE regulation covers significant part of EED, but still missing transposition of articles 7, 14 and 15. The latest progress includes development of NEEAP with 55 measures, with planned investments of USD 8 billion in NEEAP measures between 2018 and 2023.

European Commission, DG Energy (Ms. Claudia Canevari) provided latest updates on EE in EU. EC is working actively on negotiations under EU winter package. Negotiation process is ongoing, EPBD is advancing with first EC/Council/Parliament trilogue organized in November 2017, and second planned for December 2017. There is a good chance to finalize the process on the amended EPBD by end of December. The ambition would be to close all files by summer 2018. Regarding EPBD, e-mobility provisions have so far been weakened in the negotiations process. Energy consumption in EU has been decreasing gradually, but slightly increased in 2015, thus more efforts will be needed in EU to reach 2020 EE target. Central and South-Eastern Europe Gas Connectivity (CESEC) initiative is extended to all WB6 countries and EE area, with draft Action Plan agreed at last CESEC meeting (focusing mostly on EE in buildings). EC also reported on activities for sustainable energy development in defence sector.

Conclusions:

- 1.1 ECS presented the status of implementation of the EEEG Work Programme and progress from ECS Annual Implementation Report for 2017. The Report showed that Montenegro and Serbia continue to be the leaders in implementation of the sustainability policies (EE/RES/Climate actions), while all Contracting Parties showed progress in this area, including improved transposition in the sphere of energy efficiency, with four Contracting Parties (Albania, Bosnia and Herzegovina, Kosovo* and Ukraine) having adopted primary legislation, which was so far missing. The EEEG WP activities in 2017 were focused on implementation and transposition of EED, EEAPs, promotion of exemplary role of public sector and energy services, as well as promotion of donor's support. In 2018, EEEG will work more on EPBD implementation, 2030 framework and product regulations. Key aspects on eco-design will be covered by the EE workshop organised on 23 November 2017.
- 1.2 EEEG members presented oral reports on Article 28 – Transposition of EED and Art 24 – 1st Annual Reports. EED transposition is advancing in all CPs, with Montenegro having amended EE and Energy laws to partly transpose EED, and work in progress reported in FYR Macedonia, Kosovo*, Moldova and Ukraine with a draft law under discussion, Serbia is starting work on amendments of the current law, and Georgia initiating work on new EED compliant Law. Albania has not reported any plans to amend the current Energy Efficiency Law of 2015 to fully transpose the EED. In Bosnia and Herzegovina, it is unclear what the EED transposition status is, as the BiH MOFTER representative has not attended the EEEG meeting.
- 1.3 On the other hand, there is no single fully EED compliant (either new or amended) EE Law in CPs. ECS reminded all CPs that the EED transposition deadline was October 15, 2017, which also included the adoption of secondary legislation required for implementation. ECS will start infringement actions against least progressing countries.
- 1.4 The first EED annual progress reports were submitted by all CPs, with exception of Albania and Kosovo*. EEEG thanked GIZ ORF EE and EU4Energy for their assistance on preparation of reports (GIZ ORF EE provided the template of the report, as well as mentoring support to Montenegro, Serbia and BiH in part related to the statistics and consumption trends). The Secretariat reminded the CPs that the deadline for submission was 30 June 2017 and urged the remaining countries to finalise reports and send the notification officially to the Secretariat. The national reports (together with ECS assessment report) will be published on EnC website.
- 1.5 ECS noted the recent adoption of the EEAPs in FYR of Macedonia and Kosovo*, and urged Albania and BiH to adopt remaining EEAPs without further delay.
- 1.6 ECS urged those CPs that need TA for primary and secondary legislation to use the available TA (REEP PLUS, GIZ, EU IPA, USAID etc.) to finalise the transposition and start implementation.
- 1.7 EEEG thanked the European Commission, DG Energy for the updates on energy efficiency in the EU.

2. EED Core Topic 4 - Energy Services, Energy Audits and Management Systems, and EED Core Topic 3 - Exemplary Role of the Public sector

The Regional Energy Efficiency Programme - REEP Plus presented activities under Windows 1 (ESCO support and Policy Dialogue) and the new Green Economy Financing Facility (GEFF) for the Western Balkans.

