

**ENERGY CHARTER
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Related documents: CC 736, Message 1908/21

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Adoption by Correspondence - Recommendations of the In-Depth Review of the Energy Efficiency Policy of the Republic of Uzbekistan

By CC 736 dated 23 November 2021, the Energy Charter Conference was invited to approve a draft decision in relation to the In-depth Review of the Energy Efficiency Policy of the Republic of Uzbekistan. As specified by Rule 19(b) of the Rules of Procedure concerning the adoption of decisions by correspondence, members of the Energy Charter Conference were informed that any delegation that wished to object to that decision should notify the Secretariat of its position in writing by 13 December 2021.

Having received no objections within the specified time limit, on 13 December 2021 the Energy Charter Conference **welcomed** the report on the In-depth Review of the Energy Efficiency Policy of the Republic of Uzbekistan and **endorsed** the recommendations made to the Government of Uzbekistan.

Recommendations of the In-depth Review of the Energy Efficiency Policy of the Republic of Uzbekistan are enclosed.

Keywords: In-depth review, Energy Efficiency, Republic of Uzbekistan

RECOMMENDATIONS OF THE IN-DEPTH REVIEW OF THE ENERGY EFFICIENCY POLICY OF THE REPUBLIC OF UZBEKISTAN

General Recommendations

1. Prioritise the official adoption of the *Road Map for the Power Sector Low-carbon Energy Transition* and further develop the long-term national energy strategy. The latter document should have clear targets to meet the country's commitments under the Paris Agreement and achieve a net zero-emission energy sector by 2050.
2. Develop and adopt a new law on Energy Efficiency (Rational energy Use) based on the best international practices. The law will enable institutional framework and specific instruments for energy efficiency improvement.
3. Separate the policy-making process from the policy implementation in the Energy Efficiency field. Establish an Energy Efficiency Agency or assign one single authority responsible for the energy efficiency policies implementation. The respective state body should have sufficient capacities to manage all entrusted tasks related to public policies' promotion and should have a specific mandate and responsibilities related to achieving the country's EE targets. Strengthen institutional capacity to coordinate country's commitments under the Paris Agreement.
4. Consider the possibility of establishing the Energy Efficiency Fund as a self-sustainable authority. The option of a revolving fund by shifting from the state and local budget allocations towards revenues generated by the energy efficiency and ESCO projects should be further analysed.
5. Align the existing country's commitments concerning sustainable energy with short- and mid-term activities. Following the latest international developments, investments in new coal infrastructure should be avoided. Consider modelling several development scenarios to assess the most preferable energy mix in the future to achieve the energy transition based on energy efficiency and innovative low carbon technologies, with emphasis on renewable energy.
6. Tap the existing energy efficiency potential with a coherent set of policy instruments by prioritising measures which come at low or negative costs.
7. Prioritise the development and approval of incentive tariff methodologies according to the best international practice. The utilities have to be incentivised to reduce their losses and operational costs and improve their decision-making process based on the least costs approach regarding network development.
8. Gradually eliminate subsidies on all levels of the value chain, especially inefficient fossil fuel subsidies that encourage wasteful consumption, and introduce the cost-reflective energy tariffs along with the improvement of quality and reliability of supply. All consumers should be confident that they are paying a fair price for reliable services. The funds allocated for subsidies might be invested in the implementation of energy efficiency measures, which will eliminate the need for subsidies. Special instruments should be developed to protect socially vulnerable consumers (e.g. block tariffs depending on consumption level, financial compensations, etc.).

9. Launch a targeted public communication campaign promoting the multiple benefits of energy efficiency. Consider the establishment of sustainable energy information centres promoting energy efficiency and renewable energy solutions.

