

STATUS UPDATE ON ENERGY EFFICIENCY ACTIVITIES IN ENERGY COMMUNITY MEMBER COUNTRIES

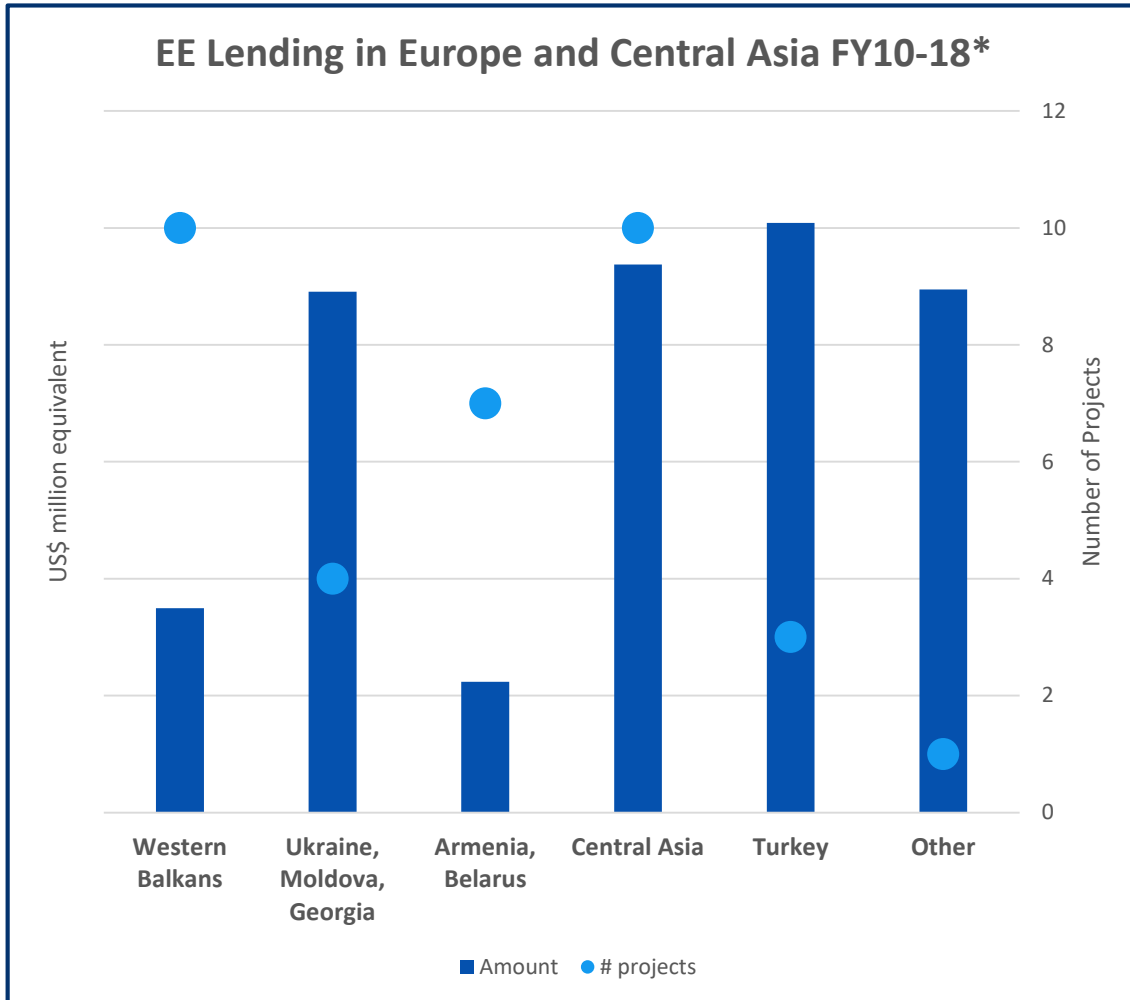
NOVEMBER 2018

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Overview of World Bank EE lending in Europe and Central Asia (ECA) FY10-FY18



EE is a key target area for the World Bank

- US\$4.3 billion World Bank lending (EEX only) for EE in ECA (FY10-18), including supply- and demand-side interventions
- **>US\$1.2 billion for EE in members of the Energy Community** (FY10-18), including ≈US\$350 million in Western Balkans* and ≈US\$890 million in Ukraine and Moldova
- Western Balkan region is a forerunner in EE investments in public buildings sector throughout ECA
 - Projects tend to be relatively small-size compared to EE in industries or supply-side EE improvements