REEP Plus Windows 1 - ESCO support (Mr. Toivo Miller, EBRD and Mr. Siegfried Brenke, GFA) reported on progress in implementation of existing and launching of new energy efficiency and ESCO/PPP projects in the Western Balkans. Reasonably good progress was achieved in Serbia (including energy supply contracting) and BiH, but there are still many barriers for a scaling it up. EU facilitated process with Eurostat Guidance on the Recording of Energy Performance Contracts in Government Accounts (September 2017), that clarified that ESCO contracts shall not be treated as public debt, and hence supporting EPCs.

Gaps and barriers are analysed and addressed in participating countries, especially Serbia (regulatory, technical, institutional, financial), and REEP Plus now kicked off new project in remaining countries to replicate experience and have similar contracts. Albania and Kosovo* signed in for the legal gap analysis and model contract template; FYR Macedonia has already performed it with the extensive support of Swiss Contact project, and further REEP TA for legal/regulatory action will be specified later.

REEP Plus Windows 2 - Policy Dialogue (Mr. James Falzon, EBRD and Mr. David Williams, ECA) presented the first assignments launched under the new 2017-2019 programme. Significant progress was achieved since June 2017, with five support projects approved and commenced (Albania, BiH - Republika Sprska, Montenegro, Kosovo*, and Serbia) and four more are in an advanced stage of development (scope of policy support is under development in FBiH, FYR Macedonia and Serbia).

Policy dialogue under REEP Plus is implemented jointly by EBRD and ECS, with goal to facilitate more investments. EBRD/ECS reminded beneficiaries to adopt and implement the old REEP deliverables relevant for transposition and implementation of EED and EPBD. New expressions of interest by CPs is possible, while Eols received in previous period will be revisited.

REEP PLUS policy assignments were presented in details: on Eco-design in Montenegro (*Mr. Božidar Pavlović, Ministry of Economy*) and on alternative measures for EE obligation schemes in Serbia (*Ms, Antonela Solujić, Ministry of Mining and Energy*), with support of ECA consultant (*Mr. David Williams*).

REEP PLUS (Ms. Veronika Špacapan, EBRD) provided updates on the Green Economy Financing Facility (GEFF) for the Western Balkans, which intends to catalyse residential EE Market with combination of credit lines, TA and awareness raising activities in this sector. GEFF has ambitious goal to achieve EUR 85 million residential EE investments across all beneficiary countries, and more than 29 thousand household to be reached by the programme. EBRD further explained eligibility criteria linked with "Technology Selector", an online based platform of high energy efficient technologies that have been pre-approved by EBRD. GEFF is fully operational in BIH with 3 partner banks, website and launch event organized in November 2017 in Sarajevo. Website, marketing campaign and promotional materials are planned to increase visibility, and commence operations in Kosovo* and FYR Macedonia. Activities in Serbia and Albania are moving forward, while in Montenegro facility is being marketed with plan to commence activities during 2018.

Use of existing networks of partner banks enabled that GEFF start very quickly, which is also very beneficial for CPs.

European Commission DG NEAR reminded EECG on the extensive and successful process to secure EUR 30 million EU grant (EUR 25 million to EBRD for EE in residential sector and EUR 5 million to KfW for EE in public buildings). It is a success of all stakeholders (EC/ECS/IFIs/ beneficiary CPs), and now is very important to continue with successful implementation of new facilities. It is excellent news that by the next EECG meeting all beneficiaries will be included. It is very important for visibility (at EU and country level) to link mission of EU high-level officials with visit to successful projects implemented in beneficiaries.

Montenegro expressed concerns regarding realization of the GEF in Montenegro (this was officially communicated to ECS and forwarded to EBRD), having in mind high readiness of banks for implementation of this type of Programme in Montenegro. Strategy and dynamics of engagement of local partner banks should be improved. There are successful ongoing credit lines in Montenegro for residential sector – with banks interested and ready to be engaged. The Government is ready to support EBRD/GEFF activities in Montenegro.

