

26th ENERGY EFFICIENCY COORDINATION GROUP MEETING - MINUTES AND CONCLUSIONS

Wednesday, 23 June 2021, 9:30 - 16:15

Webex online meeting

The 26th Energy Efficiency Coordination Group (EECG) meeting was held online and attended by the representatives of Energy Community Contracting Parties (except Albania) and Observers (Turkey), the European Commission (EC - DG ENER and DG NEAR), donors and IFIs: EBRD/ REEP Plus and ReDEWeB Fund, European Investment Bank, Green for Growth Fund, KfW, the World Bank, GIZ ORF - Energy, Transport and Climate Protection, and experts and invited speakers from ECA and SEVEN etc. The meeting was chaired by the Energy Community Secretariat (ECS) and the Ministry of Economy and Sustainable Development of Georgia (Ms. Natalia Jamburia).

ECS (Ms. Violeta Kogalniceanu) opened the meeting by welcoming the participants and presenting the meeting's agenda, focused on implementation of EECG Work Programme 2021-2022, as well as updates from regional programmes and broader donor's community. The EECG agenda, documents and presentations are available online on the Energy Community [website](#).

1. EECG Work Programme 2021-2022

ECS (Mr. Borko Raičević) presented the status of implementation of the [EECG Work Programme 2021-2022](#). As there were no additional suggestions from expert area leaders or donors' community (since March 2021) the Work Programme was published on the Energy Community [webpage](#). It continues to follow the model of EU Concerted Actions and includes 10 expert areas divided in 4 chapters; it is focused on the implementation of key requirements of EE acquis in the Energy Community (incl. amended EED, EE in buildings/EPBD and energy efficiency product policy) and includes a number of horizontal and cross-cutting activities to be implemented in cooperation with the donor community and other EnC bodies (incl. Energy and Climate Committee and RE Coordination Group). EECG will continue to have three meetings per year, combined with training workshops. In the first half of 2021 focus was both on the presentation of amended EED and EPBD and reporting on the current level of implementation (EED articles 4, 5,7 and 8), EP certification and exchange of best practices on building renovations (with organisation of two thematic workshops). Regarding the product policy, the presentation of rescaling of EU energy labels (March 2021), is continued with the presentation of regional project on monitoring, verification, and enforcement of products regulations (present EECG). At the March PHLG, Commission was invited to inform and propose to the Ministerial Council timeline for the incorporation of updated labelling regulation in the Energy Community. The study for the extension of EU modelling capacities and 2030 energy and climate target setting will be presented at the Technical Working Group on Energy and Climate (29 June), and EECG members are invited to attend. ECS also informed EECG on the ongoing study on addressing energy poverty in the Energy Community, launching of the EU4Energy Phase II, as well as recent publication of the online edition of [the EnC Legal Framework](#) which incorporates all EE directive currently applicable in the EnC.

Conclusions

- 1.1. The final version of EEEG Work Programme 2021-2022 was published and available on the Energy Community webpage. Nevertheless, it remains flexible for updates, following the dynamic of adoption of the new EE acquis in the course of 2021 and 2022.
- 1.2. ECS thanked CPs for their time and efforts in completing the EED/EPBD related questionnaires, which are important both for the EEEG Work Programme and EnCS Annual Implementation report. ECS asked the remaining CPs to finalise and send completed questionnaires after the meeting (ECS will send the reminder).
- 1.3. EEEG members from CPS are reminded that the deadline for submitting annual progress reports under the EED is 30 June 2021.
- 1.4. European Commission will present the interim results of the study related to the extension of EU modelling capacities and setting of 2030 energy and climate targets at the Technical Working Group on Energy and Climate (29 June), and EEEG members are invited to attend. European Commission will also inform and propose to the Ministerial Council timeline for the incorporation of updated labelling regulation in the Energy Community.