Status Update on EE Investments in the Western Balkans

Shift from grant-financed demonstration projects towards scalable financing models for EE

- Total EE investments of ongoing and pipeline projects ≈€136-156 million in five countries
- In the last 12 months, three new operations were approved and preparation on establishment of the first Revolving EE Fund in the region advanced with support of EU
- All new EE projects support a strategic shift towards revolving financing models where at least part of the investments are repaid based on energy cost savings achieved and/or sustainable implementation models are used

Project	Amount/ Approval	Scalable Financing Features
Serbia Enhancing Infrastructure Efficiency and Sustainability Program for Results (P4R)	€100 million (€40 million for EE) <i>November 2017</i>	National program with decentralized implementation structure and financing against results/ milestones achieved (at least Class C or two classes higher compared to pre-renovation)
Montenegro Second Energy Efficiency Project (MEEP2)	€6 million <i>June 2018</i>	Energy savings capture model for all retrofitted health care facilities and development of sustainable institutional framework for EE beyond project
Bosnia and Herzegovina Additional Financing for Energy Efficiency Project (BEEP AF)	€27.3 million <i>October 2018</i>	Revolving financing models for all retrofitted buildings, piloting of ESCO arrangements and development of long-term arrangements for EE financings beyond project
Kosovo Additional Financing for Energy Efficiency and Renewable Energy Project	€15 million (EU IPA+IDA) <i>Q1 2019</i>	Establishment and capitalization of Revolving EE Fund, using Energy Service Agreements as key financing instrument
Macedonia Revolving EE Fund	≈€23 million <i>Q2/3 2019</i>	Operationalization of Revolving EE Fund, likely as part of municipal investment support project

Status Update on EE Technical Assistance Activities in Energy Community member states

Ongoing and new technical assistance activities on EE

- Aimed to support shift to sustainable EE financing and implementation models
- Complemented by substantial capacity building activities under the investment lending projects (supporting awareness raising, activities to help address legal and regulatory barriers for EE, training and support for the establishment of long-term EE financing mechanisms, support for piloting ESCO models, etc.)

Project and status	Scope
Regional activity supporting development of EE Revolving Funds (closing soon)	2 nd round of Knowledge Exchange on establishment and operationalization of EE Revolving Funds conducted in BiH, Kosovo and Macedonia
Ukraine: Support for EE Fund (ongoing)	Joint effort by EC, IFC and other partners to design and establish an EE Fund aimed at redirecting subsidy costs towards EE improvements
Georgia: Social impacts of underheating (ongoing)	Assessment of economic and social impacts of energy pricing and practices for space heating, development of social protection mechanisms for vulnerable consumers and identification of EE interventions that help to mitigate impact of changes in heating practices/pricing
Albania: TA on development of sustainable EE financing mechanisms (ongoing)	Aimed at identifying and developing sustainable financing mechanisms for the public buildings sector in Albania and Moldova, respectively
Moldova: TA on development of sustainable EE financing mechanisms (planned)	
Serbia: Support development for Roadmap on consumption-based billing in DH (planned)	Develop a Roadmap to help inform sustainable tariffs reforms in Serbia's DH sector with a focus on scaling-up implementation of consumption-based billing practices

Focus Areas and Lessons Learned going forward

Focus on supporting shift from direct project financing to national-level demand-side EE programs in public sector with sustainable financing and implementation structures

- Create economies of scale, reduce transaction costs, enable pooling and leveraging of public and private resources
- Use energy cost savings to at least partially repay upfront investments, increase impact and help to establish a reliable cashflow and repayment history to support transition to more commercial financing arrangements (e.g. through ESCO schemes, guarantees or PPP arrangements) in the medium-to long-term
- Need for combining EE investments with TA to strengthen institutional governance and implementation capacity to develop strong policies, implement programs, develop markets and create a conducive enabling environment for EE

Focus on strengthening support for residential EE, particularly in multifamily apartment buildings

- Need to further mainstream EE in energy sector planning and scale-up EE programming impacts
- Continued efforts on sustainable pricing/ subsidy reforms with social safety nets
- Complement EE credit lines with models that enable scaling-up of investment to multifamily buildings and facilitate the use of EE as tool to mitigate impact of tariff reforms on vulnerable consumer groups

Importance of ensuring strong coordination among partners to support credible financing and implementation structures and provide targeted support in public/ residential buildings sector

- Leverage financing and support for transformation of local markets to more climate-friendly business models