

Opinion: Energy-Saving Resources not yet depleted

Interview by Valentina Piantkovskaya
(contains summary of interview with Renovatia)

For Moldova, which imports 98% of its energy resources, a continuous rise in prices means a decrease in competitiveness of domestic goods on the internal and external markets, as well as a deteriorating economic situation. Meanwhile, experts of the international and nongovernmental organizations consider that energy-saving resources available inside the country are far from being depleted. Our correspondent met with Ruslan Surugiu, Manager of the Alliance to Save Energy (USAID project in Moldova), and Mikhail Socol, Director of Renovatia - Center for Support and Development of the Housing Complex and Municipal Services.

Correspondent: What was the purpose of creating the Alliance to Save Energy?

Ruslan Surugiu: The idea of creating the Alliance goes back to early 1970s when the continuous increase in oil prices resulted in an energy crisis. It was the first time when the serious discussions on energy efficiency started in the western world. At that time, experts came to a conclusion that the best way to fight the energy crisis would be through energy savings. To solve these issues in the USA, in 1977 a public, non-profit organization called The Alliance to Save Energy was created. It unified businesses, government, environmental and consumer leaders for promotion of more effective and cleaner use of power resources worldwide.

In Moldova, the Alliance has been working since 2001 within the Municipal Network for Energy Efficiency Program, funded by the USAID. Since 2002, at the request of the Ministry of Energy, Alliance has rendered technical assistance in the heat system development sector. As part of this work, in collaboration with the local and international experts, the Alliance produced a development model for the Heating Supply Sector and a draft law on heat energy. Whilst the development model has been adopted, the draft heat law has been under the consideration process.

Correspondent: What is the situation with energy saving in Moldova?

R.S.: The Law on Energy Conservation was adopted in 2000 in Moldova, but it doesn't work in practice. This document was studied by independent experts, including those from the Energy Charter of the European Council who visited Moldova in 2004. They concluded that while the concept of the law is very progressive, there is no real mechanism for providing incentives to implement the provisions of the law, and therefore the document needs to be further adjusted .

Correspondent: Is there anyone interested in energy saving in addition to the heat energy consumers?

R.S.: I would look at this problem from another perspective. For example, before the heat suppliers, also being the heat producers, were benchmarked only by the producers' possibilities. It was the producer who was dictating terms of heat energy supply, without considering consumers' interests. The result was that more heat energy was produced than consumers could pay for based on the existing tariffs; the market of heat consumption was reduced, while costs of production increased. Abroad, the consumer dictates the conditions of the volume of energy supply. The consumer orders as much as he could afford to pay for. If the energy saving measures are implemented consistently, energy consumption can be reduced by 40-60%. Such multidimensional projects have been implemented in Poland, Lithuania and in other countries. The projects include heat insulation, automatic regulation of heat supply depending on the outdoor temperature, etc.

Correspondent: Can the reduction of energy consumption result in further price increases while

the production costs remain unchanged?

R.S.: Already, our large heat consumers - the enterprises, have disconnected from the centralized heating, and only some of the consumers are left. Unless producers will start taking into account real market demands and produce as much energy as consumers need, energy prices will continue to grow. Today we are working with the new management of Termocom Heating Company, who has shown interest in applying more progressive approaches aimed at the consumers' needs, as the share of heat consumption by the housing stock amounts to approximately 70 percent. For example, to solve the problem of tenants who live on the ground and top floors, Termocom offers various technical improvements.

The correspondent: Are the energy suppliers interested in energy saving?

R.S.: In Poland, the transition to a regulatory scheme where energy supply became dependent on consumer demand produced a negative reaction from the suppliers. The suppliers were wary that reduction in consumption might affect their revenues. However, they later realized that when energy is paid-for in its entirety, there is an opportunity to expand the consumer market because those who had earlier withdrawn from their services due to high prices became interested in resuming consumption. The payment by heat energy providers for consumed gas does not reach 100% in our country. I think it is in the interest of the suppliers to create such conditions which would assure full payment for supply and thus would stimulate expansion of the end-user market.

