

# 21<sup>st</sup> ENERGY EFFICIENCY COORDINATION GROUP MEETING - MINUTES AND CONCLUSIONS

Tuesday, 19 November 2019, 9:30 - 16:45

Energy Community Secretariat, Am Hof 4, Vienna

The 21<sup>st</sup> Energy Efficiency Coordination Group (EECG) meeting was attended by representatives of all Energy Community Contracting Parties, Observers (Armenia), the European Commission (EC) - DG Energy, Donors' Community and IFIs: EBRD/ REEP Plus and GEF, European Investment Bank, GGF, EU4Energy, KfW, GIZ ORF - Energy Efficiency and GIZ bilateral projects, as well as consultants assisting countries on energy efficiency (BRE, ECA, ECo. Ltd, Fraunhofer IBP, karanovic/nikolic), WBIF IPF 7 and the Energy Community Secretariat (ECS).

ECS (Mr. Janez Kopač and Ms. Violeta Kogalniceanu) welcomed participants and introduced the meeting's agenda. The EECG documents and presentations are available online on the Energy Community website ("[Events](#)" section).

## **1. EECG Work Programme 2019-2020 and Update on 2030 EE Targets and Policy Framework**

EECG Work Programme 2019-2020: ECS (Mr. Borko Raičević) reported on realisation of the EECG Work Programme, role and activities of the EECG and progress in implementation<sup>1</sup>. The Work Programme is under implementation, with all Expert Areas being tackled, as well as some horizontal and cross cutting issues (new EU legal requirements and 2030 framework).

Update on 2030 EE targets and policy framework: European Commission, DG Energy (Ms. Claudia Canevari) updated briefly the EECG on the Commission's approach and intention to launch an external study to extend the EU energy and climate modelling capacity to include the Energy Community CPs; the expected timeline is setting the targets for the EnC in the first half of 2021 and adopting the full legislative package by the Ministerial Council in mid 2021 (Energy Efficiency Directive, Renewable Energy Directive and Governance Regulation with 2030 targets). The Ministerial Council should reach an agreement on the structural aspects of the three target, including setting individual national targets for the Contracting Parties and from these, calculating an Energy Community target<sup>2</sup>. EECG and each CP will be involved, consulted and regularly updated on the progress and preliminary results.

CPs reported on the progress to date with setting national 2030 targets and preparation of National Energy and Climate Plans (NECPs).

<sup>1</sup> The 2019 EnC Annual Implementation Report was published in November 2019 and available here: <https://www.energy-community.org/implementation/IR2019.html>.

<sup>2</sup> The 2019 General Policy Guidelines on the 2030 Targets and Climate Neutrality for the Energy Community and its Contracting Parties were adopted by the EnC Ministerial Council in December 2019 (available as part of Ministerial Council meeting documents).

**Albania** finalised policy mapping, legal and institutional assessment as initial step for preparation of NECP; country is still not working on the 2030 targets modelling – this TA is in tendering phase and supported by GIZ.

**Bosnia and Herzegovina** started the NECP preparation in June 2019, with the support of GIZ ORF - Energy Efficiency; workshop and two round of meetings with involvement of all important stakeholders were organised; there are 3-6 thematic working groups identified for the preparation of the NECP; the first draft is expected in April 2020. The modelling tool used is LEAP, and important link with NEEAPs and NREAPs has been established.

GIZ ORF EE also reported on similar approach and activities in other CPs based on the MoU signed with EnC to support NECPs development.

**Georgia** has modelled the energy sector for 2020, 2025 and 2030 for the preparation of the NEEAP; the US Markal model was used for that; no further work has been done yet on the NECP.

**Kosovo\***: with the TA offered by GIZ, the thematic working groups in line with the Governance Regulation were set up (security of supply, energy efficiency, renewable energy; GHG, research and innovation) and 6 meetings were conducted up to date; currently the work is focussing on assessing the current situation in the above areas; the software used for 2030 targets is the French MAED.

**Moldova** is close to finalising the modelling for 2030 and 2050 with the EU support. Some data collection started and will support the development of NECP, but more TA is needed for the complete NECP preparation and implementation.

**Montenegro**: NECP preparation is ongoing with the support of GIZ, including the calculation of the new targets for EE, RES and GHG emissions reduction; project started in December 2018 and the 1<sup>st</sup> Screening Report has been prepared (including directions for future steps). Part of the modelling will be provided by the Hungarian Klimapolitika Research and Consultancy and the model used will be PRIMES for the analytical work. Montenegro has indicated that the support of the European Commission for developing of the 2030 scenarios for each CP is much appreciated and at the same time parallel support important - to harmonise approaches for NECP and COM intention to extend the modelling capabilities to CPs for 2030 target calculation.

