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**DECISION OF THE ENERGY CHARTER CONFERENCE**

**Subject: Report by the Chairman of the Working Group on Energy Efficiency and Related Environmental Aspects**

The Energy Charter Conference at its 24<sup>rd</sup> Meeting held on 5<sup>th</sup>/6<sup>th</sup> December 2013 **took note** of the Report by the Chairman of the Working Group on Energy Efficiency and related Environmental Aspects as contained in document CC 473 (attached hereto).

Keywords: Report, Chairman, Working Group, Energy Efficiency, related Environmental Aspects

## **Report by the Chairman of the Working Group on Energy Efficiency and Related Environmental Aspects**

This Report provides an overview of the activities of the PEEREA Working Group in 2013, highlighting the role of energy efficiency and energy saving as the most important means to meet climate and energy security goals in cost-effective manner.

The Working Group had two regular meetings in the course of the year, both held in Brussels. The first meeting took place on 14 May 2013 and the second meeting was on 1 October 2013.

The Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA) has a proven record as a successful international instrument for the promotion of energy efficiency by providing a well developed framework for peer reviews, exchange of information and dissemination of good practices. In 2013 the activities within the Working Group continued to be an important part of the Energy Charter implementation and the Group worked as a dynamic forum for policies sharing and advice for member and observer countries on energy efficiency and related aspects.

The core activity of the Group was the review process as a tool to monitor and facilitate the implementation of the protocol. The PEEREA Working Group continued to serve as a forum for networking and exchange of information among international organisations and other organisations active in the area of energy efficiency and maintains strong and productive relationships with a range of international organisations. The following is a summary of the key activities of the Working Group in 2013.

### **1. Country or Region-specific Activities**

#### *In-depth Country Reviews of the Energy Efficiency Policy*

The review process still remains the core activity of the Group as the main tool to monitor and facilitate the implementation of the Protocol. Following the recommendations of the Conference in Rome in 2009, the focus continues to be on countries with highest potential for improvements in their energy efficiency policy framework, namely Eastern European, Caucasus and Central Asian countries. Recommendations made by the review teams and discussed in the Group are persistently seen as an important tool to set the framework for energy efficiency policy and to formulate concrete objectives and strategies for improvements in national energy efficiency policy, legislative and institutional framework.

Two *In-depth energy efficiency reviews (IDR)* were on the agenda of the Working Group in 2013.

The first, **IDR of the Republic of Tajikistan** was completed in May 2013, by a team of experts led by a representative from Switzerland and including representatives from Sweden and Estonia, supported by the Energy Charter Secretariat.

The report notes that Tajikistan government recognises the importance and the challenges of ensuring energy security in the country. However, it is still necessary to develop firm legislative framework and to integrate basic energy efficiency principles in the economic and social development. The review team observed that different organisations have proposed a set of measures and possible solutions to overcome the existing challenges, therefore it was recommended that the government should rapidly and resolutely proceeds along the roadmap set out in the studies prepared by donors.

Most of the government attention needs to focus on short-term challenges, such as covering winter energy demand. Addressing those short term challenges is a prerequisite for long term economic development and embarking on large scale electricity export projects, for which economical, political and financial conditions are not given yet.

Further, the report recommends that an institution needs to be created or mandated to lead, acting in close coordination with other government institutions. Its main aim would be the development of all legislation, regulations and sectoral programmes on energy efficiency and renewable energy. This organisation should also coordinate the proper implementation, enforcement and monitoring of legislation. The government should pursue efforts to increase governance, transparency and accountability in all institutions and other players involved in the energy sector.

After government's adoption of the new law on energy efficiency, further effort should be put on drafting by-laws, codes and technical regulations. Moreover, building institution(s) should be settled, which would have the authority to oversee, monitor and sanction the implementation of the laws and regulations.

The review team observed that the overall progress of reform in the energy sector has been slow and as of today there is no real energy market in the country. The production, transmission and distribution of electricity are the responsibility of the State, represented by Barki Tojik – the natural monopolist in this field. The team recommended the government to proceed with the Barki Tojik's unbundling as planned, in order to improve the company's financial performance and attract private investment.

Government financing is not available for energy efficiency activities and projects in Tajikistan. In the past, a number of projects were financed by international donors, mainly to support power loss reduction and improve electricity metering. The team recommended to quickly proceed with the establishment of the National Energy Efficiency Fund envisaged in the new law on energy efficiency and energy saving.

The **IDR of the Ukraine** was completed in June 2013 by a team of experts led by a representative of Kazakhstan and comprising officials from Slovakia and Austria, supported by the Energy Charter Secretariat.