2. Expert Area 1: Policy planning, monitoring and verification of savings/ EED Implementation and new requirements

REEP Plus consultant (Mr. David Williams, ECA) explained additional Article 7 requirements under the EU Directive 2018/2002 amending Directive 2012/27/EU, focusing on monitoring and verification of savings achieved either through EEO scheme or alternative measures. The EEO related energy savings obligation has been extended until 31 December 2030, with cumulative end-use energy savings equivalent to new savings of 0,8 % of final energy consumption. EED amendments clarify the additionally requirements, rules for EEO schemes and alternative policy measures, eligibility of buildings' small-scale renewable technologies, measurement and verification requirement, the importance of taking a representative sample etc. While EEO is complex, it should be implemented as a strategic policy decision and integrated in a national decarbonisation strategies and NECPs.

ECS informed participants on the planned EED updates in 2021, with similar ambition and transposition deadlines for Article 7 as in the EU. CPs have already received intensive policy TA for Article 7, either through impact assessments, amendments of primary or secondary legislation or preparation of notifications. Most CPs opted for alternative measures but didn't establish adequate monitoring and verification system. MVP platform used in Croatia is one of the best EU examples web platform use for reporting and verification of savings under EEO.

ECS (Ms. Violeta Kogalniceanu) presented a summary of key [findings on implementation of obligations for energy audits and monitoring of the results \(EED Article 8\)](#), including implementation of key requirements of Article 8, organisation of the energy audits (EAs), qualification, certification and registration of auditors, availability of information and public registries, institutional arrangements, monitoring and verification practices. These were based on the answers to the questionnaires completed and submitted by all CPs (except for Albania). The progress is uneven and still, no CP has completed the implementation, with current focus on EAs in buildings (no non-SMEs), weak monitoring system and missing quality assessment and monitoring of concrete measures. Georgia and Ukraine need to step up and adopt the implementation by-laws, while North Macedonia, Bosnia and Herzegovina, Kosovo*, Moldova, Montenegro and Serbia need to finalise the updates of the existing legislation to be able to implement Article 8 fully. Albania has not submitted the report and is urged to do so after the meeting.

Contracting Parties provided clarifications and presented some additional information on the progress in implementing Articles 7 and 8 of EE Directive. North Macedonia pointed to the need for improved EA infrastructure, regional recognition of licences, and higher EA prices to achieve a good quality of EAs (esp. in the industry).

SEVEN (Mr. Juraj Krivošik) presented a project funded by EBRD on the [improvement of compliance of energy efficiency policies for monitoring, verification and enforcement \(MVE\) for appliances and equipment](#). It is important and cost-effective to ensure market surveillance. The estimated economic losses due to noncompliance amount to cca. EUR 5 billion if just 6% energy is lost due to noncompliance. MVE is emerging area for policy support, and EBRD launched in December 2020 a scoping study to explore options for effective opportunities to work with governments and relevant stakeholders to set up and/or strengthen MVE frameworks. Most CPs already provided feedback to the consultant, while Ukraine will be contacted again. Most CPs are in the process of updating of eco-design and labelling regulations. When it comes to implementation, there is lack of product testing (local laboratory or testing abroad) and limited store surveys or surveillance resources in responsible institutions. CPs expressed interest in being engaged in presented areas of collaboration, and possible engagement with countries may be on national level or through regional initiatives (project will select two countries for dedicated assistance). Potential support areas to be further discussed include: policy, technical, and capacity support for institutions; testing and standardisation, harmonisation and synergies; and cross-country or regional cooperation.

The European Commission, DG ENER (Ms. Claudia Canevari) presented the latest energy efficiency policy developments in the EU, with a [summary of key elements of the comprehensive proposal of the EU “Fit for 55” package](#). As regards energy efficiency, the Energy Efficiency Directive is also being revised. Various issues, including the value and nature of the EU energy efficiency target, are being discussed, and efforts are being done on strengthening of energy savings obligations (Article 7 of EED), including stronger social dimension with measures targeting energy poverty. The proposal also looks at the extension of the scope and level of renovation under EED Article 5 and the strengthening of the paradigm of EED Article 8 (introduction of energy consumption requirements). Furthermore, a new article on “energy efficiency first principle” will be introduced and supported by recommendation and guidance, with the main idea to make this principle operational in all sectors of economy. Under the “Fit for 55” package, a carbon border adjustment mechanism is a novelty and part of a broader EU industrial strategy to help reduce the risk of carbon leakage and encourage EU partners to raise their climate ambition. The package will be proposed as a coherent set of proposals, and it will be accompanied by the umbrella Chapeau Communication.