**North Macedonia** developed the Energy Strategy by 2040 following the 5 dimensions of the EU Governance Regulation (energy security, the internal energy market, energy efficiency, decarbonisation, research, innovation and competitiveness); three scenarios of ambition level were analysed for 2030 targets on energy efficiency: 15%, 31.2 % and 34.5 %. North Macedonia intends to continue working on the 2030 targets for renewable energy and GHG, and has used TIMES and national economic software.

**Serbia** started in the autumn of 2019 an EU IPA Technical Assistance project to calculate the national 2030 targets, with the ongoing data collection phase.

**Ukraine** already calculated the energy efficiency 2020 and 2030 targets using TIMES model; the NECP preparation is in the early phase led by the Deputy Prime Minister for Climate. However, during the process of preparation of new NEEAP, country used 2030 timeframe for design of the energy efficiency measures, which will be used as input for NECP.

**Armenia** (is an Observer country) has prepared the 2020 NEEAP with an ambitious target of 25.7% and is currently working on the update of NEEAP and preparation of the NECP with UNDP support and by taking into consideration EnC template and guidelines. TIMES model is used now in all cases. In 2019, EC DG NEAR conducted a mission to Armenia on energy efficiency, recommended strong focus on residential and public buildings renovations and pledged financial support for this, as well as for the one window (one stop shop) to provide info to all interested parties.

During discussion, some Contracting Parties emphasised importance of setting ambitious but realistic indicative 2030 EE targets for the Energy Community, giving flexibility to CPs to further analyse and set their national contributions, based on the ongoing or planned national strategies. As NECP preparation process is ongoing in all CPs, harmonisation of these ongoing activities with development of new modelling approach and target setting by EC is crucial and should be supported.

### Conclusions:

- 1.1 The EECG Work Programme 2019-2020 is under implementation, with all Expert Areas being tackled and 2019 focus on horizontal and cross cutting issues - new EU legal requirements and 2030 framework.
- 1.2 EECG thanked EC for the update on approach and planned support activities for 2030 targets and policy framework, and acknowledged the planned timeline – mid 2021 for targets and the Clean Energy Package in the EnC. EECG and each CP will be involved, consulted and regularly updated on the progress and preliminary results.
- 1.3 CPs reported on the progress with modelling and preparation of National Energy and Climate Plans. As NECP preparation process is ongoing in all CPs, harmonisation of these ongoing activities with development of new modelling approach and target setting by EC is important and should be supported.
- 1.4 While setting of ambitious 2030 EE targets for the Energy Community is crucial, these targets should be realistic, flexible and supported with adequate financing; CPs may further analyse and set their national contributions in NECPs.

## **2. EED - Expert Area 1: NEEAPs, MVP and Promotion of the Exemplary Role of the Public Sector**

CPs reported on the status with NEEAPs and use of monitoring and verification tools for the reporting on achieved energy savings. While Montenegro adopted NEEAP in June 2019 and final versions have been submitted or reported by Kosovo\*, Georgia, Moldova and Ukraine, other NEEAPs are still under development, including reporting on achievement of 2018 EE targets.

- **Albania** adopted previous NEEAP in December 2017 (extending it to 2020), but there is no work at present on the new EED NEEAP or reporting on energy savings.
- **Bosnia and Herzegovina:** work in progress with TA from GIZ, covering both the state and entities level; the 1<sup>st</sup> stage (setting the methodology) was completed, and the next stage will include programming - revision of existing programmes and planning of measures covering 2019-2020-2021; the public sector is well covered with measures and the MVP reports are accurate (MVP for this sector is also officially adopted in FBiH by regulation adopted in February 2019); on the other side, there is still no fully operational programme in residential sector and these measures are difficult to quantify and verify.
- **Georgia:** the updated 2019-2020 NEEAP is in the Government procedure for adoption; the exemplary role of public sector has been strengthened with the new measures in schools and kindergartens supported by NEFCO.
- **Kosovo\*** finalised the fourth NEEAP 2019-2021, and submitted it to ECS in October 2019, together with the Plan for increasing the number of nearly zero-energy buildings (covering the same period 2019- 2021). NEEAP is in the Governmental procedure and will be sent for adoption as soon as the new Government is formed. The actual energy savings achieved by the end of 2018 were 62.34 ktoe or 6.11% of the 9% target set.