KfW (Mr. Jürgen Kern and Mr. Bodo Schmülling) presented the KfW proposal for a regional project under REEP PLUS for promotion of EE in public buildings. The central and local authorities need to improve plans for refurbishment of public buildings and link these with EE improvements, and to show exemplary role of the public sector. KfW is a well-established and experienced partner for EE in WB, with a lot of experience from the German buildings renovation market, working in line with EU rules and standards. This proposal complement the current REEP window for municipalities, extending it to public sector buildings and EE refurbishment measures implemented with central governments. KfW opts for a holistic refurbishment solution – both structural and energy efficiency improvements (based also on experience and successful results in Montenegro). There is a study showing significant non intended positive effects and benefits of energy refurbishments.

European Commission DG NEAR: there is an added value to include central/government buildings deep renovation programme under REEP PLUS Window 4, and utilise the blending of KfW credit lines and EU grants.

ECS: KfW proposal goes beyond the current EBRD activities under Window 4 for EE programmes in municipalities as implemented by EBRD. DG NEAR will need to clarify the procedure for obtaining additional grant funding for the new KfW project proposal and inform the EECG on the further steps.

Montenegro shared good experience with KfW project implemented at national level, and supported the deployment of a similar, but regional programme as a good opportunity to fully refurbish, operate and maintain public buildings.

Serbia generally support project and favourable loans, but the Ministry of Finance will need to finally confirm and approve loan. In Serbia schools are not treated as central government buildings. In FYR Macedonia schools are under responsibility of local authorities. KfW explained that project started with refurbishment of schools in Montenegro, and further extended to central-government buildings.

CPs reported on implementation of EED - articles 4 and 5 (renovation strategies, inventory of public buildings, targets and implementation plans). **Ukraine** is incorporating these provisions in draft EE Law and planning to start work on renovation strategy and programmers, and link it with implementation of provisions of the new EPBD Law. **Montenegro** achieved progress in implementation of Article 5 with 1% targets set, inventory prepared, and three year plan for reconstruction of central-government buildings under implementation. Investments for reconstruction of central government buildings and further support for development of building renovation strategy is provided by KfW. **Serbia** finalized list of central-government buildings (mostly maintained by the Directorate for Common Affairs) and government decided to prepare a Programme for renovation. Regarding Article 4, bilateral GIZ project supported development of typology of buildings, while Ministry of Construction will probably need assistance from REEP Plus (next phase after EPBD project). In **Moldova**, draft EE Law will define

requirements to transpose and implement the relevant EED articles, while the state dedicated a budget for projects under Article 5 for the next three-year period. **Kosovo*** is currently focused on finalization of legislation (draft EE Law) and established of the EE Fund; there are no current activities for Article 5 in **Georgia**. **FYR Macedonia** implements state grant programmes for residential buildings. In **Bosnia and Herzegovina**, draft NEEAP defined all relevant stakeholders as first step for implementation for the EED requirements, with ongoing activities supported by GIZ on typology of residential and non-residential buildings, CBA for residential buildings and soon for non-residential buildings, and to continue with renovation strategy and plan. The Registry of public buildings is supported by UNDP, including the Energy Management System. The Renovation target and plans are on standby and will continue after the adoption of NEEAP.

Conclusions:

- 2.1 EECG thanked EBRD and REEP consultants for update on activities under REEP Plus programme, and progress with REEP Plus Residential EE financing facility. EECG will continue to be actively involved as a regional steering group, in the promotion and implementation of REEP Plus activities.
- 2.2 EECG acknowledged the progress with the new REEP Plus call-offs and agreed that both the decision on ToRs and Waiver letters needs to be speed up. The Implementation of REEP deliverables needs to be finalised.
- 2.3 EECG thanked Montenegro, Serbia and ECA for presentations of Ecodesign project, and respectively project on Art 7 EEOs alternative policy measures modelling. ECS draw the attention of the EECG members that no CP notified ECS on the option to use alternative police measures to date, although the deadline was 15 March 2017. Given the complexity raised by the implementation of Article 7, ECS urged the Western Balkan CPs to use the opportunity offered by REEP PLUS for this Article or any other support for EED implementation, and to request officially (Expression of Interest) technical assistance, before the end of 2017. Moldova and Ukraine may request this from EU4Energy, and Georgia have already EBRD support for the EED transposition.
- 2.4 ECS took note on the oral report of EECG members on the progress with the obligations under articles 4 and 5 of the EED. ECS noted that although there are many activities ongoing mostly regarding the inventory of (public) buildings with technical assistance from donors, not a single Contracting Party (except Montenegro) has published the inventory as requested by Article 5. ECS also noted that not a single Contracting Party published the Buildings Renovation Strategy by 30 March 2017 or even by this date. ECS urged the CPs to step up on implementation of these articles and report at the next EECG on concrete actions taken to remedy this breach.
- 2.5 EECG thanked KfW for the proposal of systematically tackle the public buildings energy efficiency renovations with a combination of EU grants and KfW loans. EECG and ECS welcomed the initiative invited KfW to proceed with application process for EU grant, based on DG NEAR clarification on the process.