The report concludes that the government of Ukraine should recast and adopt as soon as possible the national energy strategy. Such recast needs to be based on well-founded assumptions, realistic projections and the acknowledged potential energy efficiency gains accordingly. At the same time, all necessary and desirable reforms should be accelerated so as to radically improve the prospects for investment.

Further, the review team recommends that in order to improve the institutional framework on energy efficiency, high standards of governance are to be obtained in the formulation of energy and energy efficiency policy and in its implementation through energy market liberalisation, utility privatisation and the regulation of competition. All necessary steps are to be taken to ensure that the needed institutions are appropriately structured to effectively formulate, monitor, analyse and review energy and energy efficiency policies and their implementation and enforcement.

The status of the State Agency on Energy Efficiency and Energy Savings of Ukraine needs to improve to separate structure within the government as well as sufficient human and financial resources are allocated to the Agency as the leading agency, responsible for the development and implementation of energy efficiency programmes.

Regarding energy markets and pricing reform the report recommends that integrated approach is to be taken by the authorities to individual metering, end-use efficiency, comfort and other benefits in tandem with price rises, at the same time ensuring that energy affordability is closely monitored and that remedial actions to alleviate hardship are taken whenever necessary. Effective regulation of monopolies and competition in the electricity, natural gas and heat distribution markets is necessary.

Multi-annual state funding needs to be allocated to leverage the huge energy efficiency potential of the economy to improve welfare, competitiveness and environmental impact. Necessary reforms have to be done to allow for multi-annual municipal budgeting and for the retention of savings resulting from investment in energy efficiency, so as to provide appropriate incentives for municipal actions. Consideration is to be given to introduction of an energy efficiency obligation as a condition of any energy utility supply licence.

Specific recommendations are made to introduction of various energy efficiency programmes and measures concerning buildings, energy using products, district heating sector, industry and further the deployment of renewable energy in pursuit of the 11% 2020 target.

The **IDR of Republic of Turkey** commenced in October 2013 with the support of experts from Norway, Albania, The Netherlands and the EC Delegation in Ankara, Turkey. The review mission to Ankara took place from 19-22nd November 2013. A draft report and recommendations were developed until the end of the year. The final report with the recommendations to the Turkish government is expected to be published in early 2014.

#### *Follow-up on Member States Reviews*

The Energy Charter Secretariat commenced a follow up in 2013 of the recent In-Depth

Energy Efficiency Reviews. The aim is to assess their effectiveness in practice and identify support activities for the implementation of recommended measures. Such activities might be in the form of provision of further policy advice, capacity building and support for development of future energy efficiency projects or information provision. This assessment is developed in close cooperation with reviewed countries through a questionnaire. Mongolia, Bosnia & Herzegovina and Georgia were addressed and responded to the questionnaire. An analysis and preparation of further activities with these Member States is being undertaken.

The PEEREA Working Group at the meeting on 1 October 2013 discussed and adopted the report and the recommendations to Tajikistan and Ukraine and further submitted them for endorsement to the Energy Charter Conference CC460 and CC461.

#### *PEEREA Working Group Round Tables*

The Members roundtable continued to be a viable platform for countries to share information on recent policy developments and to identify good practice in Member states.

Issues discussed included:

- Armenia stated that the national energy balance and energy statistics are now complying with the IEA standards. The developing of reliable energy balance and statistics was one of the actions, foreseen in the National energy efficiency action plan. The Ministry of energy is the national coordinator of the EU programme Covenant of Mayors going East and is actively trying to involve Armenian cities to join the initiative. Currently one city has signed to the Covenant of Mayors and several cities are considering to join in the near future
- Azerbaijan informed delegates that draft laws on Renewable energy and on Energy Efficiency have been compelled and expected to be adopted by 2013. The National strategy for renewable energy development until 2020 was approved. The strategy sets an ambitious goal to reach generation capacity of 9 GW from renewable sources by 2020. To achieve this goal huge investment will be needed and the Government understands that still steps are necessary to be taken to create attractive investment climate. Within the EU Inogate programme few pilot actions are undertaken to assess the existing potential for energy saving in the building sector, training sessions are organised for energy auditors and information campaign for end-users is developed.
- Norway described the priorities and the operation of the Energy Fund, which provides investment aid for energy efficiency projects. The fund is administrated by the state enterprise Enova and is financed by means of levy on the electricity tariff as well as through state budget allocation. To guarantee the energy savings of 6.25 TWh until the end of 2015 (according to the agreement with the Government) Enova has developed different support schemes for implementation of energy efficiency measures in industry, building sector, heating, etc. Specific programs

were put in place as well as criteria to be fulfilled by projects in order to be eligible for the financial aid.