Conclusions:

- 2.1. EEGC thanked REEP Plus/ECA for a detailed overview of the additional requirements regarding the implementation of Article 7 under the EU Directive 2018/2002 amending Directive 2012/27/EU on energy efficiency. ECS reminded EEGC to more seriously proceed with either amendments of legislation (primary/secondary) or establishment of the EEO scheme, and follow reporting obligations, including notifications on Article 7.
- 2.2. EEGC thanked ECS for the updates on EED implementation, focusing on implementing the energy audit and management schemes. The progress is uneven and still not completed in the Energy Community CPs. Georgia and Ukraine need to step up and adopt the implementation by-laws, while North Macedonia, Bosnia and Herzegovina, Kosovo*, Moldova, Montenegro and Serbia need to finalise the updates of the existing legislation to be able to implement Article 8 fully. Albania is urged to send the questionnaire to ECS, for a complete EnC picture.
- 2.3. EEGC thanked EBRD and SEVEN for the presentation of a scoping study and planned support in setting up and strengthening MVE frameworks for energy efficient appliances and equipment. Most CPs already provided feedback and Ukraine is reminded to do so. CPs are aware of the

ongoing process of rescaling of energy labels in the EU, and some are already reacting to market demand and started with the rescaling process, while ECS already recommends to CPs, who are working on updates or development of new by-laws, to focus on the transposition of new labelling regulation (as this will be soon part of EnC acquis). This is also part of the PHLG agenda, and the Commission will further propose to the Ministerial Council timeline for the incorporation of updated labelling regulation in the Energy Community.

- 2.4. EECG thanked European Commission DG ENER for updates on the latest energy efficiency related policy developments in the EU, in the context of the comprehensive “Fit for 55” package and strategic EU approach toward climate neutrality. EECG will continue to be actively involved in the relevant discussions and proposals for the Energy Community, especially the proposal of the EED amendments planned for 2021.

3. Expert Area 8: Energy Efficiency in Buildings / EPBD Implementation

Contracting Parties (except Albania) reported on the progress in implementing the buildings’ energy performance certification, based on the questionnaire prepared by ECS. The reports are available on the [event](#) page.

REEP Plus consultant (Mr. Alexis Pramagioulis, ECA) summarised the findings on the [implementation of EPC issuing process in the CPs](#). Issue of EPCs is governed by EPBD and together with quality control, represent important instrument to activate market mechanisms for achieving energy savings by upgrading the energy performance of buildings. While legislation and institutional responsibilities for EPCs exist (being regularly issued in Bosnia and Herzegovina, Serbia and Ukraine), the overall number of issued certificates, as well as quality of monitoring and control of EPC process needs improvement.

This was followed by the discussion on renovations programmes and certification obligations. Montenegro is in the process of improvement of EPC scheme and finalisation of certification software tool (in line with new EPBD requirements) with support of KfW. Kosovo* has established EPC procedures, but the training of EPC experts is ongoing. Ukraine is currently using manual EPC calculating tool and still needs to adopt EPC software developed with the support of EBRD, and introduce penalties. The World Bank confirmed that EPCs in Serbia and Bosnia and Herzegovina are important for performance based investment projects and verification of savings (EPCs are required after completion of investment). However, EP requirements and EPCs need improvement both in Serbia and BIH (support provided by REEP Plus). Another tool used in Serbia and Bosnia and Herzegovina to check the performance of renovated buildings is the Energy Management Information System – EMIS. KfW also confirmed the importance of EPCs and thus decided to support Montenegro in developing adequate regulation and EPC software. Moldova developed relevant legislation (partly adopted) and already implementing EP requirements for newly constructed buildings, while EPCs will also be supported through IFI investment programmes in buildings. Therefore, it is generally concluded that EPCs in Energy Community are very important both for citizens and investors, and ensuring delivery of high quality EPCs and institutional strengthening should be priority.

