

11th ENERGY EFFICIENCY COORDINATION GROUP MEETING - MINUTES AND CONCLUSIONS

Energy Community Secretariat, Vienna

Thursday, 01 June 2016, 09:00 – 17:30

The Energy Efficiency Coordination Group (EECG) meeting was attended by representatives of all Energy Community Contracting Parties (EnC CPs, except for Bosnia and Herzegovina), EnC candidate countries (Georgia) and Observers (Turkey), the European Commission – DG Energy and DG NEAR, Donors' community (GIZ, EBRD/ REEP, KfW and the World Bank), as well as representatives of the SEE Change Net, Austrian Energy Agency, consultants assisting countries on energy efficiency (ECA, Eco Ltd, GFA, CMS), gge Slovenia and the Energy Community Secretariat (ECS).

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

ECS (Ms. Violeta Kogalniceanu), and the EECG Chair (Ms Antonela Solujić, Serbia) welcomed the participants. ECS introduced agenda of the meeting and also presented the status of implementation of the EE *acquis* and EECG Work Programme 2015-2016.

- EECG Work programme is being successfully implemented till now, contributing to the transposition of energy efficiency *acquis* in CPs, and the coordination of donor's activities. The extension of the EECG mandate, as a broader implementation network in 2017 and beyond, will be very beneficial to support the implementation of Energy Efficiency Directive (EED); EECG work is also important for the implementation of Energy Efficiency Action Plans (EEAPs) and other areas where countries are less progressing (e.g. EPBD), or where regional cooperation is beneficial for the coordination of new and existing regional TA programmes and initiatives, as well as other activities rising from the extension of EnC activities and involvement of new countries (Georgia as CP and Armenia and Turkey as observers).
- EECG members were invited to be actively engaged in discussion, especially on the agenda items related to the Work Programme 2015-2016 (core topics on EED, EEAPs, ESCOs); outcomes of discussion will be relevant for the development of the draft EECG Work programme 2017-2018 by ECS, which will be discussed at the next EECG meeting;
- ECS thanked to all CPs present at the meeting for their submission of *reports on exemplary energy efficiency projects and good implementing practices* (to be presented during the meeting and uploaded on EnC website);
- ECS presented the special edition of the *Energy Community legal framework*, focusing solely on energy efficiency¹. It brings together in one place the legal acts currently in force in the Energy Community, as well as relevant Ministerial Council decisions and procedural acts amending the original EU *acquis*, with all the adaptations consolidated.

¹ https://www.energy-community.org/portal/page/portal/ENC_HOME/NEWS/News_Details?p_new_id=12942

- ECS is currently preparing the Annual Implementation Report and Tables of Concordance for each Directive, which will enable detailed monitoring of the progress of transposition of EE *acquis*, including priority recommendations for implementation of EE *acquis* in CPs; this will be followed by the concrete infringement actions where the progress is not being achieved.
- ECS informed about recent infringement actions against Kosovo*, Albania for non notification of EPBD law, and against Serbia for non implementation of certain aspects of EPBD.
- While donors are invited to continue providing the support for transposition and implementation of the EE *acquis*, CPs are urged to adopt the drafted legislative acts developed with support of EBRD/REEP and other donors; ECS is ready to provide adequate support to the CPs with administrative barriers in adoption process.

1. EED Core Topic 1 - transposition of Directive 2012/27/EU in the Energy Community

European Commission - DG Energy (Ms. Claudia Canevari) presented recent developments in EU related to energy efficiency and the Energy Union (since March 2016). There is an ongoing process of integration of energy efficiency and climate policy (as driving force in EU and globally), review of the energy efficiency legislation (EED, EPBD) and further development of a Smart Financing for Smart Buildings Initiative - to make existing buildings more energy-efficient and facilitate access to existing funding instruments. European Commission has assessed the options for 2030 energy efficiency targets (ranging between 27% and 40%), and is currently reviewing specific aspects of the EED to reflect the 2030 perspective. Proposal of a new energy efficiency package, which will include a *chapeau* communication (which will cover also the Smart Financing for Smart Buildings Initiative) and the legislative proposals to review the EED and the EPBD, is planned to be ready towards the end of September 2016.