- Albania stated that the renewable energy law had finally been adopted by the Albanian Parliament recently; however the energy efficiency draft law is still not adopted and is not expected to pass in the Parliament before the forthcoming elections. There is also a delay in the implementation of the National Energy Efficiency Program, because there is no state financing available for implementing its measures.
- Ukraine stated that within the implementation of the State Target Economic Program on Energy Efficiency and Development of Energy Production from Renewable Energy Sources and Alternative Fuels in 2010–2015, a number of draft pieces of legislation and regulations have been developed by the State Agency for Energy Efficiency and Energy Conservation. Those include draft law on the “efficient use of energy resources”, draft technical regulation on “Energy Efficiency in Industry (for energy management of industrial enterprises)”, draft technical regulation on “Energy End-Use Efficiency and Energy Services (for energy audits of industrial enterprises)”, and draft technical regulations on “Energy Labelling of Household Electric Appliances” in compliance with EU legislation).
- Sweden, communicated recent news on energy policies in the country. Recently the Government committed to improve energy efficiency investing 150 million Swedish Crowns, allocated for new energy research programmes (from 2013 to 2016). The sector of research and innovation has been potentiated to improve the possibility to switch towards a long-term sustainable energy system. The country showed progress in increasing share of renewables: thanks to hydropower and wind power technologies. The year 2012 signed a record of electricity production.
- Portugal described activities developed in the last two years: the energy policies are focused on energy efficiency and renewable sources. The target set up by the Energy Efficiency Directive has been increased by the Government, which committed to reach a general decreasing of energy primary consumption of 25% by 2020, compared to the value of 2007. The target of reduction for public buildings and equipments is around 30% by 2020. In the area of renewables, the Government fixed the amount of the share at 31% by 2020. The country has submitted the second National Energy Efficiency Action Plan, which will run from 2013 to 2016. Among the measures planned to reach those targets, are installation of new-generation smart grids, developed thanks to national technology and know-how.
- European Commission reiterated that all Member States should by April 2013 have set their national indicative energy efficiency targets. Assessing these twenty-seven plans and targets, the European Commission would be able to evaluate the progresses of EU in achieving the 2020 targets. To support member states in the implementation of this complex directive, the EC is currently developing a number of interpretative notes, which will support on how specific directive requirements should be implemented. These notes are to serve only as guidance to national

governments. Given the complexity of the document, the guidelines will be produced in seven different documents on: central government buildings; public procurement; energy efficiency obligations and alternatives; energy audits; metering; cogeneration and district heating; grids and demand/response issues. Within the new financial framework Horizon 2020 (2014-2020), the EU Parliament and the Council agreed to allocate €5.4 billion in the sectors of clean and efficient energy, smart cities and communities, use of low cost/low carbon energy. The Institutions committed to set up by the next 9 months a work-programme dedicated on funding can be better spent.

## **2. International Cooperation Activities**

An informal framework for the cooperation of the ECS with IEA and OECD was established, having a few actions already taken place. Coordination on energy efficiency activities was regarded in order not to overlap nor duplicate work. A few concrete activities where synergies were found had been started, namely the organisation of a workshop on energy efficiency in Ukraine.

Cooperation with OSCE local offices was a reality in 2013. In Tajikistan, collaboration was sought by the Secretariat's for the organisation of the mission to Dushanbe for the In-Depth Review. Expertise was requested by OSCE Azerbaijan office, for assisting the Centre for Strategic Studies under the President of the Republic of Azerbaijan in developing and disseminating concrete policy guidelines on the integration of energy efficiency in public procurement in the buildings sector.

The Secretariat was invited by OECD to participate in a Task Force on developing green growth indicators for the countries from Central and Eastern Europe, Caucasus and Central Asia. The work done by the Task force could serve as a good platform to bridge the work on green growth indicators and on energy indicators in each of the participating countries. Experts from Secretariat provided advise on the structure and content of a methodology handbook aimed at supporting countries to select most relevant indicators, explain how to collect data or adjust existing statistic to their needs, how to measure progress and how to use the indicators in the policy development process.

In 2013 the Energy Charter Secretariat also joined the Global Partnership for Energy Efficient Buildings, started by the UN Foundation under the Sustainable Energy for All initiative.

Further development of these activities is envisaged to continue during 2014. The PEEREA Working Group continued also to serve as a forum for networking and exchange of information with other international and national organisations active in the area of energy efficiency. In particular, PEEREA Working Group members and the Secretariat participated in several conferences organised by these institutions during the year.