3. Regional Programmes and Initiatives

The World Bank (Mr. Rhedon Begolli) presented the support to establishment of Energy Efficiency Revolving Funds in Western Balkans, with focus on most advancing support Energy Efficiency Revolving Funds in Kosovo and FYR Macedonia, and the state of play with them.

Draft Law with package of regulation for Kosovo* EE Revolving Fund will be developed, with the plan to establish the Fund by end of 2018. The Revolving Fund will be set-up as an independent entity governed by a board of directors, firstly focusing on public sector (municipality level) and administration

of grant scheme for residential sector - multi-family buildings. Later, the Fund can be used for private sector. The Fund will seek to support private sector involvement in all aspects of implementation. Initial capital will be provided from EU, IFIs (World Bank), the Government of Kosovo* and other donors.

FYR Macedonia is interested in the establishment of EE Fund, similarly like in Kosovo*. Implementing Agency will be the Macedonian Bank for Development Promotion; this will require changes of existing regulation or development of a new one, to enable lending to municipalities, debt treatment, energy service agreements etc. EE fund regulation will be drafted, and hopefully by end 2018, the Fund will be established.

GIZ ORF EE (*Ms. Jasna Sekulović*) presented the latest developments with regards to TA for energy and climate. Since 2008, GIZ ORF EE is working on 3 intervention lines – cooperation with Ministries/EnC, Parliamentarians/NGOs and municipalities. Since May 2017 support has been extended to climate actions. The duration of this phase will be until October 2019. There is already approved project under 2nd dimension line (project "Regional cooperation and competence development of parliamentarians of SEE on energy efficiency and climate topics"). Different events focused on EE and climate topics with parliamentarians are planned, including establishment of regional exchange fora and exchange of experiences with foreign parliaments. The first SEE Parliamentary Forum on Energy Efficiency and Climate will be held on 20 December 2017 in Vienna. The concept to support the line ministries is developed – further work on improvement of MVP as official tool for monitoring of NEEAPs and municipal plans (improvement of user-friendliness and quality, extension to municipalities, evaluation of cost-effectiveness of measures, monitoring of EED articles, calculation of primary energy savings etc.). GIZ ORF EE supports new EnC Climate Action Group, and soon will start the project on sustainable urban mobility in municipalities of SEE.

ECS (*Mrs. Irina Lazzerini*) presented the activities of the Climate Action Group, sustainability agenda, and progress with 2030 targets and Integrated National Energy and Climate Plans. Reporting on MMR regulation and climate legislation was the first time included in EnC Implementation Report for 2017, which was presented at the EECG meeting. Draft regulation for preparation of Integrated National Energy and Climate Plans is proposed for the next EnC Ministerial Council meeting. The study on 2030 overall targets for the Energy Community was launched and prepare EU convergent methodology to calculate overall 2030 target and targets for energy efficiency, renewable energies, and GHG emissions reduction. Methodology will be discussed at the next Ministerial Council meeting.

Conclusions:

- 3.1 EECG thanked the World Bank for updates on support for establishment of EE Revolving Funds in Western Balkans and expressed interest to be updated once the Kosovo* funds' legislation and implementing acts are finalised.
- 3.2 EECG thanked GIZ ORF EE for its support and also for entering new important areas as climate change.
- 3.3 EECG thanked ECS for update on activities under sustainability and climate agenda, as well information on the study on 2030 targets for the Energy Community.

The next EECG meeting is planned for 19 March 2018 in Vienna, and will be combined with EE Workshop organised on 20 March 2018.