

18th ENERGY EFFICIENCY COORDINATION GROUP MEETING - MINUTES AND CONCLUSIONS

Wednesday, 14 November 2018, 9:30 - 17:30
Energy Community Secretariat, Am Hof 4, Vienna

The Energy Efficiency Coordination Group (EECG) meeting was attended by representatives of all Energy Community Contracting Parties, the European Commission - DG Energy and DG NEAR, Donors' Community and IFIs: EBRD/ REEP Plus, European Investment Bank, Green for Growth Fund, the World Bank, KfW, GIZ ORF Energy Efficiency and GIZ bilateral projects, UNDP, USAID, Bosnia Energy Efficiency Project, Millennium Foundation Kosovo*, Kommunalkredit Austria AG, as well as consultants assisting countries on energy efficiency (ECA, E Co. Ltd, Karanovic/Nikolic, Finance in Motion GmbH), and the Energy Community Secretariat (ECS).

ECS (*Ms. Violeta Kogalniceanu*) welcomed participants and introduced meeting agenda. ECS acknowledged that all Contracting Parties are represented, and welcomes large participation of donors and IFIs in the work of EECG.

The EECG documents and presentations are available online on the Energy Community website ("[Events](#)" section).

1. EECG Work Programmes 2017-2018 and 2019-2020

ECS presented status of implementation of the EECG Work Programme 2017-2018 and EnC Implementation Report 2017-2018; significant progress was achieved with transposition of EE acquis into national legislation; implementation is ongoing and still challenging in many aspects.

The extension of the EECG mandate, as a regional implementation network in 2019 and beyond, is very beneficial to support the implementation of energy efficiency acquis and follow on revisions of the energy efficiency acquis in EU; EECG work is also important for the implementation and monitoring of the Energy Efficiency Action Plans (EEAPs) and other interrelated issues (2030 targets, integrated NECPs), as well as for coordination of new and existing regional TA programmes and initiatives.

EECG Work Programme 2019-2020 will continue activities of the EECG Work Programme 2017-2018, and will continue to follow the example of EU concerted actions; the current proposal includes 10 expert areas divided in 4 chapters, and focuses on: transposition and implementation of EE acquis and expert discussion on latest revisions, implementation of NEEAPs and their monitoring, promotion of the exemplary role of public sector, energy services, audits and management systems, efficiency in energy supply, CHP and heating/cooling, buildings' energy performance requirements and certification, implementation and market surveillance practices, coordination of existing regional support for energy efficiency and design of new ones.

Conclusions:

- 1.1 The EECG Work Programme 2017-2018 was largely implemented and significant progress achieved in the transposition of legislation; implementation is still challenging, as presented in the latest EnC Implementation Report 2017-2018.
- 1.2 EECG elected a new EECG (Co-) Chair in the person of Mr. Denis Tumuruc from the Ministry of Economy and Infrastructure of the Republic of Moldova.
- 1.3 EECG thanked ECS for the brief presentation of draft EECG Work Programme 2019-2020¹. The EECG Co-Chair and the proposed Expert Area Leaders from Contracting Parties are invited to analyse activities proposed under their respective Expert Areas and send any additional proposals by 31 January 2019. Donors are invited to check the Work Programme and send their proposal for (additional) activities / info on support related to the Work Programme, by the same date. Full programme will be proposed by ECS at the next EECG meeting, for its endorsement.

2. Core Topics 1&2: EED transposition and implementation, progress monitoring and reporting, NEEAPs

Contracting Parties presented their progress in transposition of Energy Efficiency Directive (EED) since the last meeting (June 2018), as well as the progress in submission of the 2nd Annual Reports and reporting on 2020 energy efficiency targets.