Conclusions:

- 3.1. EPCs in the Energy Community are very important both for citizens and investors, to ensure reliable information and verification of energy performance of buildings. Despite generally existence of enabling legislation, ECS noted that many CPs are lagging behind in implementing buildings certification. CPs are urged to step up on the process of delivery of high quality EPCs and institutional strengthening.

- 3.2. EPCs, together with building renovation strategies, are becoming even more significant in the context of the Renovation Wave. EEGC will continue to follow the implementation status and present best practices.
- 3.3. The EEGC, especially IFIs participating in the meeting, expressed their strong encouragement to the CPs to implement a proper certification system, and benefit from the renovation programmes financed by the IFIs.

4. Regional Programmes and Initiatives

The European Commission DG NEAR (Mr. Aleksander Vigne) presented the [prospects of financing energy efficiency, focusing on the Renovation Wave](#) – a flagship initiative of the Economic and Investment Plan for the Western Balkans (EIP). The buildings sector poses the high potential to contribute to climate neutrality and recovery, and is recognised both in EU and WB6 (through the Green Agenda and EIP recovery initiatives contributing to green and digital transition). EIP Flagship 6 initiative extends the “EU renovation wave” to the Western Balkans, with the aim to decarbonise both public and private building stock and address energy poverty, stimulate investment and create jobs. It builds on the exiting efforts (e.g. REEP) and European Commission is now working on operationalising of the proposal, including design of most appropriate instruments.

EEGC provided feedback on the renovation wave priorities presented by the European Commission: improving the knowledge base and raising awareness; tackling energy poverty and worst-performing buildings; renovating public buildings, such as administrative, educational and healthcare facilities; renovating multi-owner buildings; and improving the legal framework, including the adoption of national long term renovation strategies. Some areas being discussed by EEGC and recognised as priority for further support are: finalisation of enabling legal framework (EPBD and condominium legislation) and building renovation strategies (Montenegro, EBRD, ECS), analysis of building potential (general and through energy audits), an adequate package of solutions and measures (Montenegro), mainstreaming of sustainable financing, tackling energy poverty or single-homes as well (World Bank et al.), improving the knowledge base and raising awareness regionally (ECS) etc. ECS already in 2021 organised two thematic workshops on renovation policies and programmes, sharing best practices from EU member states and EnC contracting parties. ECS also pointed to the need for parallel work on increasing capacities and human resources in EnC CPs to be able to follow and absorb various planned initiatives, including policy work related to the transposition and implementation of EE acquis and investment programmes.

The European Commission also provided an update on IPA III process, and reminded EEGC on the vital role of national authorities in defining what will be supported (they should be aware and informed on EE priorities). The Commission is in dialogue with IPA beneficiaries on their Strategic Response in July (this would cover 2021 projects) and in autumn (to proceed with 2022 action documents).

The European Bank for Reconstruction and Development (Ms. Ana Bachurova and Mr. Remon Zakaria) and KfW (Mr. Oliver Jünger) reported on results and lessons learned from implementing the [Regional Energy Efficiency Programme for the Western Balkans \(REEP Plus\)](#). There is progress in both policy assistance and financing through direct lending and credit lines (now with more than 30 participating financing institutions - PFIs). Overall energy savings amounted to 808,000 MWh/y (equivalent to 1/3 of North Macedonia’s residential electricity consumption). REEP Plus is now in the replenishment phase, and shared lessons learned from rich experience in countries of operation. For policy dimension, development success depends on institutional capacity and decision-making capability; beneficiary capacity should be raised to deal with complex obligations (with multi-stakeholder engagement); continuous donor coordination on national level is important to identify synergies and overlaps;

knowledge transfer is critical for awareness-raising and implementation, and expressed market demand facilitates policy development and implementation. On the subject of financing, PFIs required intensive training and support to simplify the verification process; end-borrowers/market required continuous market awareness-raising on possibilities for investment in residential green technologies; well-functioning and rightly stuffed PIUs ensure adequate progress and cooperation with other stakeholders.