Serbia (Ms. Antonela Solujić, EECG chair) presented EED transposition and implementation practices in Serbia. Current legislation in Serbia (Law on Efficient Use of Energy and Energy Law) has many elements of EED; there is ongoing work on 3rd EEAP which will include roadmap for transposition of EED; Energy management system is advancing, obligatory for big energy consumers and public buildings; The Rulebook determining a model contract for energy services for implementation of energy efficiency improvement measures for public sector users was published in May 2015, and Rulebook on minimal requirements in respect of energy efficiency in the procedure for public procurements of goods in December 2015; CHP regulation has been drafted and waiting to be approved by new government; State support is being provided by the Budget Fund for Energy Efficiency, based on the annual programs; so far 11 projects have been financed and implemented in municipalities, evaluation of the first 2016 public call is ongoing, while the second annual public call will include GEF donation and implemented jointly with UNDP; There are many ongoing TA projects supporting implementation of EED in Serbia, including GIZ, EBRD REEP, IPA etc.

Other EECG members provided brief update on the EED transposition and implementation status and practices.

Kosovo*: new draft EE law is prepared with EU TA, and after ongoing discussion in the government will be send to ECS. The most important issue is the establishment of the EE Fund in Kosovo*, with alternative approach under discussion to establish joint Eco and EE fund, as proposed recently by EC; EEAP is under preparation and will include roadmap for transposition of EED.

Albania transposed certain elements of EED with the adoption of the EE Law in November 2015, and there is ongoing work on development of by-laws; EEAP is being drafted with support provided by REEP and GIZ, and will include chapter dedicated to timely transposition of EED; the Ministry of Energy and Industry is currently working on drafting of secondary legislation on the promotion of energy audits, energy services and for the strengthening of national institutional and financial framework for energy efficiency, i.e. the establishment of an energy efficiency agency and an energy efficiency fund. Draft EPBD Law was sent to the Government for approval, with the expectations to be adopted in June 2016.

The Former Yugoslav Republic of Macedonia already transposed requirements of ESD and the “old” Cogeneration Directive in national legislation, and initiated work on EED transposition. Roadmap for transposition of EED has been developed and will be part of 3rd EEAP; there are several bilateral TA projects which are supporting transposition of EED (USAID, UNIDO, EU, World Bank), including work on implementation of Article 7 and establishment of the EE Fund.

Montenegro: main EED requirements were transposed by the Law on Efficient Use of Energy adopted in December 2014, and new Law on Energy adopted in January 2016; full alignment with Directive will be achieved through the adoption of a new, as well as update of existing secondary legislation. The implementation of Article 4 is in progress and supported by KfW; regarding Article 5, the Decree on reconstruction of administrative buildings was adopted in February 2016 and 1% renovation target set, and preparation of 3 year plan for reconstruction of public buildings is underway; EE procurement regulation was developed with REEP support and adopted in February 2016; REEP also supported Ministry in drafting of legislation for the implementation of Article 7 (EEO schemes), as well as Article 14 and 15. Additional support for energy efficiency (including updates of the primary and secondary legislation) is planned through TA projects: REEP, KfW, IPA, and GIZ.

Moldova: some EED provisions were transposed by the Law on promotion of heat and cogeneration, but work on full transposition will be implemented soon and supported by SIDA (drafting of EE Law and most important sub-laws, plus implementation of EEO scheme); EE fund is operational and new EE Law will regulate financial aspects to support implementation of EED in practice.

Ukraine: EPBD Law and new labelling regulation were developed and sent for another round of inter-service consultations, due to the change of government. ESCO Law will be amended according to new procurement legislation. A draft Metering Law was developed by SAEE and commented by ECS, in order to transpose relevant EED provisions; temporary measures improved metering at building level to more than 50%. The new Energy Efficiency Law, compliant with the EED, was drafted will be further discussed with ECS. Concept for the National EE Fund has been developed and will be presented at the Workshop. There is an ongoing TAIEX programme to raise awareness on EED, with two workshops organised until now. However, there is a need for further TA for implementation of EED and establishment of system for monitoring and verification of energy savings.

