

**ENERGY CHARTER  
SECRETARIAT**

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CCDEC 2012

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Brussels, 26/27 November 2012

Related documents: CC 445, CC 446, CC 458
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**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject: Adoption of the Recommendations on In-Depth Energy Efficiency Reviews of Albania, Azerbaijan Republic and Belarus**

[At the invitation of the Chairman, the Energy Charter Conference at its 23<sup>rd</sup> Meeting held on 26<sup>th</sup>/27<sup>th</sup> November 2012] *took note* of Report of the Chairman of the PEEREA Working Group (CC 445) [and] *adopted* the Recommendations on In-Depth Energy Efficiency Reviews of Albania, Azerbaijan Republic and Belarus, as contained in document CC 446 (Annex).

Keywords: PEEREA, In-Depth Energy Efficiency Reviews, Albania, Azerbaijan Republic, Belarus

## Albania

### Recommendations

#### *General Recommendations*

The Albanian Government should continue to develop energy policies according to the needs of the Albanian people, international commitments, and the priorities of the Strategy for National Development. This endeavour may provide a robust policy foundation for energy efficiency and renewable energy policies and measures.

The government has paid much attention to the issue of security of supply. However, given the vulnerability of Albanian hydropower, uncertain long-term energy cost development and availability of supply alternatives, the government should enhance its strategic planning for physical capacities, financial and budgetary implications, and communicate its findings to the public.

The Albanian Government should continue to act with firm resolve to secure the stability and reliability of the electricity system. The achievement of a reliable and financially sustainable electricity supply within a short space of time is a *sine qua non* for continued economic development and requires resolute and sustained action on a number of fronts.

The Albanian Government should ensure that the goals of loss reduction and full bill collection are achieved, as expressed in the conditions governing the licensed operator of the electricity distribution system. Although this is primarily a duty of the regulator, the government has the responsibility to see that its policy and governance requirements are fully met.

The government should be aware of the impact of the slow pace of reform and of the implementation of the requirements of the *Acquis Communautaire*. Faster progress in implementing its priority requirements will facilitate much needed investment and influence market forces towards sustainable energy goals.

Building on its strategic planning approach and success in transparency and co-ordination of donor funding, the government should continue to reform and improve the co-ordination and implementation of energy policy across all Government Departments.

This review has enumerated several draft pieces of legislation and associated draft plans, as well as criticism from several quarters on the pace of policy implementation. Against that background, the Albanian Government should demonstrate its commitment to follow through on energy policy with effective implementation.

The government should ensure that it and all public bodies lead by example in the matter of ensuring that appropriate arrangements are in place to facilitate prompt payment for services such as electricity. This, and similar actions, will facilitate enforcement and compliance with energy relevant regulation.

The Albanian Government should adopt and implement National Energy Efficiency and Renewable Energy Action Plans with an initial allocation of resources to support priority actions; at the same time, it should provide for the regular assessment of progress and review, with a view to plan adjustment in the light of its achievements.

#### *Institutional Framework*

The Albanian Government should accelerate the pace of reform, including empowerment of the regulatory authorities to ensure compliance with energy efficiency and renewable energy goals in the marketplace.

The Albanian Government should support the development of an institution charged with the promotion of energy efficiency and renewable energy in providing sufficient expense in a centre that could both draw and disburse funds from multiple sources, including national, EU and international donor funds. With careful attention to the governance requirements such an institution could make a valuable contribution to the formulation of evidenced-based measures and regulations.

#### *Energy Market and Pricing*

The Albanian Government should continue reform of the electricity market to achieve full-cost reflective pricing, at the earliest opportunity. This reform is consistent with social policy, in accordance with the requirements of the *Acquis*.

The government should consider reviewing the electricity tariff system to better reflect payment capacity and the consumption patterns of end consumers, as well as fines for non-payment.

The Albanian Government should continue to prioritise security of energy supply with proper recourse to levies and the impact on prices. A key factor is the effect of low electricity prices on the prospect for development of other fuel sources, such as natural gas, biomass, and solar radiation; all these resources could, as they are intended to, contribute to security of supply, while meeting environmental objectives.

