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DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Adoption of the Recommendations on the In-Depth Energy Efficiency Reviews of Georgia and Bosnia and Herzegovina

[The Energy Charter Conference at its 22nd Meeting held on 29th November 2011] *adopted* the Recommendations on the In-Depth Energy Efficiency Reviews of Georgia and Bosnia and Herzegovina, proposed by the PEEREA Working Group, as contained in CC 417 (Annex).

Keywords : Adoption, Recommendations, In-Depth Energy Efficiency Reviews, Georgia, Bosnia and Herzegovina, PEEREA

Recommendations on the In-depth Review of Energy Efficiency Policies and Programmes of Georgia and Bosnia and Herzegovina

as adopted by the Energy Charter Conference
at its 22nd Meeting on 29 November 2011

The Charter Conference,

Having regard to the Report from PEEREA Group with respect to the In-depth Review of Energy Efficiency Policies and Programmes of Georgia, offered the following recommendations to promote energy efficiency in Georgia:

Recommendations

General Recommendations

- The Government of Georgia should formalise and strengthen its approach to the making, delivery and review of energy efficiency policy in line with Energy Charter obligations.
- Energy policy goals should respect and fully reflect the potential of energy efficiency and renewable energy to contribute to wider economic and environmental policies and goals as well as ensuring security of supply.
- Future energy strategies and policies should be transparent and consistent with long-term goals and should consider initiating programmes for energy efficiency and set objectives for key sectors.
- Future energy strategies and policies should be the subject of public consultation and be supported by robust analysis of their economic, energy efficiency, and emission abatement potential.
- The government should take full account of the barriers impeding the realisation of these potentials, and where market failure or other barriers exist, take remedial measures such as regulation, standards and information provision.

Institutional Framework

- The drafting, putting in place and delivery of a more coherent energy efficiency policy will require adequate resources in the Ministry of Energy and any associated delivery agency.
- The government should create an energy efficiency unit within the Ministry of Energy to lead the development of legislation, secure a budget line, and to promote sustainable energy within government.
- The economic value and administrative implications of meeting EU Energy Efficiency Directives should be regularly assessed to capture best international practice.
- Coordination of state and municipal governments and their agencies' efforts should be explicitly provided to promote effective action on energy efficiency.

- The government should continue to facilitate and, as far as practicable, ensure the ongoing involvement of private stakeholders, business associations and NGOs in the implementation of energy efficiency policies and supporting activities.
- The Ministry of Energy should, with other ministries and governmental bodies, advance the integration of energy efficiency considerations into all relevant State policies.

Energy Market and Pricing

- The government should continue its efforts in the reform of gas and electricity markets in line with principles of efficient pricing.
- Where concerns arise over the social impacts of increased pricing, consideration should be given to methods other than pricing to address the concern (such as fuel aid).
- Continued development of energy market regulation should support the development of effective energy services.
- The government should facilitate effective disclosure of pricing and consumption information directly to consumers, to facilitate a more competitive energy market.

Energy Efficiency Funding

- Energy Efficiency Incentive Programmes should be considered by Georgian government and consideration should be given to drawing resources through existing utilities.
- The government should ensure that its policies and actions leverage the substantial international financing available with domestic budget financing to best overall effect.
- Ensure continued dialogue with IFIs and donor community in order to strengthen focus on energy efficiency and renewable energy.
- EU neighbourhood funding for energy efficiency should be directed to achieve market transformation towards investments in energy efficiency in ways that are sustainable in the context of ongoing energy policies.
- The government should accelerate the identification and removal of any barriers to the use of energy service companies.

Specific Energy Efficiency Programmes and Measures

- The government should develop, in consultation with industry and other interested parties, a series of consistent short, medium and long-term strategies to enhance the energy performance of building stock.
- Building regulations should be a priority for action by Government in the light of the recent and projected high levels of activity in renewal and expansion of the building stock.
- Given the existence of common building types in each of the distinct climate regions, suitable low-cost packages of efficiency upgrades for residences should be developed.