### **3. Implementing PEEREA at local level**

The DACO project started at the beginning of 2012 and the aim is to Support the local authorities in the Central Asian Area and ENP-East Area to acquire a common methodology to correctly monitor, evaluate and reduce their energy consumption and CO2 emissions. This general objective is reached by joining the Covenant of Mayors' principles, rules and goals. This project benefits from a grant from the European Commission.

Four cities are partners in the DACO project: Sumgayit (Azerbaijan), Novogrudok (Belarus), Taraz (Kazakhstan) and Somonyon (Tajikistan).

In 2013 Sustainable Energy Action Plans were developed in the cities in accordance with the established format of the Covenant of Mayors. A set of donors roundtables were also organised in the countries by the Secretariat, aiming to attract international financing for the actions inscribed in each city's Plans. Moreover, as part of the DACO work plan, concrete demonstration pilot projects were implemented, namely the weathering of a kindergarten (Somonyon), installation of a solar collector system in a municipal swimming pool (Novogrudok) and installation of solar heating and hot water supply system of five apartments (Taraz).

Representatives of municipalities have participated at the Autumn PEEREA meeting, sharing with delegates their SEAPs and Pilot Projects.

More information on DACO project activities could be found on the project website: <http://daco.encharter.org>.

### **4. PEEREA Working Group future activities**

In 2012 the working Group discussed and agreed on the priority areas for the future activities for the next three years.

In-depth and regular reviews are strongly supported by Member Countries, and will continue to form the backbone of much of the work of the PEEREA WG. The focus in the review process will be on countries with the highest potential for improvements, namely in Eastern European and Central Asian countries. More emphasis will be put on regular follow up on the Member States reviews, assess their effectiveness in practice and identify support activities for the implementation of recommended measures.

Such activities might be in the form of provision of further policy support, capacity building, and support for development of pipeline of energy efficiency projects or information provision should be identified in close cooperation with reviewed countries. Based on needs identified during the review process results, the PEEREA WG might provide further support to member states for structuring and developing legislation as well as to increase capacity on development and implementation of policies for national/local decisions makers in Member States.

In 2013 the Energy Charter Secretariat signed a Memorandum of Understanding with Kazenergy Association of Kazakhstan for the development of a series of activities during 2014, targeting energy efficiency policies, capacity building and also providing support to the review of the National Energy Report.

The Minister of Energy of Azerbaijan addressed a letter to the Secretariat inviting it to provide technical support to the development of the National Action Plan for Efficient Use of Energy Resources, as a follow up of the In-depth Review on Energy Efficiency Policies of Azerbaijan done in 2012.

In April 2012 the Secretariat received a voluntary contribution from the Government of the Netherlands to implement a low carbon measure in favour of an outreach country with the view of arising interest of that country in the Energy Charter Process, in order to facilitate its eventual accession. Within this framework, the Secretariat will work with India as target country for the use of the voluntary contribution. India is one of the main target countries in our outreach policy. Based upon its experience to elaborate energy efficiency regular and in-depth reviews, the Secretariat will prepare, together with Indian authorities, a Sustainable Energy Review of India.

## **Conclusions**

As core activity in 2013, the ECS has developed three In-depth Energy Efficiency Policies and Programmes Reviews: Tajikistan, Ukraine and Turkey. From the output of this work, policy recommendations have been provided to the host governments. In the peer review teams for the above mentioned reviews, experts from Albania, Austria, Kazakhstan, Netherlands, Slovakian and Switzerland and the European Commission have actively participated.

During the Member's roundtables organised within the PEEREA working Group meetings an active exchange of information of the most recent developments in each Members countries' policies on energy efficiency and renewable energies have happened.

The activities within DACO project, supported by a grant from the European Commission, in 2013 focused on the development of Sustainable Energy Action Plans, the implementation of three pilot projects and a donor roundtable, organised in the four participating cities.

The Energy Efficiency team of the Secretariat has participated as speaker in a few events organised by other international organisations as UNECE, OSCE and OECD. As a result the experts were invited to participate as member of the Steering Committee of a project on Policy Guidelines on Energy Efficiency in Buildings Public Procurement, lead by OSCE in Azerbaijan; and by OECD to participate in a Task Force on developing Green Growth Indicators for the Countries from Central and Eastern Europe, Caucasus and Central Asia. Finally, the Secretariat has joined the UN Foundation initiative to establish a Global Partnership for Energy Efficient Buildings, within the framework of the Sustainable Energy for All initiative.