Georgia is in negotiation process with EC for full membership to the Energy Community. EBRD is currently supporting Ministry in development of EED compliant NEEAP, planned to be finalised by end of June 2016.

QA, Discussions:

EC explained that the Smart Financing for Smart Buildings Initiative will not foresee new financial instruments, but the aim is to facilitate more effective implementation of existing initiatives. As regards governance issues (notably Article 24 of the EED), it will not be dealt in the energy efficiency package as there is an energy governance proposal to be adopted before the end of 2016. This proposal will also include planning and reporting requirements related to energy efficiency. However, it is very important that EnC CPs and EC MSs remain focused on the implementation of the current legal framework and achievement of 2020 energy efficiency target.

Serbia confirmed that the Ministry of Energy and Mining is responsible for monitoring and verification of savings, but further capacity building is needed; the budgetary EE Fund provides currently only subsidies for municipalities (refurbishment of buildings and EE improvements in street lighting); UNDP/GEF funds will be implemented through UNDP and co-financing Budget Fund investments.

The World Bank questioned EC recommendation of establishment of EE and Eco fund in Kosovo*, and will further present benefits of specialised EE Fund at the next day Workshop.

Conclusions:

- 1.1. EECG thanked the European Commission and Serbia for their presentations of latest development in EU EE policy, and respectively EED transposition and implementation practices in Serbia, and took note of the positive progress with the transposition of EED in the Energy Community.
- 1.2. EC and ECS reminded Contracting Parties to stay focused on the implementation of the 2020 framework and setting the 2020 energy efficiency national target (including recommended use of existing ECS calculations and guidance).
- 1.3. Integration of EED policy measures in the 3rd EEAPs is positive step towards timely EED transposition. Based on this, the common and most challenging areas for implementation of EED will be taken into consideration as key activities of the new Work Programme of the EECG. Bilateral and other multilateral donors are encouraged to provide the support in the process of the transposition and implementation of the EED.
- 1.4. The adoption of existing draft legislation developed with the technical assistance of REEP and other donors remains a high priority in Contracting Parties; this is also an important step to enable further TA and funding. ECS is ready to provide further political support and asked Contracting Parties and donors to send information on any existing barriers in the adoption of existing draft legislation. Existing and new financial instruments and funds for energy efficiency should support the transposition and implementation of EED.
- 1.5. ECS invited EECG members to actively participate and benefit from the Workshop on Energy Efficiency Directive Implementation and Financing organised on 02 June in cooperation with the World Bank.

2. EED Core Topic 2 – EEAPs and monitoring

EECG members provided an update on the process of development of 3rd EEAPs, ongoing in all Western Balkan Contracting Parties. Moldova is working on its 2nd EEAP and Ukraine presented experience in implementation of 1st EEAP, as these have different deadlines due to later accession to the Energy Community.

Albania: 1st EEAP was adopted in 2011, but never implemented due to the weak supporting framework (legal, institutional and financial); EBRD/REEP and GIZ supported National Technical Working Group to draft EEAP which covers reporting obligations of 2nd and 3rd EEAP, and is due by 30 June 2016. The Ministry of Energy and Industry is currently working on strengthening the coordination and establishment the EE Fund and EE Agency. The EEAP will include also a roadmap with policy measures for transposition of the Directive 2012/27/EU.

Bosnia and Herzegovina: as no official representative of BiH was present at the meeting, GIZ EE - BiH reported about the EEAP TA: Working Group for development of EEAP was established (with participation of all main stakeholders) and its 2nd meeting will be held soon; an ambitious Workplan was developed and the work on establishment of EE target ongoing. However, due to the delay in

establishment of the Working Group, finalisation of EEAP will be delayed and the realistic deadline is end of 2016.

