

The real interest in reaching to information regarding financing energy efficiency projects has been – more than once – one of the conclusions of the meetings between municipalities' representatives (mayors, vice – mayors, councilors, energy responsables) and APER. The seminar organized in Cheia, between 20 – 22 February, under the MUNEE program, was an excellent opportunity to learn about solutions and requests of well – known institutions and companies. The audience received presentations and clarifications from: EBRD, IFC, VOLVO AERO, NUONSIB, INTERGROUP (JOINT IMPLEMENTATION and PHARE), HONEYWELL and SWISSPOR. Today's issue of Info EE signals other possible financing sources for municipal projects.



Local authorities' access to the Special Fund for the Development of the Energy System

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The Special Fund for the Development of the Energy Sector (FSDSE) has been established by Governmental Ordinance no. 29 / 1994. According to the stipulations of Art. 1 and Art. 5 of the GO, energy saving investment projects are eligible for financing from FSDSE . Further modifications have been introduced by the Governmental Ordinance No. 17 / 1996 and the Governmental Ordinance No. 26 / 1999. Important specifications have been given by the "Instructions regarding the establishment and use of the FSDSE", approved by Ministry of Industry and Trade' s Order no. 255.479 / 26.02.1999 and Ministry of Finance's Order no. 91.825 / 20.05.1999. Thus, energy conservation works are considered to reduce energy losses during the transport and distribution of heat and power.

As a result of these consecutive modifications, the first projects addressed to the municipalities have not been financed earlier than 1998. Specifications have also been made linked to the fact that these projects are financed by transferring the amounts approved by the main fund coordinator (Ministry of Industry and Resources) from the state budget to the municipal budgets.

The financing principle applied by the Romanian Agency for Energy Conservation (ARCE), which proposes to the fund coordinator the necessary amounts after having verified the feasibility study approved by the local authority is to provide not more than 20 - 25% of the investment value in order to create a maximum stimulating effect together with increasing the responsibility in using these funds.

This type of financing is in accordance with the obligations assumed by Romania through the ratification of the Energy Charter Protocol on Energy Efficiency and Environmental Aspects. Through this document, the signing countries are committing to offer fiscal and financial incentives to the promotion of energy efficiency. At the same time, this procedure is similar to the one used by the energy conservation agencies in Europe.

Cofinancing municipal projects from FSDSE has a maximum impact when attracting internal and external credits by improving the investment's financial parameters or by complying with the conditions imposed by external financing institutions with regard to the use of internal sources as a guarantee of the Romanian partner's good-will.

We have noted a wrong tendency of the municipalities to elaborate extensive feasibility studies, addressed to investments that exceed the local financing capacity. In such cases, the FSDSE participation will be calculated according to the feasible volume of investments.

ARCE territorial branches are in charge of monitoring the investment schedule, the quality of the works and the conformity with the agreed proportion between the amounts offered by FSDSE and the local financing.

So far, the following types of projects have been considered eligible: heating network rehabilitation, reduction of power consumption in water pumping and replacing expensive fuels (liquid) with renewable energy (biomass). This type of projects leads to energy savings of minimum 25-30 %.

Further to the enforcement of the Energy Efficiency Law (No. 199 / 2000), energy efficiency programs will be elaborated for towns having more than 20,000 inhabitants, which will allow the selection of projects according to the priority resulted from a local medium - term energy strategy;

these projects will consider various heat supply solutions avoiding unsound decisions made under the influence of momentary circumstances.

Further to the heat price increase, an important element in the eligibility of FSDSE-financed projects is the existence of a component regarding the metering and the introduction of thermostatic valves and heat cost allocators. This condition is also imposed by the SAVE Directive of the European Union that regulates individual billing in blocks of flats.

