

Western Balkans Regional Energy Efficiency Programme Progress and lessons learnt in public sector

Energy Community Secretariat EE Coordination Group
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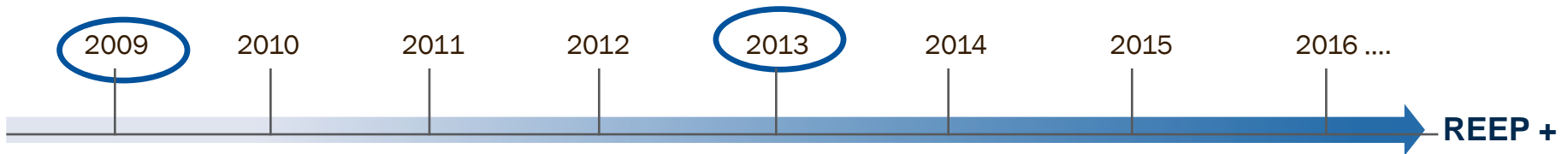
The Programme is funded by EU IPA, the European Western Balkans Joint Fund and EBRD Shareholders Special Fund, and implemented by EBRD in cooperation with the Energy Community Secretariat



European Bank
for Reconstruction and Development



Emergence of REEP in the Western Balkans



Since 2009, the EBRD has provided dedicated regulatory assistance and financing to energy efficiency (EE) and renewable energy (RE) projects in the Western Balkans.



The Western Balkans Sustainable Energy Financing Facility (WeBSEFF) for small-scale EE/RE projects in commercial sector



The Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDFF) for medium-sized EE/RE projects in commercial and municipal sector

Regional Energy Efficiency Programme in the Western Balkans with **€23.35m** support of the EU, WBJF and SIDA

Building on success of WeBSEFF and WeBSEDFF, the REEP was launched to support the sustainable energy transformation of the whole region in a comprehensive manner.

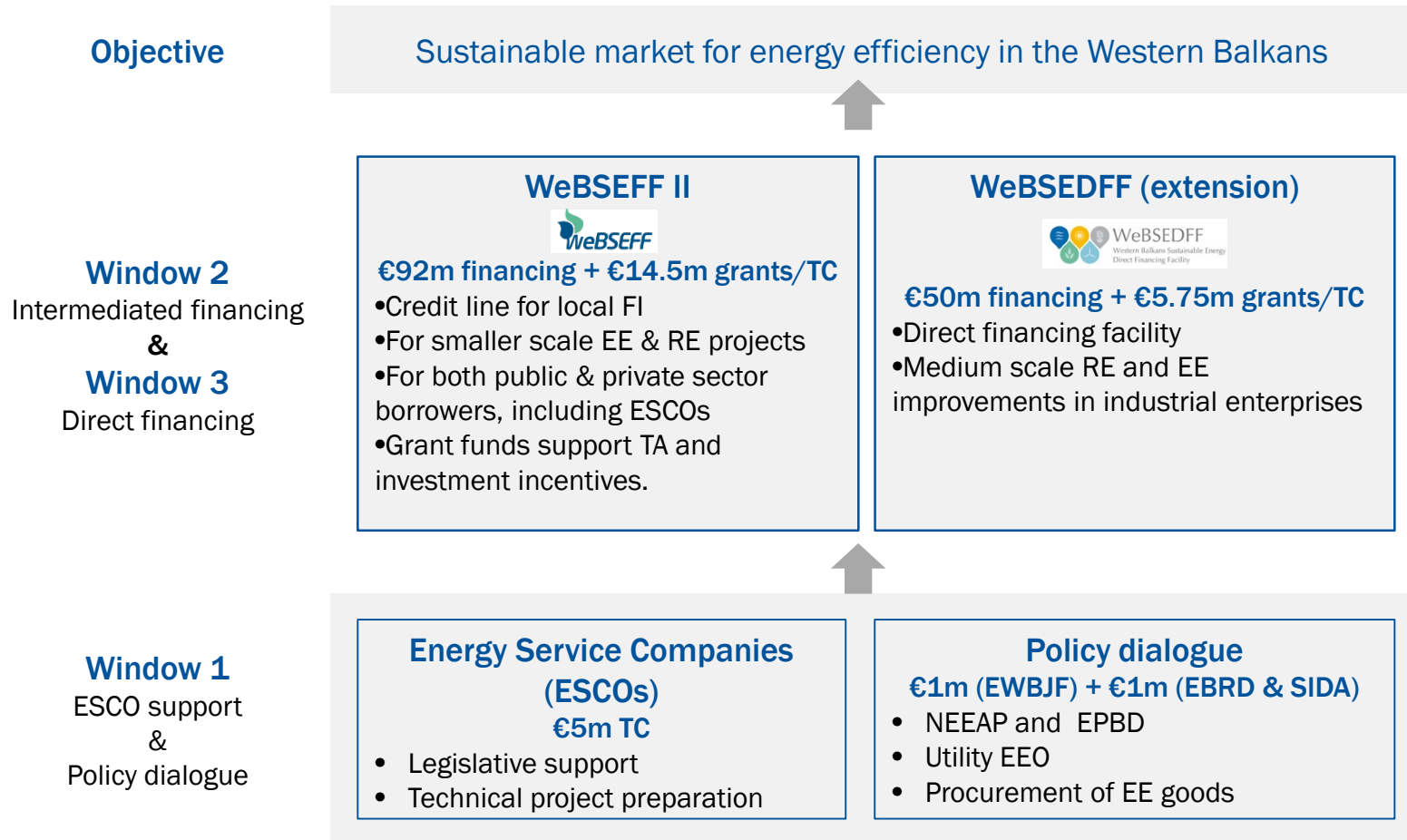
EBRD and Energy Community Secretariat:

- Prepared the concept jointly
- Implementing REEP in partnership

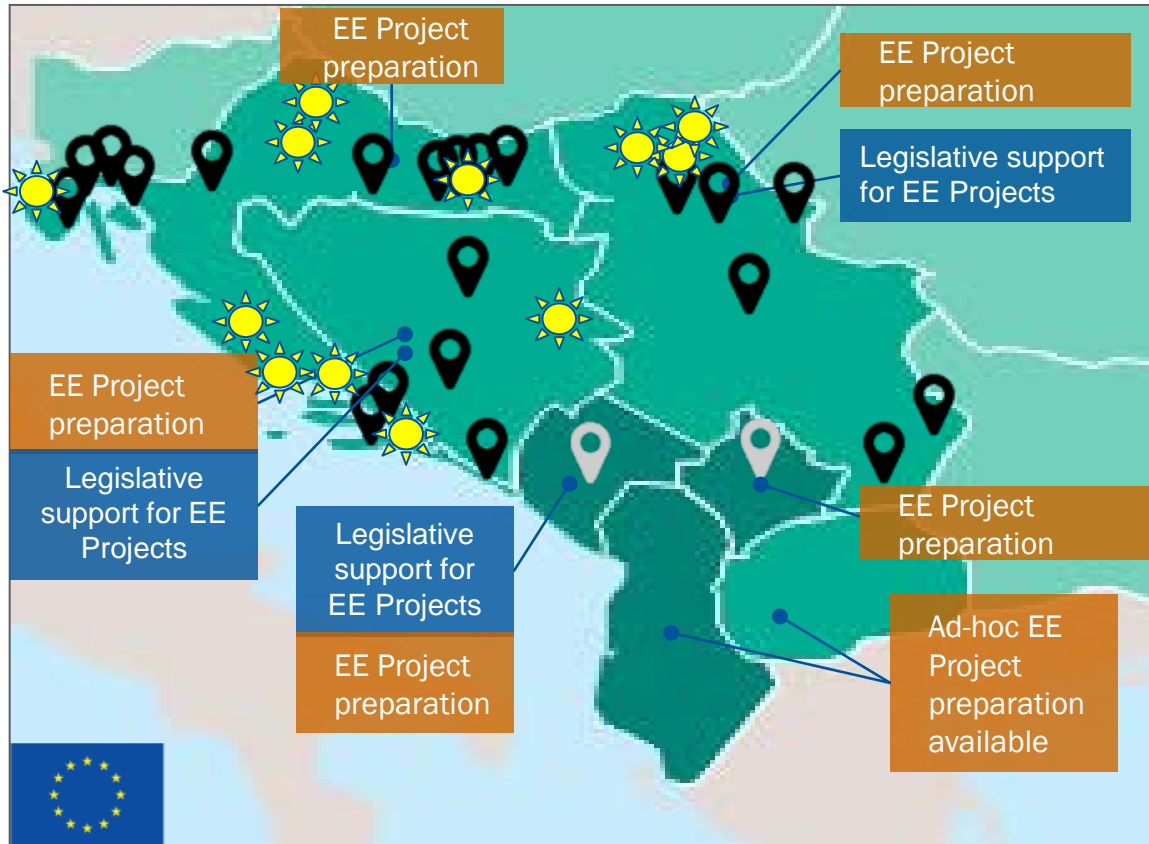
REEP proving to be **successful model of regional cooperation** between the EU, the EBRD, the ECS and BENEFICIARIES: deeply engaged through Technical Working Groups, and the Energy Efficiency Coordination Group.