The Former Yugoslav Republic of Macedonia: EEAP development is ongoing, with valuable “advisory and mentoring” support provided by GIZ consultant and local experts; the chapter related to policy measures for transposition of EED was finalized; there is ongoing, very challenging work on data collection and reporting on savings achieved, including financial data of the implemented EE projects; MVP software was received, but still not fully used and implemented.

Kosovo* recently established an EEAP Working Group with participation of all stakeholders, including relevant ministries and representatives of municipalities; GIZ-ORF support is being very useful; MVP was still not transferred to the server (there are ongoing discussion on proper location) and data collection is one of the most challenging issues. The insufficient reporting on savings from the obliged parties (the obligation exists in the law – including for municipalities) is another problem, to be tackled in 3rd EEAP.

Montenegro is similarly working on the development of 3rd EEAP, with a legal obligation to adopt it by end of June 2016. This includes work on the Roadmap for EED transposition, estimation of savings, calculation of targets and extension of the number of EED measures to meet new EED requirements; MVP was transferred to national (Ministry) server and will be used in future as the official tool for monitoring and verification of energy savings. The Statistical Office is currently performing revision of all energy balances and this causes a problem of reliable data for calculation of energy savings using TD approach; Ministry agreed with ECS to submit EEAP in June without the estimation of the savings using TD approach, and this part will be updated later in 2016.

Moldova is in the phase of development of 2nd EEAP; it passed public consultation and will be shared with ECS for comments; preliminary results show that 40% of the target was achieved, but there is a problem to collect all savings data and develop a proper savings monitoring system; EEAP put focus on implementation of EE measures in residential, public and transport sector; financing is available through national EE Fund (with plans to attract additional financing) from MoSEFF, the Eastern Europe Energy Efficiency and Environment Partnership (E5P) Fund etc.; the main challenge remains to absorb available funds and improve the legal framework for EE in public buildings and residential sector.

Serbia: A Working Group for the preparation of the 3rd EEAP and its monitoring was established. A preliminary draft was developed with IPA TA (by using the recommended template) and now is being discussed and updated with savings monitoring results from last year. It is expected to finalize EEAP and send it by the end of June to ECS for comments and later adopt it by the Government. There is a problem with reporting by obliged parties (the obligation exists in the law), but there are no penalties, and hence there is little compliance, and this should be improved; Implementation of MVP is ongoing and expected to improve the savings monitoring.

Ukraine: 1st EEAP was adopted in November 2015 and covers the period until 2020; Ukraine is currently focused on the implementation of the State support programme for energy efficiency in buildings, while EBRD is promoting energy efficiency in residential sector through Ukrainian Residential Energy Efficiency Finance Facility (UREEFF); Current challenges are related to implementation of complex measures in transport sector and development of the monitoring system for implementation of EEAP measures (international TA is needed). Draft EE Law will clarify monitoring and reporting issues to support EEAP implementation.

GIZ Open Regional Fund – Energy Efficiency (Ms. Jasna Sekulović) presented an update of the support provided by the GIZ ORF EE funded project “Strengthening Capacities for Implementing the EEAP Cycle” – related to the development of 3rd EEAPs in Western Balkans CPs. Advisory and mentoring tailor-made support was provided, based on needs of respective beneficiaries, primarily to

develop Chapter 4 (EED policy measures); a longer version of this Chapter was prepared as a handbook with EED requirements and EU best implementation practices and will be also shared with EEAP Working Group in Bosnia and Herzegovina (not directly supported by this project); The longer version is or will be adjusted for each country. The adjustment is prepared already for FYR of Macedonia and longer version of Chapter 4 (EED implementation) has been used for design of project supported by USAID which is dealing with EED implementation in the country. Some common findings during the EEAP preparation process in the countries have been shared on the EECG meeting and are related to the necessary preconditions for EED implementation; these findings are related to building sector, including missing cost optimal solutions for buildings, as well as proper categorization of reference buildings in all Western Balkan Countries. GIZ also supported bilateral exchange of experience between beneficiaries (Montenegro and Serbia).