#### *Energy Efficiency Funding*

The Albanian Government should complete the legislative process both to enable and to secure energy efficiency funding that should be available on enactment. Funded programmes should be targeted, based on evidence and in line with established priorities.

#### *Specific Energy Efficiency Programmes and Measures*

The Albanian Government should address market failures through provision of appropriate and targeted-information-awareness programmes such as labelling schemes.

The Albanian Government should ensure that building standards are operable and enforced. The government should strengthen the capacity and authority of the building inspection system.

The government should continue to act to remove any legislative barriers to community or group action that might improve the energy performance or energy service provision in multi-apartment building renovation and heating projects.

The government should regulate the electricity market using products – by introducing minimum energy performance standards and banning/differentiating custom duties for low efficiency products.

The government should systematically undertake energy audits of all large public buildings and implement the findings to realise the cost savings, thereby providing an example to others.

The government should introduce a vehicle registration tax, weighted in favour of fuel efficient cars and vehicles.

### *Renewable Energy Sources and CHP*

The Albanian Government should continue to improve the framework conditions and investment climate for renewable energy development with the aim of promoting development, while ensuring best value for the electricity consumer.

The Albanian Government should ensure that the further development of the hydro resource is enabled by adequate investment in infrastructure. Essentials are interconnection with neighbouring countries, suitable trading arrangements and provision for adequate power to cover periods of low hydro production.

The development of the wind resource needs to be carefully considered in the light of comparative cost, grid access and dispatch.

The Albanian Government is already committed to the deployment of solar panels for water heating in place of the existing, high and excessive use of electricity. However, the rate of deployment should be accelerated to maximise impact. Electricity prices and incentives for end-users are important factors.

The Albanian Government should develop the country's substantial biomass potential. A twin-track approach is recommended for:

- Improving the efficiency of existing uses, e.g. in heating applications
- Piloting programmes to develop new uses, such as high efficiency CHP.

Where the level of organic waste justifies the operation of landfills in Albania, the Albanian Government should explore landfill gas exploitation schemes, including Clean Development Mechanism (CDM) projects. The potential of the cement manufacturing industry to handle selected waste should be further evaluated.

### *Data Collection and Monitoring*

The Albanian Government should contribute to the transparency of energy markets by making suitable arrangements for the collection, codification and publication of energy supply and consumption data.

The Albanian Government should ensure that the approach to data collection and monitoring begins with the need to (i) support the process of policy making, (ii) inform market actors, and (iii) meet international reporting obligations.

Recognising that quantitative measures and statistics are essential policy guidance tools, the Albanian Government should ensure that statistics are made available in a predictable and timely fashion with appropriate caveats where necessary.

## **Republic of Belarus**

### **Recommendations**

The following recommendations are offered to promote energy efficiency and RES in the Republic of Belarus.

#### ***General Recommendations***

- The Government of Belarus sets strategic goals in the area of energy efficiency and energy saving to ensure energy security, improve living standards of the population and competitiveness of the national economy. To achieve these goals the Government should implement the energy sector reform, which will provide for use of market mechanisms and the potential of investments in energy efficient technologies and equipment.
- The Government should assess the synergies of the national programmes in the area of energy efficiency, renewable energy and environmental protection in order to improve the results and the cost-effectiveness of the programmes.
- The Government should continue reviewing the implementation of the state policy on energy efficiency and RES to timely identify deviations from the foreseen development and undertake corrective actions.
- The Government should use the results of and further develop and expand the research and efforts to reduce of end-use energy losses as well as to continue provide financing for these measures.
- The Government should encourage and stimulate cooperation between national scientific institutions and international scientific and engineering community for further development of advanced technologies and implementation of pilot projects on energy efficiency and renewable energy.
- In order to increase the share of domestic energy resources the Government should pay special attention to promotion of RES. To ensure compatibility with international data, RES should be always accounted for and recorded separately from non-renewable domestic energy resources. Also, it is necessary to establish individual target indicators for RES and other local energy sources.
- The Republic of Belarus should consider using municipal solid waste at incineration plants for the purposes of generating electricity and/or heat. In order to minimize harmful effects to the environment, these plants should meet strict emission standards.