Moldova was the first Energy Community Contracting Party to transpose the EED into national legislation by adopting Energy Efficiency Law in July 2018. EE Agency and EE Fund have been merged to strengthened implementation capacities and create central administrative authority responsible for energy efficiency policies implementation and financing. EE Law promotes exemplary role of public buildings owned or occupied by central public authorities (inventory, 1% target and deep renovation measures). Sustainable public procurements is an obligation of broader public sector. Starting from mid-2020, big companies will be obliged to perform energy audits or implement the energy management system. The EE law establishes the EEO scheme for distributors of electricity and natural gas, as well as importers of main petroleum products, with focus of EEO measures on buildings, transport and industry. The Law further strengthen role of local energy managers and promotes local energy services market, while ongoing activities for public awareness activities are ongoing and will be further developed.

In **Kosovo***, the Law on Energy Efficiency transposing EED was adopted by the Parliament of Kosovo* in November 2018. The law includes an extensive chapter on the new Kosovo Energy Efficiency Fund – KEEF as independent institution, which will operate under the revolving mechanism and has secured first initial capital for operation of KEEF and funding based on “program approach” - to implement Municipal Energy Efficiency Action Plans (MEEAPs), NEEAP, etc. New EE Law defines duties and responsibilities of Kosovo* EE Agency, elaborates on targets, NEEAPs and MEEAPs, establishes the EEO scheme etc. The full implementation of EED will require adoption of a significant number of secondary legislation.

The former Yugoslav Republic of Macedonia: the new Energy Efficiency Law transposing EED was prepared in a consultative process in a short timeframe (initiated by ECS in May 2018) and is supported by REEP Plus and various donors; this Law will enter public discussion, with the plan to be finalised and adopted by the Government before end of 2018.

¹ Draft version of the Work Programme will be available on the Energy Community web page: <https://www.energy-community.org/events/2018/11/EECG.html>

In **Albania**, the EE Law of 2015 only partly transposed EED articles, focusing on EE Agency, EE Fund and energy audits. Albania still needs to amend EE Law and make it compliant with EED, and REEP Plus is providing support for this task. After adoption of the EE Law in 2015 the EE Agency as main implementing body started operations with delay - only in 2018 (with appointment of Director and four staff members) and full staffing is still pending; the Ministry of infrastructure and energy with its staff is currently supporting the work of the Agency. National Technical Working Groups were established and working on amendments of the EE Law and regulations to implement EPBD Law. The preparation of 2nd EED Annual report is ongoing, but its submission to ECS is pending, therefore Albania is not compliant with its obligations under EED. The inventory of, and energy audits have been performed for 60 public buildings.

Montenegro informed on the ongoing work on amendments of the existing EE Law with the aim to include missing requirements from EED; the draft was submitted to EC and ECS for comments. Following the results of the feasibility analysis related to introduction of EEO in Montenegro, the Ministry of Economy has decided to achieve savings from the Article 7 by alternative measures. However, certain obligations to the energy suppliers and dealers to introduce measures for EE improvements are prescribed by the EE Law. Implementation of new energy labelling and ecodesign requirements is ongoing, together with improvement of the implementation capacity of State Market Inspection.

Serbia: while amendments of the existing (partly compliant) Law on Efficient Use of Energy is in the initial phase, the Ministry is working on the implementation of key EED articles. Implementation of Article 7 is ongoing – EEO target will be met by implementing alternative measures (notification on Article 7 will be finalised soon, with EEO target calculation, measures and expected savings). Implementation of Article 5 is ongoing. The EE fund tripled its budget, and there is ongoing inter-ministerial discussion on establishment of the EE and Environmental Fund in Serbia. Introduction of an EE levy will enable broader financing of EE projects by the state. Serbia also attended recent CA EED meeting and shared its positive experience with EECG members.

Bosnia and Herzegovina: amendments to the EE Law in the Federation of Bosnia and Herzegovina are planned to be finalised by the end of 2108, while in Republika Srpska amendments aimed to establish energy management system have been finalised; Building renovation strategies (incl. state and entity level) were drafted with support of GIZ, and will be finalised by technical working groups. WGs on energy efficiency obligation schemes are active with support of USAID work to introduce EEO scheme - legislative changes and model documents have been proposed. The 2nd EED Annual Report submitted to ECS in October 2018 provides detailed updates and it is published on EnC website. The EED NEEAP will be developed with support of GIZ. Regarding Article 5, UNDP supported detailed energy audits for 16 state owned public buildings, and developed the EE Study and Action Plan for Increasing Energy Efficiency in Facilities under the Jurisdiction of Central BiH Institutions covering approx. 60 state level institutions.