This session was followed by poster presentations of the best practices in implementation of EEAP projects, as well as a presentation of the energy performance certificates available in CPs. These reports and brochures will be published on EnC website.

Discussion:

GIZ ORF EE informed that MVP project is being finalised, workshops were conducted in all beneficiaries in cooperation with Croatia as a “role model”; the introduction of MVP will need legal changes in many CPs and this is an important step to make MVP functional; MVP topic should be regularly discussed at EECG meetings after the submission of 3rd EEAPs.

The EED Core Topic 2 Leader (FYR Macedonia), Kosovo* and Montenegro emphasised some common issues which are preconditions for the implementation of EED and EEAP: the preparation of inventory of buildings, renovation strategies, definition of reference buildings and cost-optimal level etc. EECG and donor community should be aware of these, and support them with priority in the forthcoming period.

Conclusions:

- 2.1. ECS thanked EECG members for the presentation of EEAP development process and good implementation practices (agreed to be presented regularly in future EECG meetings); Based on the EECG oral reports, ECS noted that all Contracting Parties are progressing with their EEAPs and ECS reminded that the deadline for submission of the 3rd EEAPs is 30 June 2016, for the Western Balkans CPs. These should finalise and submit (draft) EEAPs to ECS by this date. ECS may provide comments and suggest EEAP improvements, if needed. ECS also noted the progress with the 1st EEAP in Georgia, 2nd EEAP in Moldova and the implementation of the 1st EEAP in Ukraine.
- 2.2. EECG thanked GIZ ORF- EE for its tailored “mentoring and advisory” support in development of 3rd EEAPs, well customised to the needs of beneficiary Contracting Parties; results and recommendations will be incorporated in the new EECG Work Programme.
- 2.3. ECS invited beneficiary Contracting Parties to fully implemented MVP and make it operational, including transfers to national servers and implementation of the requested legal changes; this will remove current barriers to reporting, and will be a used a regular EECG reporting tool after the submission of 3rd EEAPs.

3. Update on Ongoing and Planned Support for Energy Efficiency & EED Core Topic 4

Regional Energy Efficiency Programme (Mr. Nick Haralambopoulos, Mr. David Williams, REEP consultants) provided the updated information on the progress with REEP focusing on - Window 1 -

Theme 2 - Energy Efficiency Policy Dialogue: Results and lessons learnt after more than two years of implementation. REEP provided support for the creation of enabling framework for EE investments: improvement of energy performance of buildings (in all CPs except for Montenegro), EE public procurement (Montenegro and Serbia), EE utility policies, tariffs and metering (Croatia and Montenegro) and development of EEAP in Albania. REEP delivered 11 different assignments and number of legislative acts and strategies, which are mostly not adopted. There is a need in CPs to urgently finalise and adopt all necessary legislation, especially that related to EPBD (2 primary laws, 15 pieces of regulation and IT solutions), including taking ownership by beneficiaries and getting support at the highest political level.

The programme was very successful in terms of engaging technical working groups and delivering the expected outputs.

Nevertheless, consultants presented some lessons learnt after more than two years of implementation of REEP:

- Suitable and effective Technical Working Groups (TWGs), with the right representation and with the authority and capacity to develop and implement policy;
- Involvement of all key stakeholders in TWG (academics, various experts, etc.);
- Continuous work on implementation;
- Beneficiaries should take ownership and enable sustainability of projects;
- Importance of knowledge transfer (mentoring approach is one option);
- Need for further donors support in specific areas, capacity building, knowledge and experience sharing and involvement in EU networks (e.g. concerted actions on EPBD and EED).

This was followed with the interactive discussion moderated by *EBRD (Mr. Nigel Jollands)*, where REEP beneficiaries discussed their experience working with the Consultant, EBRD and ECS, including positive experience, as well as areas that could have worked better. REEP strengths and positive aspects relate to: use of TWGs and initiation of work with various policy options developed by consultant; experienced international experts engaged and involvement of local experts and consultants; demand driven approach and flexibility of the project; as well as regional level coverage.