- **Moldova:** NEEAP entered public consultation in September 2019, with the plan to be adopted by the by Government in December 2019; the most successful measures were in buildings renovations (30%) and new windows (50%); 2018 target was met at the level of 92-93% based on the available data collected with combination of top-down and bottom-up approach. New measures in the NEEAP include energy management systems with introduction of MVP (supported by EU4Energy and GIZ) and energy efficiency in district heating and transport – public buses (with a grant contribution from NIP of EUR 15 million).
- **Montenegro** adopted 4<sup>th</sup> NEEAP 2019-2021 in June 2019. NEEAP was prepared in accordance with the new EnC template, and EE measures from 3<sup>rd</sup> EEAP have been extended primarily with new measures to cover supply side; the indicative EE target and trajectory for period 2019-2021 is expressed in PEC and FEC, and priority was to calculate and incorporate obligatory EED targets (from EED article 5 and article 7). The new NEEAP only partly reported on achieved energy savings (85% of 2018 indicative target, due to the issue with reforms and low availability of energy statistics, and currently preliminary BU approach used). However, improvements in reporting are planned (MVP is recognised as official toll under amended EE law) and it is expected that the future achievements in 2021 will exceed planned NEEAP EE target in 2021 (with fully functioning eco-design and labelling framework).
- **North Macedonia:** the 1<sup>st</sup> draft NEEAP 2019-2021 is expected in January 2020 - to be put in public consultation and then adopted in February 2020. The process of NEEAP development was delayed due to the prioritisation of legislative reforms (new EE Law) and update of energy development strategy.
- **Serbia** is working on data collection to calculate savings and implementation of top-down methodologies for different sectors (public and residential buildings, construction, and transport sector) with GIZ TA; new NEEAP will maintain most of the measures from the previous NEEAP. The EE targets are planned to be set and aligned with the national Energy Sector Development Strategy and Plan for its implementation.
- **Ukraine** finalised the draft NEEAP in November 2019; savings from Article 7 are calculated separately; new measures include energy efficiency in industry and the implementation of the measures supported by the new Energy Efficiency Fund in residential sector.

Most CPs chosen either 2020 or 2021 as end-year for NEEAP reporting, with exception of Ukraine where 2030 NEEAP will be developed and later integrated in NECPs. New measures are linked with EED and relate to Building Renovations Strategies and EEOs (Bosnia and Herzegovina), financing for residential sector and implementation of eco-design and procurement policy (Ukraine) EEO alternative measures (Georgia) and promotion of ESCOs (North Macedonia). Transport remains one of the most challenging sectors, both for design of measures and implementation/reporting on savings.

ECS (Ms. Violeta Kogalniceanu) presented the two ECS assessment reports prepared for the upcoming Ministerial Council and focused on implementation of specific articles of the Energy Efficiency Directive - Article 6 (“Purchasing by public bodies”) and Article 7 (“Energy Efficiency Obligations”)<sup>3</sup>:

- **EED Article 6:** while the transposition in the primary legislation (mostly EE laws) is satisfactory, implementation is more problematic. The national authorities responsible for public procurement should be properly informed, trained and proactive in implementation of EE criteria and provisions in compliance with Article 6. The national Procurement Laws need to be amended in most cases regarding the energy efficiency criteria. A dedicated donors assistance may be needed to support

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<sup>3</sup> Presentations are uploaded on EECG event page, while reports are part of Ministerial Council meeting documents

implementation - either legal drafting (example of REEP assistance in Montenegro and Serbia) or support more technical aspects like setting and implementation of efficiency criteria or consumption thresholds for various items to be procured.

- **EED Article 7:** all CPs are facing difficulties but despite delay showing some progress in implementation of energy efficiency obligation schemes; A few CPs adopted or amended national laws to comply with the Directive during 2018 and 2019 (Kosovo\*, Moldova, Montenegro and North Macedonia), and many are still working on these (Albania, Bosnia and Herzegovina, Georgia, Serbia, Ukraine). The EEO schemes and/or combination with alternative measures are existing or planned in Bosnia and Herzegovina, Moldova, Kosovo\* and North Macedonia, while implementation only through alternative measures have been analysed/selected by Montenegro, Serbia, Georgia and Albania. However, proper notification and reporting on EEO target is pending by most CPs, and proper design of scheme and monitoring bodies is required. Current EED has limited timeframe (by 2020), but having in mind that it was amended through Directive 2018/2002/EU and adopted in the EU, in which Article 7 is continued until 2030, and that this Acquis will be also implemented in the Energy Community, it is recommended that CPs start preparing also similar Energy Efficiency Obligation scheme for the implementation of Article 7.