KfW Montenegro briefly shared a positive experience in implementing the “Energy Efficiency Programme in Public Buildings” (EPPB). It is now in the 3rd phase of implementation. This phase shows the best results and more visible impact than previous phases, as it focuses on smaller buildings and with lower comfort-level measures.

The Green for Growth Fund (Mr. Lachlan Cameron) provided an [update on GGF activities relevant to the Energy Community](#). After 11 years of operation, GGF is active in 17 countries, including all EnC CPs. It provides a tailored TA facility focused on developing partner capacities and markets. Key recent activities include “The Power of Local Currency” campaign in the European Eastern Neighbourhood region, new green finance partnerships in Georgia and Ukraine, and the first equity investment in a wind farm in North Macedonia. In addition, with EU support, GGF is implementing Green Recovery Package with now more than 20 partners. GGF is also supporting the deep-greening of financial institutions through strategic and structural transformation, and while good progress is reported, much needs still to be done in this respect, incl. trainings, capacity building etc.).

The World Bank (Mr. Jas Singh) updated EECG on [existing and planned World Bank engagement](#) in EnC countries, with the following priority areas of engagement in demand-side energy efficiency: public sector energy efficiency (revolving EE schemes in public sector buildings to achieve long-term sustainability), residential buildings energy efficiency (design of renovation programs, including financing schemes and implementation), and sustainable heating (new area of engagement focused on the development of national sustainable heating strategies and design of sustainable heating components in national energy efficiency programs). Benefits and examples of sustainable EE revolving schemes in different countries are presented. Key lessons learned show that the risk of limited continuation of building renovation programs (once concessional finance runs out) can be avoided with sustainable revolving schemes. EPCs and monitoring and verification system are important for evidence based renovations, and energy audits need to consider other non-energy measures. Future business planning, recapitalization and staffing should be done before project closure. For the residential sector, the public intervention must focus on addressing the critical types of barriers to residential EE financing. Basic building blocks need to be in place, including the cost-reflective energy pricing, regulations to establish HOAs, homeowners practice to pay monthly dues (MABs), and a reasonable level of heating; partial subsidies are recommended (typically 20-30%) to address issues of high payback periods; simple access to financing, institutional structures and easy access to information lowers transaction costs. It is also important to have TA to HOAs and intermediates (maintenance companies, DH or gas utilities etc.). Sustainable heating is the new area of World Bank engagement, and Governments in the EnC should have an increased focus on sustainable heating, being the major source of air pollution and area where EnC countries are lagging behind other regions. Finally, the World Bank presented their team and expressed readiness to provide EnC countries with the complete assistance package in presented areas.

Conclusions:

- 4.1. EECG thanked the European Commission DG NEAR for updates and planned support for energy efficiency, especially the integration of the Renovation Wave initiative under the Green Agenda and Economic and Investment Plan for Western Balkans. This will contribute to the decarbonisation of both public and private building stock in the Western Balkan. EECG reiterated its readiness to support implementation of the Renovation Wave flagship initiative, and other initiatives targeting energy efficiency in CPs of the Energy Community, including support in

planning and implementation, exchange of best practices, regional cooperation and coordination etc.

- 4.2. EECG thanked EBRD and KfW for updates on activities and lessons learned under REEP Plus Programme, and noted the planned replenishment and the new initiatives under this programme; EECG also welcomed the good progress and alignment with the Renovation Wave for the Western Balkan.
- 4.3. EECG thanked GGF and the World Bank for the updates of their activities, lessons learned and plans to increase sustainable financing in the Energy Community, focused on energy efficiency and decarbonisation projects.

The next EECG meeting and EE Workshop are planned to take place in Vienna on 17 and 18 November 2021 (probably as a hybrid meeting with the possibility for Webex connection).