On the improvement recommendations:

- Better identification of the needs for data in the ToRs and provision of support to collect these;
- Mentoring approach to be used on a larger scale;
- Better composition of the TWGs and higher engagement of local consultants/experts in TWGs;
- Adaptation to local needs (EPBD software, translation issue);
- Follow up actions (in implementation, getting political support).

Second part of discussion was focused on EBRD/REEP support for preparing energy efficiency projects in municipalities and discussion on possibilities to initiate and implement more energy efficiency projects. Over the last 3 years, the REEP team have delivered ESCO enabling regulations and contract templates, identified investments and prepared tenders in beneficiary countries in the region.

Vrbas Municipality, Serbia (Mr. Milan Glušac, Deputy Mayor and Mr. Željko Zečević, Energy Manager) presented the positive experience of cooperation with EBRD/REEP in preparation of detailed

technical specifications and tender documentation for the street lighting project based on ESCO model². The support of the municipal authorities to the Energy Management Office established in 2011 was crucial for success. Vrbas established a register of public buildings and cadastre of street lighting; information system for energy management (ISEM) is fully operational and Vrbas is first municipality in Serbia to introduce ISO 50001 on energy management in 2015. Vrbas also signed up to the Covenant of Mayors. Since 2010, the Municipality has achieved 50% energy savings in public buildings only with energy control and low-cost EE measures, and the introduction of ISEM enabled to investment in the most efficient projects.

ESCO company gge from Slovenia (Ms. Ankica Barbulov) presented experience and examples in implementation of ESCO/Public Private Partnership model in Slovenia (Municipality of Ljubljana) and Serbia (Municipality of Pirot; unfortunately the tender failed recently); Implementation in new markets such as Serbia is challenging, even with TA and the more favourable new legislation, there is a need for further awareness rising, training and education on all levels. More political support is also needed in order for the public authorities to publish and implement tenders.

KfW Development Bank (Mr. Bodo Schmülling) presented the project on rehabilitation of district heating systems in Serbia, including the comparison of the heating sector market in Germany and Serbia, benefits and challenges of the rehabilitation of district heating systems in Serbia, and the achievements so far (e.g. reduction of heat losses from 14% in 2012/13 to 10% in 2014/15, and improvement of overall boiler efficiency to 92% etc.), and next steps, including integration and utilization renewable resources (biomass, geothermal energy).

Discussion:

ECS recommended that in the next phase, a comprehensive assessment of the potential for the application of high efficiency cogeneration and efficient district heating and cooling is conducted, as required also by EED.

EC is supportive of the approach of REEP using and promoting best performing municipalities as "role model" for others, in order to accelerate implementation of EE projects in public sector. Deputy Mayor further shared success story of Vrbas municipality and recommendations for faster implementation of EE measures at local level by REEP and other donors/investors: priority support should be given to municipalities which understand and politically supports EE concept, have established supporting technical system and already identified priority projects for financing. Municipality of Vrbas has established Local Economic Development Office that helps both private and public sector entities to develop investment projects free of charge. Best performance municipalities can be used as role model and share experience in implementation of EE projects.

Conclusions:

- 3.1. EECG acknowledged the state of play in implementation of REEP, and thanked EBRD and ECS for the interactive discussion where all participants were able to share their experience with REEP and express their ideas for improvements.
- 3.2. EBRD/ECS reminded that the priority remains the adoption of the package of draft legislation by national authorities, and a faster decision making process in municipalities for tendering and implementation of ESCO projects supported by REEP.
- 3.3. EECG thanked the city of Vrbas and gge ESCO Company for sharing useful experience of local authority and a private company in implementation of EE projects, by using PPP and ESCO model.

² The tender has been published on 7 June. For more details please see news: <http://www.wb-reep.org/eng/news=34>

3.4. EECG thanked KfW for the very useful updates on ongoing project on rehabilitation of district heating systems in Serbia.

The next EECG meeting is planned for 15 November 2016 in Vienna and will be combined with the EE Workshop, planned for 16 November 2016.