In **Georgia**, the Ministry of Economy and Sustainable Development is working on finalisation of the EE legislation, namely the primary EE law and draft Law on Energy Labelling (intended to transpose EED and Energy Labelling Directive); after internal consultation (mainly on EE agency and EE budget) and updates by the consultant engaged by EBRD, these will be submitted to Government and ECS. The 1st NEEAP is still pending adoption by the Government.

Ukraine recently submitted 2nd EED Annual Report to the ECS. EE Law is in inter-service consultation, with still pending decision on the EE target, and then will be open for public discussion. In cooperation with the GIZ the “Argumentarium” on EED Law was prepared, explaining economic and social benefits arising from the proper implementation of EED in Ukraine. Eleven secondary legal acts have been finalised to implement the Law on commercial metering for heating and water supply, and thirteen more adopted to implement EPBD Law. The 27 universities and 123 specialist have been accredited and

active to implement EPBD requirements on EPCs and inspection of systems. ESCO projects are ongoing in public sector (with active ESCO web platform), with first EPC contracts signed also for central government buildings and in residential sector. The Governmental recently allocated additional funding to home owners' associations under the "Warm loans" state programme. The Energy Efficiency Fund was registered as a legal entity in June 2018, and necessary secondary legislation for Fund launching was passed.

Energy Community Secretariat (Mr. Borko Raičević) presented Template circulated in October 2018 for preparation of first EED NEEAPs: requirements and structure, as well as key recommendations for reporting under EED and beyond (e.g. EPBD). EED Annex XIV (Part 2) lists the mandatory reporting requirements for the NEEAPs, while NEEAP template provides additional guidance and facilitates harmonized EED implementation.

GIZ/ORF-EE (Mr. Armin Teskeredžić) explained new features and adaptations of Monitoring and Verification Platform in line with EED requirements, with focus on monitoring of EED Article 7 and implementation practices in Croatia. MVP is currently the most efficient solution and transparent platform to be used for EED/NEEAP monitoring and evaluation of savings, as well as EE policy planning in line with relevant CA EED recommendations. Croatian MVP (SMIV) platform was presented as good example in EU. Double counting is minimized, continuous and systematic monitoring of EEOs and/or alternative measures enabled, reporting possible for previous year, and it can be used for calculation of penalties.

ECS thanked GIZ ORF-EE and expressed concern that still many countries are lagging behind and don't use MVP, although this was accepted by authorities more than 2 years ago. GIZ ORF EE explained that additional resources were dedicated to overcome this challenge, by training of more people on how to use MVP evaluation of savings, data check, better policy planning etc. What encourages is the fact that MVP has been introduced into the Laws on EE in Kosovo and Macedonia.

EBRD encouraged CPs to use MVP, and will cooperate with GIZ ORF EE to find best ways to report contribution of the credit facilities to Article 7 targets (as alternative measures).

Montenegro expressed its satisfaction and willingness to continue work on MVP; EE law is amended and will prescribe MVP as official platform in Montenegro.

Serbia asked the GIZ ORF EE for the support in preparation of the next NEEAP and this support has been welcomed and approved by the GIZ ORF EE during the meeting.