Serbia reported on Article 7 Notification, which will be updated and submitted to ECS soon. Armenia suggested to focus on proper planning of budget for municipalities (to avoid planning of cheapest investments, but properly allocated budget for EE investments); Ukrainian procurement model is mentioned as good example, especially for the buildings sector.

#### **Conclusions:**

- 2.1 Montenegro is the only CP to have adopted NEEAP, while Kosovo\*, Georgia, Moldova and Ukraine submitted or reported on final version of NEEAPs, very close to adoption. Other NEEAPs are still under development, including reporting on achievement of 2018 energy efficiency targets, and most of CPs will be able to adopt it only with delay during 2019 or in early 2020.
- 2.2 EECG thanked Secretariat for the presentation and acknowledged reports to the Ministerial Council on Implementation of the Energy Efficiency Directive - Article 6 ("Purchasing by public bodies") and Article 7 ("Energy Efficiency Obligations"). While certain progress is reported, implementation is lagging behind in all CPs.

### **3. EED - Expert Area 9: Energy Labelling and Ecodesign**

Some CPs reported on the state of transposition of EU Regulation 1369/2017 and delegated regulations adopted by the Ministerial Council as the updated labelling package in November 2018.

Moldova, Montenegro and Ukraine have updated and are currently gradually implementing both labelling and eco-design legislative package, with dedicated NEEAP measures to ensure implementation and enforcement by market surveillance bodies. In Kosovo\*, North Macedonia and Serbia, Directive 2010/30/EU and its delegated acts were transposed, and further updates and improvements in implementation are planned. Georgia is in the process of finalisation of relevant legislative package. In Albania and Bosnia and Herzegovina, both transposition and implementation is lagging behind.

#### **Conclusions:**

- 2.1 The state of transposition and implementation of EU Regulation 1369/2017 and delegated regulations adopted by the Ministerial Council in November 2018 varies between CPs; This will be closely monitored and reported by ECS and EECG.

2.2 The progress in implementation of the EE products labelling regulation is monitored by ECS and this has been reported in the 2019 Implementation Report for the Energy Community. However, the implementation of the new labelling package adopted by the Ministerial Council in November 2018 will be assessed from 2020, as the transposition deadline expires in January 2020.

#### **4. Energy Efficiency in EU; Regional Programmes and Initiatives**

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**European Commission, DG Energy (Ms. Claudia Canevari)** provided update on energy efficiency in the EU. The new European Commission led by President Ursula von der Leyen will take office from December 2019, with the five-year Commission's mandate. For the energy portfolio, the new Commissioner is Ms. Kadri Simson from Estonia. The energy efficiency remains strategic priority and at the top of Commission's agenda with many important ongoing or planned activities. Especially important is promotion of the "energy efficiency first" principle, applied to policymaking (as part of the EU 2018 Governance regulation), as well as to planning and investments in the energy and climate sector. One of the key sectors are buildings, with planned improvements of the energy performances and renovation rates. The bigger context is the plan of Commission to increase the EU's GHG emission reductions target for 2030 from 40% to at least 50% and towards 55%, and sustainable transition to climate neutrality of Europe. The European Green Deal is one of the priorities outlined in the Political Guidelines of the incoming EC President – plan is to adopt Communication in December 2019 (with chapter focused on energy efficiency in buildings)<sup>4</sup>. Other key ongoing activities include discussion on the long-term budget and Multiannual Financial Framework for the years 2021-2027 (including funding for third countries), and intensive support activities for finalisation on NECPs by the end of 2019.

**The European Bank for Reconstruction and Development (Mr. Nigel Jollands and Ms. Ana Bachurova) and KfW (Mr. Burkhard Margraf and Mr. Bodo Schmülling)** reported on developments and new assignments under Regional Energy Efficiency Programme for the Western Balkans (REEP Plus) since last EECG meeting.

REEP Plus as an integrated package of sustainable finance, technical assistance and policy dialogue is implemented jointly with ECS. Until now REEP supported significant number of deliverables under Policy Dialogue assistance (32 adopted or accepted by beneficiaries, and 8 policy assignments currently ongoing). In the meantime (since the last EECG meeting), draft EE Law in Albania entered public consultation process, EED/EPBD/ELD compliant EE Law in North Macedonia was adopted by Government and now in National Assembly, the Law on Construction was amended in BIH-RS - enabling adoption of REEP supported EPBD deliverables, and the first training of experts on EP calculation software was delivered in BIH – FBIH. Regarding ESCO support, there is ongoing ESCO preparation support in Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia, and stocktaking study with detailed review of projects and plans of next steps to be launched.