Recommendations: Industry

10. Carry out technical and economic energy efficiency potential assessment in the industrial sector in general and sub-sectors in particular. The studies may include different levels of energy efficiency ambition and the needed investments.
11. Introduce the mandatory energy audits' quality control requirements and assign specific duties and responsibilities to a single authority responsible for implementing energy efficiency policies. The assigned authority must have enough capacity to ensure the high quality of the energy audits.
12. Introduce a system of authorisation or qualification of the energy auditors' in accordance with the best international practice. The assigned authority may cooperate with technical universities and international organisations to ensure efficient training and certification procedures.
13. Introduce Monitoring and Verification Platform (MVP) to track down energy efficiency savings and the objective system of penalties for parties not meeting their indicative energy efficiency targets. The system of tradable energy efficiency white certificates might be analysed in connection to mandatory energy savings targets in the industrial sector.
14. Introduce time-of-use and level of voltage electricity tariffs for all industrial consumers. The energy tariffs for industrial enterprises should incentivise the implementation of energy efficiency measures.
15. As a part of electricity market reform, develop and approve a methodology for ancillary services. Network operators can be required to encourage the demand side, like steel and other heavy industrial plants, to participate in the ancillary service market. The large dispatchable consumption may be reduced when demand is high and increased during RES peak generation.
16. Assess the resource efficiency and cleaner production strategies (i.e. industrial symbiosis), which may save primary energy resources, water, and raw materials.

Recommendations: Energy

17. Elaborate the introduction of a comprehensive carbon pricing mechanism such as a carbon trading scheme, a carbon tax or other implicit carbon pricing measures. Continue reforms in the electricity market with the aim to promote fair competition in the generation and supply sectors.
18. Prioritise the rapid modernisation of the obsolete power capacities according to the *Road Map for the Power Sector Low-carbon Energy Transition*.
19. Establish an independent energy regulator to balance the interest of all stakeholders. The commissioners of the energy regulator must be appointed transparently on a competition basis, considering their professional experience.
20. Improve the decision-making process related to the development and rehabilitation of power networks. The decision should be based on the least costs approach and equally consider supply and demand-side options.

21. Continue work on improving national energy balance according to international standards. The State Statistical committee may consider making publicly available the data on energy industry own consumption as well as the transformation and distribution losses and the natural gas balance of Uzbekistan.
22. Join international efforts to detect and reduce methane emissions along the fossil fuels value-chain, such as the Global Methane Pledge launched at COP26, including the collective target to reduce methane emissions by at least 30% from 2020 levels by 2030. Set mid- and long-term natural gas losses reduction targets. Develop a 10-year network development and modernisation plan for natural gas networks.
23. Increase the transparency of technical-economic indicators and key KPIs of gas and electricity network operators.

Recommendations: District Heating

24. Prioritise the adoption of the *Law on thermal energy* that will regulate the district heating sector, assigning clear responsibilities across the authorities, heat producers and suppliers, and final consumers.
25. Adopt policy measures to promote a wider application of high-efficient cogeneration and/or efficient district heating and cooling systems. Conduct cost-benefit analysis for the application of high-efficient cogeneration for new or refurbishing electricity units with a total thermal input exceeding 20 MW. Conduct a separate assessment of the waste heat potential of the industrial and energy sector and further integration of the waste heat into the district heating system.
26. Modernise the district heating systems through the integration of heat storage, renewable energy sources, waste incineration, heat pumps etc. Promote solar and combined solar and natural gas heat-generating facilities.
27. Install individual heating stations in combination with horizontal heat distributions at each new and reconstructed building to provide better comfort and energy savings to tenants as well as to reduce water leakages and associated heat losses for DH companies.
28. Establish specific energy efficiency targets for each heat supply company based on the sectoral energy savings target. Prioritise the installation of heat meters per each building. Introduce the billing system based on the amount of heat consumed to provide 'fair treatment' and motivate building occupants to implement the energy efficiency measures.
29. Introduce mandatory feasibility assessment related to the connection to the district heating system for all new buildings constructed in cities with the functioning centralised heating system. Consider ban of individual apartments' disconnections in multiapartment buildings.