Conclusions:

- 2.1 Contracting Parties presented their progress in transposition of EED since the last meeting (June 2018), as well as the progress in submission of the 2nd Annual Reports and reporting on 2020 energy efficiency targets. EECG acknowledged progress made by all CPs in transposition and implementation of EED, especially recent adoption of EED Laws in Kosovo* and Moldova, and progress with (partial) implementation of EED requirements in Bosnia and Herzegovina, Montenegro, Serbia and Ukraine. However, progress in CPs is slower than required by EED deadlines.
- 2.2 The second EED annual progress reports were submitted by all CPs, except Albania – this still needs to be finalised. Georgia has another EED deadline for adoption (31 December 2018) and has set the 2020 target through the first NEEAP (pending adoption).
- 2.3 EECG thanked ECS and GIZ ORF EE for the proposed Template for the preparation of the EED NEEAP and presentation of new features of MVP tailor-made for EED NEEAPs. It is recommended to be used by Contracting Parties for reporting and monitoring of NEEAPs, due by 30 April 2019 (submission to ECS).

2.4 EECG acknowledged that the technical assistance is needed and available from different donors; ECS urged those CPs that need TA for legislation and NEEAPs to use the available TA (REEP PLUS, GIZ, EU4Energy, etc.).

3. Energy Efficiency in EU, 2030 EE targets, Energy and Climate Plans

European Commission, DG Energy (Ms. Claudia Canevari) addressed EU agreement on the Energy Efficiency Directive, as one of the key pieces of legislation of the Clean Energy for All Europeans Package. Following approval by the European Parliament and Council, amended directive will be published in December 2018 in EU OJ (together with the Renewable Energy Directive and the Governance Regulation) and will enter into force three days after publication. EED was amended to be more implementable, to include a 2030 target and improve consumer issues. The revised EED set EU 2030 target of 32.5% (calculated relative to the projections from the PRIMES REF2007), with a possible revision in 2023. Member States will report in Energy and Climate Plans national contributions to the Union target. EEO obligations are updated and extended to 2030, with mandatory requirement to alleviate energy poverty and streamlined rules for calculation of energy savings (provided in Annex V). Clearer and strengthened metering and billing provisions are designed to empower and better inform consumers.

ECS thanked EC for presentation on revised EED and reminded EECG that 2012 EED remains in force in EnC, while work on analysis and incorporation of revised EED in EnC (together with new EPBD and Governance Regulation) will be implemented during 2019.

Energy Community Secretariat (Ms. Violeta Kogalniceanu) provided latest updates on 2030 targets and energy and climate framework in the EnC. Work on EE targets and methodology is still not finalized, but planned date for finalization is set to May 2019. The General Policy Guidelines on 2030 Targets for the Contracting Parties of the Energy Community will be presented at the next Ministerial Council meeting, together with the proposal of Framework Labelling Regulation, and will be continued with the revisions of EED and EPBD, and the adaptation of Governance Regulation, to be ready for the Ministerial Council in 2019. Recommendation 2018/01/MC-EnC provide more details on development of integrated National Energy and Climate Plans (NECPs) together with Policy Guidelines encourages CPs to streamline multiple monitoring and reporting obligations on climate and energy in NECPs. It is prepared by the Secretariat in cooperation with the European Commission. The EnC Energy and Climate Committee and National Working Groups will work together with EECG and RECG on 2030 targets and NECPs. First Donors' and IFIs' coordination meeting was held on 13 November 2018 to coordinate activities on energy efficiency and climate (ongoing and planned TA, Legal support, Capacity building) and will meet regularly in future.

GIZ ORF EE (Ms. Jasna Sekulović) and EBRD (Ms. Ana Bachurova) informed EECG that they had included support for NECPs in their portfolio. GIZ ORF EE is currently planning to provide support for capacity building of beneficiaries for NECPs (this is preparatory work). Bosnia and Herzegovina, Kosovo* and the former Yugoslav Republic of Macedonia. In these countries have been established National Working Groups on NECPs. Separate GIZ project from Berlin supports Montenegro and Albania to develop NECPs, with work on the technical annex of the ongoing, and modelling activities planned in 2019. GIZ ORF EE closely cooperates with this project. The planning workshops in Montenegro and Albania have been held within this project.