- Municipal governments should be encouraged to manage regionally relevant demonstration programmes in rehabilitating and constructing high efficiency buildings in advance of setting new building codes.
- Energy efficiency must feature in any integrated approach to transport planning and provision.
- Consideration should be given to introducing energy efficiency measures in transport in parallel with the completion of major new transport infrastructure.
- The government should continue to encourage those municipalities that adopt IT management and information solutions to improving traffic flow.
- The government should promote measures to raise awareness of energy efficiency in local communities, citizens, and towards a more commercial environment for improving energy efficiency in industry.
- The government should develop and implement framework policies that promote and support energy efficiency so as to improve the competitiveness of industry and secure sustainable growth.

Renewable Energy Sources

- The government should continue to promote the development of renewable energy with an emphasis on cost effectiveness.
- The government should evaluate the benefits of the complementary seasonal variations in hydro-power and wind power resources.
- The effectiveness of various support measures in stimulating investment should be regularly assessed.
- The government should develop a robust strategy to achieve greater efficiency of biomass for heating in homes with an eye to meeting the needs of the disadvantaged and to achieve long-term renewable energy objectives, for example through the deployment of high efficiency wood burning stoves on the basis of the existing analysis, supplemented by several regional trials with the aid of donors.
- A biomass strategy should be developed in consultation with relevant market and government stakeholders to ensure an integrated policy approach to the production and use of biomass.
- The barriers to the development and application of the geothermal resource should be addressed to facilitate entrepreneurial activity in this niche area in Georgia.

Data Collection and Monitoring

- The government should facilitate collection of statistical data required for forward planning, investment appraisal and, crucially, indicators for energy efficiency.
- The Ministry of Energy should improve its capacity to analyse and assess energy efficiency as a basis for future policy development, including decisions on financing.

- The establishment of an independent monitoring/statistical gathering agency provides the opportunity for better coordination in the production of energy statistics and will ensure the accuracy, independence, and robustness of all economic and energy data.

The Charter Conference,

Having regard to the Report from PEEREA Group with respect to the In-depth Review of Energy Efficiency Policies and Programmes of Bosnia and Herzegovina, offered the following recommendations to promote energy efficiency in Bosnia and Herzegovina:

Recommendations

General Recommendations

- The Government of Bosnia and Herzegovina should strive to improve the formulation, delivery, and on-going review of energy efficiency policy.
- The State Government should ensure that energy policy goals respect and fully reflect the potential of energy efficiency and renewable energy to contribute to wider political, economic, development and environmental goals.
- The potential of energy efficiency and renewable energy to contribute to wider goals should be effectively communicated by the State and Entity Governments so as to: i) command attention, ii) motivate stakeholders, and iii) allow for the reporting and the celebration of progress.
- The Entity Governments should ensure that future energy efficiency policy and strategy in Bosnia and Herzegovina is results-focused, consistent with long-term goals, and aimed at delivering measurable benefits for all.
- The State and Entity Governments should: i) promote the setting of realistic and measurable energy efficiency targets for key sectors, ii) provide for the legal, financial and other means necessary to reach those targets and iii) make arrangements for evaluation and review of progress towards such targets.
- The State and Entity Governments should regularly assess the true economic and administrative implications of implementing energy efficiency policies and measures to ensure value for money and to capture the value for consumers and the economy.
- The Governments of Bosnia and Herzegovina and of the Entities must act to promote the realisation of energy efficiency and renewable energy goals, and where market failure or other barriers exist, take remedial measures. Regulations, standards, tariffs and information provision are important in this respect.
- As the adaptation of the Bosnia and Herzegovina energy markets to the requirements of the *acquis communautaire* is a clear priority, not alone for Bosnia and Herzegovina but also for all Energy Community members their approaches should be closely monitored for lessons and replicated as appropriate by the Bosnia and Herzegovina authorities.