◆ **The Romanian Fund for Energy Efficiency (FREE)**

The Romanian Fund for Energy Efficiency (FREE) is an independent, non-profit organization established by GO No. 124 / 8.10.2001. FREE operates on commercial basis and will increase its capacity by self-financing (revolving fund). FREE represents public and private interests and is managed by a Board of Administration consisting of 7 individuals (2 from the public sector and 5 from the private sector). The purpose of the Fund is to stimulate investments in the field of energy efficiency and energy management in the industrial, commercial and institutional sectors. Using the initial 10 mil. US\$ received as non-reimbursable financing from GEF (Global Environment Facility), FREE is thought to become a catalyser for attracting investments from other sources, such as financing institutions, development / commercial banks, as well as Romanian and foreign capital. FREE funds will be managed by a Fund Administrator with sufficient autonomy from the Romanian Government to carry out its responsibilities in a commercial way in order to attract both public and private sources of co-financing. The Fund Administrator will work with potential clients and partners to identify and present projects. Its tasks will be: credit analysis and clients financial analysis; deal structuring; negotiation of loan terms; submitting the credit requests to the Investment Committee. The Investment Committee consists of 3 members of the Board that will evaluate and approve the investment recommendations of the Fund Manager.

The local authorities and the energy utilities are eligible for being financed from FREE. The financing services offered by FREE will initially cover maximum 80% of the approved energy efficiency projects and will consist of:

- Cash flow – based term loans for end-users
- Cash flow – based term loans made to energy services companies (ESCOs) on a project-by-project basis
- “Performance” loans where FREE co-operates with a supplier consortium to offer a total package including engineering, equipment and financing.

Technical assistance for training and project development can also be offered. Unlike commercial banks, FREE does not request collateral guarantees from those who apply for loans.

The methodology for project analysis and financing is currently under elaboration. Under these circumstances, it looks like the first loans will be granted by the end of 2002.

◆ **ECOLINKS GRANTS**

Ecolinks is a program financed by the US Agency for International Development (USAID) addressed to Central and Eastern Europe and Eurasia. Ecolinks seeks to strengthen the capacity of business and local governments in the region to develop market-based solutions to urban and industrial environment problems. Ecolinks only takes into account the projects that involve partnerships between the Project Leader and another entity. The partner can be from US or from a country situated in the same region as the Project Leader.

The application process is a two – stage procedure. In the first stage, the eligible organizations are invited to submit a Concept Paper describing their proposed activity to their local program office. The best Concept Papers are selected to continue into the second stage of the evaluation procedure, when a detailed project description is requested. The best full applications are selected by an independent panel and awarded a grant.

◆ **TDA**

TDA awards grants for feasibility studies and planning activities that directly influence the buying decisions of the big industrial projects or of the infrastructure projects. TDA manages trust funds in 6 international development organizations: World Bank, IFC, European Bank for Reconstruction and Development (BERD), Interamerican Development Bank, Investments American Corporation and African Development Bank. The project is operational in more than 40 eligible developing or middle developed countries. When implementing a project, hundreds, even thousands products and services are necessary, from the radar equipment in the airports to the process control in refineries. In the USA, for any proposed project the impact on the environment, the influence upon the exports and the number of the work places are analyzed.

In addition, the necessary products and services should have the "made in USA" label. TDA grants are signed directly with the sponsor of the project from the implementation country, but all TDA activities should be developed by American companies.

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● The Romanian Government allocated 3 billions lei (100, 000 US\$), for the rehabilitation of the water supply system in Slatina. In 2001, the project was granted with 500,000 US\$ by the Government of Austria. Based on this, many objectives have been accomplished: drilled well examination by video equipment, rebate of the production costs, losses decrease by buying new devices of gap detection.

● The Swedish group SKANSKA studies the possibility to enter the waste water treatment projects market in Romania. SKANSKA reported a turnover of more than 15 billions \$ for 2001.

● In the period April 8-10 2002, a seminar on “Energy Efficiency Financing”, organized by the International Institute for Energy Conservation (IIEC), will take place in Kiev. The members of the regional MUNEE network will also participate in this event. APER will be represented by Mrs. Elena Andrei (Municipal bonds) and Ms. Ioana Ionescu (MUNEE Romania).