Montenegro shared positive experience from the Workshop organized in Montenegro to initiate work on NECPs; this is complex but beneficial activity that will enable integration of reporting and planning obligations from currently separate national planning documents.

Conclusions:

- 3.1 EECG thanked the European Commission, DG Energy for the updates on energy efficiency in the EU, and latest information on agreement on the revised Energy Efficiency Directive in EU. EECG will follow on these developments and include activities in the EECG Work Programme focused on the amendments of EE acquis in the Energy Community.
- 3.2 EECG thanked Energy Community Secretariat for information on ongoing work on 2030 targets and energy and climate framework in the EnC, as well as on the outcomes Donors' and IFIs' coordination meeting on energy efficiency and climate. The EECG will be regularly updated and work together with the EnC Energy and Climate Committee and National Working Groups on 2030 EE targets and NECPs.

4. Regional Programmes and Initiatives

The European Bank for Reconstruction and Development (Mr. Nigel Jollands, Ms. Ana Bachurova and Ms. Veronika Špacapan) reported on progress in implementation Regional Energy Efficiency Programme for the Western Balkans (REEP & REEP Plus update), case studies and new assignments under Programme windows: policy dialogue and ESCO support, intermediated financing, direct financing, and direct lending to municipalities windows.

List of topics for support increased under REEP Plus as an integrated package of finance, technical assistance and policy dialogue, implemented jointly with ECS.

REEP Plus Policy Dialogue is providing further support for both new and ongoing assignments that are still to be adopted. Selection and prioritisation of new assignments and policy areas for assistance is ongoing and open for all Western Balkan Contracting Parties.

Regarding ESCO support, gaps and barriers for supporting framework (regulatory, technical, institutional, and financial) are analysed and addressed in all participating WB6 countries and different guidelines and support provided to municipalities dealing with ESCO projects. Most of deliverables (including ESCO contract templates) have been adopted (or likely to be adopted) by January 2019. This will continue with project development assistance and extension to other sectors.

GEFF Residential - implementation update since last EECG meeting: currently, it is active in 4 countries with 13 partner banks, and total signing amount has reached EUR 53.5 million. First three success stories were published on GEFF BiH website. EBRD aims to sign all EUR 85 million financing for residential EE investments across the all WB6 countries, with 16-18 participating FIs by end 2019.

Under REEP Plus Window 4 (Direct Lending to Public Sector) first project signed in June 2018 was presented - project for EE retrofit of the Zenica Cantonal Hospital in BiH. The EBRD is having active discussions in Kosovo* and BiH to prepare public buildings EE investments;

KfW is actively engaged in REEP Plus (under Window 2 - Intermediated Financing for SMEs and micro enterprises and under Windows 4- Direct Lending to Public Sector); two contracts were signed with financial institutions (in Serbia and BiH) and two new loan agreements planned to be signed in December 2018 (in Serbia); TA component has been provided now from KfW own funds. Under Windows 4, KfW is in active discussions with all WB6 countries, to build on existing KfW programmes and projects in public buildings and beyond; most mature programs are in Albania, Serbia and Montenegro.

Ukraine shared positive experience in implementation of successful EBRD ESCO project: first ESCO legislation adopted in 2015, new e-procurement procedures in 2017, and ongoing work on improvement and simplification of procedures.

Montenegro hopes that GEF will start activities in early 2019 to enable sustainable financing of residential sector in the country, and Ministry of Economy is ready to support these activities.

USAID presented different approach, which is used by USAID for support activities in residential sector – focusing more on commercial approach and limiting subsidies (used only for low-income households). The World Bank, KfW, EIB, GGF and EC exchanged opinions on incentives, subsidies and complementary instruments for residential sector, and agreed with ECS to include this topic in agenda of the forthcoming EECG meetings.