Institutional Framework

- The Ministry of Foreign Trade and Economic Relations (MOFTER) should, with the assistance of other ministries and governmental bodies, advance the integration of energy efficiency considerations into all State policies.

- The completion of a National Energy Efficiency Action Plan and implementation of the Plan by the Entities must be progressed. Such progression would require adequate staff and resource allocation at both State and Entity level.
- The State Government should strengthen the energy efficiency focus and allocate a budget line within the MOFTER to lead the development of a coherent energy framework and to champion sustainable energy within the State and its Entity Governments.
- The Entity Governments should consider options for the establishment of an implementing institution for sustainable energy. However, given existing resource constraints the Entity Governments may decide, for the time being, to draw on existing institutions for resources and concentrate on ensuring stable and transparent funding for a work programme.
- Both the State and the Entity Governments should continue to facilitate and, as far as is practical, ensure the on-going involvement of all relevant stakeholders, including public sector bodies; business and industry associations; NGOs; and consumer representatives in the implementation of measures stemming from their energy efficiency policies.

Energy Market and Pricing

- The State Government and in particular the Entity Governments should continue their efforts in the reform of energy markets in line with the principles of transparency, efficiency and cost-reflective energy pricing.
- Where the Entity Governments have concerns over the social impacts of increased energy prices, consideration should continue to be given to methods other than universal subsidies to address these concerns (e.g. direct financial compensation or tax adjustments to those directly affected).

Energy Efficiency Funding

- The State and Entity Governments should ensure that their policies and actions leverage the substantial international financing with domestic budget financing to best overall effect.
- Consideration should be given by the State Government together with the Entity Governments to establish an initiative with a focus on the industry sector and high impact return actions in the NEEAP as soon as possible. Robust governance arrangements could help access finance through the international donor network.
- The Entity Governments should give careful consideration to creating framework conditions to encourage the development of an active energy services market and investments in energy efficiency.

Specific Energy Efficiency Programmes and Measures

- The State and Entity Governments should take measures to raise awareness of the environmental and economic value and importance of energy efficiency within the public, consumer, business and industry sectors.
- Development and enforcement of regulations governing the energy performance of buildings should be a priority for action by the Entity Governments in the light of the

dominant share of energy demand of the sector and the great potential for improved performance and the economic benefits that follow.

- Municipal and cantonal authorities should; strengthen their support for the refurbishment of the existing building stock by private and public actors; continue their support for relevant demonstrations of high efficiency buildings in order to raise awareness amongst consumers, investors and other key market players.
- Options for the improvement of energy efficiency and the reduction of environmental impacts in public transport fleets should be explored by the Entity Governments.

Renewable Energy Sources and CHP

- The State and Entity Governments should continue to strengthen their efforts to promote the development of renewable energy, and small hydro power in particular, with the emphasis on cost effectiveness and capturing the benefits of the hydro-power potential to meet future electricity needs and secure export revenue.
- The development of a transparent approach to setting feed-in tariffs by the Entity Governments, including rate impact analysis, will help ensure optimal long term outcomes, including a better return on investment in energy efficiency.
- The Entity Governments and their regulatory authorities should put in place sustainable incentives and mechanisms to facilitate foreign investment for the development of renewable electricity generation.
- Any biomass strategy at the Entity level should be developed with the engagement and support of the relevant policy makers and other stakeholders to ensure an integrated policy approach to the sustainable production and use of biomass.
- The Entity Governments should examine options for the possibilities of high-efficient combined heat and power including the establishment of renewable waste-to-energy power generation as an alternative to existing, environmentally damaging landfill practices.

Data Collection and Monitoring

- The State and Entity Governments should i) improve their data collection, ii) make suitable arrangements for its consolidation at State level and iii) further develop the capacity to analyse and assess energy efficiency. Energy data and indicators form an important basis for future policy development, including making informative decisions on financing.
- The Statistics Agencies needs to further develop capability in the area of energy statistics and should be adequately resourced as far and as soon as possible to ensure the accuracy, independence, and robustness of all economic and energy data.