Recommendations: Buildings

30. Change the minimum energy performance requirements for new and renovated buildings based on commonly used units, from W/m^2 to $kWh/(m^2 \cdot year)$. Gradually reduce them to reach the Nearly Zero Energy Buildings requirements.

- Promote the exemplary role of the public sector with regard to building renovation.
31. Conduct up-to-date assessment of energy efficiency and renewables potential in residential, commercial and public buildings. Based on the assessment, introduce specific targets and action plans on improving energy efficiency and integrating RES in existing buildings. The analysis should also include the potential impact of EE policy measures on job creation, the development of the local insulation materials market and a wider economic impact.
 32. Introduce time-of-use tariffs for residential consumers, commercial and public buildings. Fully utilise the potential of smart metering infrastructure to reduce costs and improve the overall efficiency of the energy system.
 33. Introduce incentives for local authorities and the owners of public buildings to reduce energy consumption and implement EE measures. Local authorities should be allowed to use achieved savings for the repayment of investment in EE.
 34. Create appropriate conditions for the Energy Performance Contracts functioning. The ESCOs accreditation mechanism should be further developed.
 35. Develop and approve the buildings' energy performance certification scheme. Make it compulsory to obtain the energy performance certificates for all renting and selling contracts.

Recommendations: Energy-using Products

36. Strengthen the existing MEPS, their implementation and market surveillance. Introduce ecodesign and energy labelling requirements for new product groups. Regularly update the requirements taking into account the best international practice.
37. Improve data collection on imports and sales of energy-related appliances that may significantly impact electricity consumption in the future, i.e. electric water heaters, ovens/cookers, dishwashers etc. These data can be used for estimating the energy-saving potential and developing targeted energy efficiency programmes.
38. Establishing testing practices for ensuring product compliance with energy efficiency requirements may prevent other policy enforcement efforts such as market inspections or public communications campaigns. For this reason, cost-benefit assessment of building a national test laboratory compared to outsourced option should be analysed.
39. Introduce green public procurement requirements in the *Law on the public procurement* or introduce other legislative changes mandating authorities to prioritise the purchase of appliances with the highest energy efficiency rating.
40. Introduce financial support mechanism for the replacement of low-efficient products while encouraging the purchase of energy-efficient appliances.

Recommendations: Transport

41. Align the national nomenclature of goods with the International Customs Organisation Code, which has introduced new codes for Hybrids (HEV) and Plugin-Hybrids (PHEV). Consider further introduction of fiscal incentives for HEV and PHEV. Promote HEV and PHEV cars as an interim step towards

- promoting the electrification of motor transport while increasing the share of RES in electricity production.
42. Amend the tax code and create additional incentives to motivate users to buy less polluting cars. Introduce the maximum allowed age for imported vehicles.
 43. Align vehicle registration tax and/or annual circulation tax with the emissions level. To facilitate the process, the data from New European Driving Cycle (NEDC) or Worldwide Harmonised Light Vehicle Test Procedure (WLTP) could be used.
 44. Introduce car emissions labelling based on the NEDC or WLTP data and mandate its availability at the moment of vehicle selling. Implement the tire efficiency labelling scheme and make it available at the moment of tire selling.
 45. Promote public transport by increasing the quality of service, traffic schedule compliance, and intelligent traffic management. Consider creating separate bus lines, bicycle roads and 'park and ride' facilities. Unify all public transport providers in one single system/platform, which will simplify route planning and increase the attractiveness of municipal transport.
 46. Promote the electrification of the road transport sector by adopting the minimum charging stations requirements for buildings, commerce, and road infrastructure. Implement a smart parking system, including minimum parking lots for electric vehicles and free of charge service for such transport.
 47. Continue the electrification of railway transport that will increase the railroad transport efficiency and will offer flexibility for the power sector through so-called sectors' coupling.
 48. Promote eco-driving as one of the most economically efficient measures to reduce emissions and save fuel, especially using seminars for instructors. Organise campaigns for spreading main advice on green driving.