#### ***Regulatory and Institutional Framework***

- The Government should actively proceed with the harmonization of technical regulations on energy efficiency and RES with international and European legislation, which has been initiated in the Republic of Belarus.
- The Government should finalize the adoption of a new draft Law *On Energy Saving* in accordance with the declared time schedule.

- Upon adoption of the new Law *On Energy Saving*, the Government should provide for further development of secondary legislation and regulatory documents in different sectors in close cooperation with respective stakeholders.
- The Government should improve the status of the Department of Energy Efficiency and establish it as a separate structure within the Government.
- The Government should ensure that sufficient human and financial resources are allocated to the Department of Energy Efficiency as the leading agency, as well as to all units within ministries and regional administrations responsible for development and implementation of energy efficiency programmes.

### ***Energy Reforms and Pricing***

- The Government should provide for adoption of market oriented principles and respective regulatory framework on the basis of international experience when developing energy sector legislation.
- The Government should consistently pursue the policy of restructuring energy prices (tariffs) to remove cross-subsidies.
- The Government should go on with planned activities on energy pricing reform to achieve the level of prices, which reflect the costs of production.
- The Government should review the possibility of further long-term differentiation of the incentives for electricity generated from RES depending on the types of RES.

### ***Energy Efficiency Funding***

- Procedures of reviewing and approving financial support from donors should be revisited to ensure that no delays caused by approval process lead to cancellation of potential financing.
- The Government should analyse and identify a system of measures aimed at accelerated improvement of energy efficiency and RES financing structure to increase the share of equity capital, private capital, loans and borrowings.
- The Government should encourage the establishment and functioning of ESCOs and other market mechanisms of attracting investments in energy efficiency and to initiate exchange of experience, trainings and pilot projects in cooperation with international organisations.
- The Government should strengthen cooperation with commercial banks to establish and promote financial and credit products in the area of energy efficiency technologies and energy saving equipment.
- The Government should guarantee that financial resources saved through energy efficiency measures are accumulated in the budgets of respective organisations undertaking such measures.

## *Specific Energy Efficiency Programmes and Measures*

### *Industry*

- The Government should continue ambitious energy efficiency and energy saving programmes in industry.
- The Government should provide for regular benchmarking analysis of similar production processes' energy efficiency and compare unit consumption of energy resources for production of goods in order to align with the best international practices.

### *Buildings*

- The Government should pay special attention to ensuring compliance with adopted building codes and rules.
- The Government should continue to lead the way in the sphere of public buildings and construction of new housing.

### *District heating*

- The Government should continue efforts to reduce losses within the district heating system.

### *Electricity*

- The Government should continue efforts to improve energy efficiency in electricity sector.
- The Government should provide for use of the best available energy efficient technologies at new power plants, including those based on the use of biomass.
- To facilitate the use of available biomass potential, the Government should develop a logistic support system for biomass transportation to power plants.
- The Government should continue support to investments in cogeneration.

### *Renewable Energy*

- Given the importance of escalating the use domestic energy sources and RES in Belarus, the attention the Government pays to these areas of the energy policy and the availability of special state programmes, we recommend to differentiate and specify separate target indicators and to set up special systems of performance monitoring and record keeping of the results.
- The Government should improve the institutional framework in the renewable energy sector to provide for better organisation and coordination of implementing the strategic goals established.
- To provide for implementation of the adopted Law *On Renewable Energy Sources* it is recommended to accelerate the development and adoption of secondary legislation.
- The Government should continue encouraging the use of biomass at CHPs to increase the share of RES in electricity and heat generation.

### ***Monitoring***

- For the purposes of improvement, it is recommended to conduct a comparative analysis of monitoring systems applied in the sphere of efficiency and renewable energy in the Republic of Belarus against international practices.
- The Government should assess and monitor the cost effectiveness of all energy efficiency plans and measures in order to develop a comprehensive data base for energy efficiency plans and programmes optimization to maximize their benefits.