REEP Plus Consultant - Economic Consulting Associates (Mr. David Williams) presented Policy Guidelines for Energy Efficiency Obligation Schemes, prepared under REEP Plus jointly by EBRD and ECS, to support implementation of one of the key policy areas for achieving 2020 target. Policy Guidelines were prepared to assess specific barriers and key success factors and find common solutions for implementing a successful EEO scheme, with special attention paid to the particular circumstances of Contracting Parties. Guidelines are based on three interconnected pillars important for successful EEO scheme: legal and regulatory framework, administration of scheme and delivery models for obligated parties.

European Commission, DG NEAR (Ms. Anna Soltysik) updated EECG on EU funding available for energy efficiency. Under REEP Plus, programming exercise is ongoing for 2019 and additional EUR 30 million (15 million EBRD, 15 million KfW) is available to extend support to public buildings and households (through REEP Plus Windows 2 and Windows 4). EC DG CLIMA (on behalf of DG NEAR) will start EUR 2 million Programme in January 2019 to support WB6 to build their capacity for the implementation of the 2015 Paris Climate Agreement, development of climate policies/legislation, GHG inventories and reports, mainstreaming of climate change into other policy areas (including EE), etc. WBIF provided 65 grants for environment and 59 grants for energy worth EUR 277 million (EUR 6 billion investment volume) until 2017. The Green for Growth Fund proved that commercial financing works, with some 51 ongoing TA projects (capacity development of financial institutions, impact analysis and energy audits etc.) and 16 621 sub-borrowers. DG NEAR will during 2019 update very popular 2016 EE brochure on financing energy efficiency investments in the Western Balkans (available on [WBIF website](#)), to be ready for the 10 years anniversary of WBIF. It will provide information on programmes run by governments, IFIs and other donors, and may also include additional topics, like RES, climate change, tariffs, new guarantee instrument, etc.

The World Bank (Ms. Kathrin Hofer) provided status update on energy efficiency activities in the Energy Community. EE is a key target area for the World Bank, with US\$1.2 billion investments for EE in countries of the Energy Community; Western Balkan region is a forerunner in EE investments in public buildings sector. All new EE projects support a strategic shift towards revolving financing models. Establishment and capitalization of Revolving EE Fund is supported in Kosovo*, by using the energy service agreements as key financing instrument. In BIH and Montenegro, additional financing for BEEP and MEEP2 projects was approved, with efforts to develop sustainable financing and institutional mechanisms. All projects are supported by TA component, supporting awareness raising, activities to help address legal and regulatory barriers for EE, training and support for the establishment of longterm EE financing mechanisms, support for piloting ESCO models, etc. In future, the World Bank will focus on supporting shift from direct project financing to national-level demand-side EE programs in public sector with sustainable financing and implementation structures, on strengthening support for residential EE (particularly in multifamily apartment buildings) and continuing strong coordination among partners to support credible financing and implementation structures and provide targeted support in buildings sector.

Conclusions:

- 4.1 EECG thanked EBRD, KfW and REEP Plus consultants for update on activities under REEP Plus programme, and acknowledged the progress with REEP Plus. The Implementation of REEP deliverables needs to be finalised, and 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.
- 4.2 EECG acknowledged the policy guidelines on EEOs as important tool to assess specific barriers and key success factors and find common EEO solutions, with special attention paid to the particular circumstances of Contracting Parties.
- 4.3 EECG thanked European Commission, DG NEAR for useful updates on EU funding available for energy efficiency from REEP Plus, DG CLIMA project, WBIF, and GGF, and ongoing work on update on EE brochure. DG NEAR is welcomed and invited to regularly attend meetings and update EECG on EU support programmes and funding available for EE in EnC.
- 4.4 EECG thanked the World Bank for update on the progress achieved on energy efficiency activities in the Energy Community Contracting Parties and welcomed World Bank's strategic focus on sustainable revolving financing models and implementation structures. The World Bank and other IFIs and donors are invited to either regularly attend EECG meetings and provide updates and/or report to the Energy Community Donors Platform managed by the Energy Community Secretariat.

The next EECG meeting and Workshop/EEO Conference are planned for 05 and 06 March 2018 in Sarajevo, Bosnia and Herzegovina.