REEP Overview

REEP is an **integrated package** of **finance, technical assistance** and **policy dialogue**, implemented jointly with the **Energy Community Secretariat**



Window 1: ESCO projects preparation



- **11** street lighting projects tendered/implemented
- **6** projects to be tendered and implemented in Q1/2017
- **20** projects under preparation for tendering, including street lighting in Belgrade and Novi Sad
- Total potential capex of ca. **€53m** arising from REEP support

Policy dialogue

Legislative support for EE Projects

TC assignments

Energy efficiency (EE) Project preparation



Tenders published, contracted or implemented



Tenders prepared or under preparation



Feasibility studies prepared

Barriers (1/2)

Regulatory barriers

- Inconsistency between relevant laws (e.g. procurement versus PPP)
- Lack of incentives for EE.
- Constraints in the budget system law and accounting procedures regarding long-term commitments towards private partners.
- Unclear ownership over public facilities (e.g. street lights owned by utilities or cities)

Technical barriers

- Lack of data on energy consumption for baseline setting.
- Outdated equipment for measurement.
- Lack of national standards and/or consistent implementation and/or enforcement.

Institutional barriers

- Frequent changes of politicians (e.g. elections and reshuffling of public authorities)
 - Lack of capacities for reviewing and approving EE projects.
 - Energy efficiency is not a priority for the decision-makers
 - Importance of demonstration projects.
 - No active cooperation of public authorities but EE affected by different policy areas.
 - Public procedures often complex. In addition there is a lack of experience in long-term contracts between public and private partners
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Barriers (2/2)

Financial barriers

- Low energy prices
- Lack of budget resources for (co)financing of EE investments
- Budget Energy Efficiency Fund, subject of one year budgetary planning process and with limited volume
- No tax incentives for EE
- High debt level in municipalities does not facilitate municipal borrowing for EE.
- Lack of experience in financing EPC deals

Awareness and knowledge barriers

- Lack of awareness and knowledge regarding the benefits of EE and EPC
 - Lack of awareness and knowledge about preparing and implementing public-private partnership projects
 - Lack of technical knowledge, especially in smaller municipalities
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Lessons learnt

High level public endorsement matters

- Municipalities stated that they engaged due to the government's endorsement.
- Private companies stated that they engaged due to government's endorsement and due to their being contract templates.
- Standardise procurement and contracting documents reduce transaction costs. Important in Western Balkan countries which are small markets.
- Energy tariff increase makes investments more attractive.

Get on with projects matters to get to know "unknown unknowns"

- You have to implement a pilot project to eliminate barriers (e.g. when is VAT payable)
- Procurement versus PPP law
- Tender preparation needs to be supported.

Active engagement of all stakeholders helps

- Legislation changes over time, so regular reviews are good practice.
- Involve all stakeholders in review to reduce transaction costs for all stakeholders.



Activities for Q2 and Q3 2017 (1/2)

Providing ESCO contracts for remaining countries: Albania, Macedonia, Montenegro, Kosovo

- Contracts include energy performance contracting (EPC) and energy supply contracting (ESC)
- Standardise public procurement and contracting documents to lower transaction costs (for all stakeholders)
- EBRD support includes providing contract templates and legal analysis

Expectations from legislatures

- Ministries and governments need to review
- Ministries/governments need to endorse contract templates to encourage public building owners to use them.

Expectations from market up take

- Are energy tariffs sufficiently high to enable commercial viability? Probably not always.
- If projects are commercially not viable (paybacks too long) public sector to co-finance.
- High level political support needed.
- Tender preparation needs to be supported.



Activities for Q2 and Q3 2017 (2/2)

Rolling out EPC in street lighting

- On track in Croatia and Serbia
- New countries Bosnia and Herzegovina and Kosovo.
- Exploring other countries.

Rolling out ESC in buildings and district heating

- Projects identified in Serbia, Bosnia and Herzegovina.
- Exploring other countries.

Market started developing

- Increasing number of projects prepared without EBRD support. Primarily Croatia and Serbia.
- More high level political support is needed, also in Serbia.
- Tender preparation needs to be supported.



Window 1 case study: street lighting in Novigrad, Croatia

- **Project:** Replacing more than half of the approx. 1,700 lights in the town of Novigrad (population 2,600) in Istria with LED lights
- **Model:** Energy performance contract, with payments linked to savings
- **Costs:** total capex of €411,000 with a 8 years payback based on energy and maintenance savings
- **Financing sources:** 35% grant-funded by Croatia's Environmental Protection and Energy Efficiency Fund and 65% financed by the ESCO company selected following competitive tender



- **Savings:** 54% of energy consumption and 45% of maintenance costs, annually
- **Environmental impact:** 112 tonnes of CO₂ estimated annual greenhouse gas emission reductions from electricity savings

Thank you!

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