### ***Information, Training and Awareness Raising***

- The Government should continue support of measures aimed at raising awareness of energy efficiency and educating public officials and wider population on the local, regional and national levels.

# **Azerbaijan Republic**

## **Recommendations**

### ***General Recommendations***

- The Government's energy policy should reflect the potential contribution of energy efficiency to increasing fuel export and supporting economic growth and the environment.
- Energy efficiency and renewable energy should be given high priority by the government and future energy policies should be supported by detailed analysis of economic energy efficiency potentials in all sectors of the economy and the barriers impeding the realization of these potentials.
- The Ministry of Energy and Industry should improve its capacity to analyse and assess energy efficiency as a basis for future policy development, including decisions on financing.
- The rehabilitation of the generation, transmission and distribution assets in the power sectors need to continue. This will maximise the fuel burning efficiency and minimise the technical transmission and distribution losses.

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.

### ***Institutional Framework***

- There is a need for developing laws and secondary legislation on energy efficiency and renewable energy.
- The government should create an energy efficiency unit within the Ministry of Energy and Industry to lead the development of legislation, to promote sustainable energy within government and monitor the implementation of the overall energy efficiency policy. Appropriate resources (human and financial) should be allocated by the Government for the activities of the unit.
- Specific programmes for improving energy efficiency in the various sectors of the economy should be developed which should include specific targets and monitoring systems for continuous evaluation of their implementation.
- Enhance inter-administration cooperation between energy and other public policy makers in particular environment, transport, housing, industry.
- The efforts of various stakeholders including local authorities, universities, research centres and NGOs need to be supported by the Government and further scaled up to promote energy efficiency in Azerbaijan.

### ***Energy Market and Pricing***

- It is recommended to the Government to consider the introduction of market oriented principles in the energy sector and appropriate regulatory framework based on international experience
- To facilitate implementation of energy efficiency measures the existing electricity, heat and gas tariffs should be reviewed. Differentiation of tariffs for different type of consumers, introduction of block tariffs as well as affordability issues of the population should be also taken into account.

### ***Energy Efficiency Financing***

- Government should allocate sufficient financial resources for increasing energy efficiency in public and state owned buildings and public lighting and at the same time introduce incentive system for private and residential sector initiatives in energy efficiency and RES.
- Ensure continued dialogue with IFIs and donor community in order to strengthen focus on energy efficiency and renewable energy.

### ***Specific Energy Efficiency Programmes and Measures***

- Adopt high efficiency standards for new constructed buildings, energy efficiency labelling and minimum energy performance (MEP) standards for electrical equipment and ensure compliance and enforcement procedures are in place.
- Introduce energy auditing and energy management systems for large industry consumers
- Energy efficiency must feature in any integrated approach to transport planning and provision.
- Continue the implementation of the district heating rehabilitation program in order to reduce losses and attract new consumers, encourage introduction of individual metering where possible.
- The government should promote and raise awareness of energy efficiency in local communities, citizens, and SME.
- Continue country's participation in various international initiatives e.g. GreenBuilding Council, international agency for renewable energy in Abudabi (IRENA) to ensure exchange of information and best practices on successful energy efficiency and RES projects in other countries.

### ***Renewable energy sources***

- RES development should continue to be a priority for Azerbaijan. A timetable with objectives, goals and targets for RES should be included in the Renewable energy Strategy.
- Continue focus on utilisation of the existing solar and wind potential, but also assess waste to energy use possibilities.

- Part of oil and gas revenues should be dedicated to RES development and RES fund should be created.
- Grid connection rules, tariff methodology and incentives should be developed in order to attract investments in RES sector.
- The role of SAARES should be strengthened to enable them to have a leading role in developing RES in Azerbaijan.

### ***Data Collection and Monitoring***

- To support monitoring of achieved results, a project database needs to be set up to all activities related to energy efficiency in Azerbaijan.
- The existing statistics on building stock should be used to support the policy making process and estimate the energy saving potential for the building sector.
- To monitor the energy saving potential, energy audits have to be made compulsory starting by the largest buildings. This should lead to an Action Plan on tapping the energy saving potential.