The REEP Plus KfW SME Portfolio was presented - loan agreements signed, case studies in Bosnia and Herzegovina and Serbia, as well as remaining huge EE potential and future plans (depending on EU budget).

WeBSEFF II credit line facility is active and 12 additional sub-projects (327 in total) and EUR 2.92m additional sub-loans have been signed since last EECG meeting.

GEFF Residential Facility starts achieving notable results - experience so far has shown that it takes at least one year and in some cases two years or more before a country starts achieving results. Out of available credit line of EUR 85 mil, EUR 58.5 mill. has been provided (+21% since last EECG),

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<sup>4</sup> [https://ec.europa.eu/info/sites/info/files/european-green-deal-communication\\_en.pdf](https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf)

additional EUR 14 mil. signed (+58%) with 2725 new subprojects (+65%) – with new success stories published regularly on [GEFF web portal](#). The cumulative annual energy savings up to date can be compared to annual heating energy consumption of about 700 households or carbon emissions reduction of about 2,300 cars. The work to include Montenegro in GEFF family is still to show results - GEFF Roundtable in Montenegro was organised in October 2019 and signing is planned for early 2020.

The Windows 3 (Direct Lending to Private Sector) provides direct loans to developers of RE projects, as well as ESCOs and possibly industrial energy efficiency projects. EBRD presented example of developing three biogas power plants in Vojvodina, Serbia.

Under Windows 4 (Direct Lending to Public Sector Facility - implemented by KfW and EBRD), KfW presented activities to promote “exemplary role of the public sector”: refurbishment of student dormitories in Albania and North Macedonia, and phase III of the Programme for rehabilitation of public buildings in Montenegro (with “nearly-zero-energy building” construction and establishment of energy monitoring system), as well as further replenishment possibilities (outlook). EBRD financing is available for up to 4 projects, with EUR 2 million grant co-financing available (ca. 10% grant) to be utilized for direct loans to states, cities or municipal companies to improve EE in public buildings (i.e. schools, hospitals, government buildings). The first transaction was signed in June 2018 (a sovereign EBRD loan of EUR 10 million for EE retrofit of the Zenica Cantonal Hospital in Bosnia and Herzegovina) and second transaction expected to be signed in 2020. Six scoping studies were launched to support the identification, prioritisation and structuring of EE investments in the public sector; since demand exceeds the supply, additional sources of funding (outside REEP Plus) are being investigated by the EBRD for WB6.

### Conclusions:

- 4.1 EECG thanked the European Commission, DG Energy for the updates on energy efficiency in EU (activities and plans under the Agenda of new European Commission and finalisation of NECPs), and ongoing discussion on long-term EU financing for energy efficiency and climate.
- 4.2 EECG thanked EBRD and KfW for update on activities under REEP Plus programme, and acknowledged the progress with REEP Plus. 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.
- 4.3 EECG thanked ECS, donors and IFIs for their continuous coordination, valuable support and regular reporting to EECG and CPs.

## **5. Expert Area 5: Innovative Funds and financing for energy efficiency**

***The Ukrainian State Energy Efficiency Fund – EEF (Ms. Yulia Holovatiuk-Ungureanu)*** presented the innovative EEF financing programme for large-scale energy modernization of residential sector of Ukraine (with 180 ths. multistory buildings and 80% of them in need for deep renovation).

EEF is a state institution established in accordance with the Law of Ukraine “On Energy Efficiency Fund”, and registered as independent legal entity, with budget coming from capitalization of the Fund from the state budget (1.5 bln UAH in 2018) and Multidonor Trust Fund (EUR 80 mil. from EU and EUR 20 mil. from Germany). Financing is available through intermediary partner banks (partial grant compensation, optionally in combination with loan). The direct beneficiaries of the EEF are homeowners associations (HOAs) and households, and more than 16 thousand HOAs is planned to receive grant from EEF by the end of 2025. The First Movers Project is currently under implementation to test the procedures of the Fund’s Program, with 15 selected HOAs from all over Ukraine. The valuable cooperation and support in establishment and operation of the EEF was provided from the

International Finance Corporation (IFC), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the United Nations Development Program (UNDP).

During the discussion, EEF clarified in detail some activities and plans to use ProZorro government public e-procurement system as simple and transparent tool which can be easily used by participating HOAs and businesses.

**Conclusions:**

- 4.1 EECG thanked the Ukrainian State Energy Efficiency Fund for presentation of EEF activities and exchange of best practices regarding the new and innovative financing programme for large-scale energy modernization of residential sector of Ukraine.

The next EECG meeting and EE Workshop are planned for 11 and 12 March 2020 in Vienna.