Correspondent: Today suppliers refuse to buy the energy received from renewable energy sources (wind, solar, biogas, etc.) even at the existing procurement prices.

R.S.: Thus far, there isn't a market which would allow consumers to choose the energy supplier. Moldovan Energy Regulatory Agency (ANRE) deals with such issues at present. One of the provisions of the draft law on Heat Energy, which the Alliance Moldova has developed includes the idea of encouraging CHPs (Combined Heat and Power stations) to generate heat at the expense of selling power to energy distribution companies. To my knowledge, the contract between the Government and Union Fenosa contains an article obliging the company to buy power from CHP-1 and CHP-2. However the CHPs currently under construction might be deprived from selling their power. Since Ukrainian power will become more expensive as well, we should prepare to use the energy produced in Moldova. The tendency of energy prices to increase will continue, based on objective reasons: oil and gas reserves are limited. There are estimates that there are sufficient reserves for several decades.

Correspondent: What is the situation with implementing energy saving project in Moldova?

R.S.: We faced the problem that those implementing the projects are not familiar with the available financial or technical mechanisms. And if the personnel is not adequately prepared, technologies will not work. Two pilot projects have been implemented in buildings owned by the Chisinau Municipality. Equipment, which automatically regulates consumption of heat energy depending on the outdoor temperature, time etc, was installed. The heat consumption has already been reduced by 20 percent, as was the heating bill. Mass scale implementation of such projects throughout the capital will produce significant savings for the city budget. The Alliance Moldova team proposed to create a 'Revolving Fund' for accumulating the saved money in order to use it for implementation of similar projects. In addition, there are mechanisms for paying the interest under credits for the owners of the housing fund who are willing to implement energy efficiency projects.

In Poland it was an initiative by the Government where the housing associations borrowed from commercial banks, while the interest was paid fully or partially from the special funds. In Austria, the Government has specified the permissible energy consumption levels and energy losses through

the buildings. This project also included obligatory requirements for installing heat supply regulators. In promoting energy efficiency projects in Moldova, the Alliance plans to assist local organizations, utilizing various financial mechanisms.

**Renovatia NGO Interview Summary
(conducted in conjunction with the Alliance to Save Energy interview)**

The National Program for Energy Conservation needs to be completed. The representatives of the Center for Housing Sector Support and Development Renovatia propose to study possibilities of providing full complex of energy services in all economic zones of Moldova by taking into consideration local resources. This will require some amendments to the existing National Program for Energy Conservation until 2010.

According to Mihail Socol, energy conservation should be treated on a multidimensional scale, taking into account the use of hydro, solar, cogeneration and the use of the heat produced. There was a plan to build a cascade of power stations on River Dniestr which could generate 200 MWt of power, or 20 percent of the entire volume consumed. It is possible to provide an urban area of Moldova with hot water for approximately 200 days per year through the combined efforts of solar and gas boiler power.

Implementing the entire collection of energy system improvement measures would permit the efficiency coefficient to reach 75 percent, providing 2,5 million people with heat, power, gas and hot water. This would reduce the import of gas from 3,3 billion m³ to 1,8 billion m³. Also it is possible to reduce gas and power imports by using renewable energy resources such as biogas.

Mihail Socol considers that construction of the power stations is not efficient as the stations do not provide anything but power. Socol states that “The concept of the currently existing power stations is characterized by the ideology of 19th century, the project solutions are represented by the 20s and 30s of the 20th century, while the equipment was produced in 1950s. The 21st century needs modern aggregates with efficient coefficient of 60 percent, contrary to the 31-33 percent which is the case today. To increase efficiency, it is necessary to use heat, the secondary product, at its maximum”.

These and other proposals have been approved by some MPs and representatives of the Ministries at a meeting where it was decided to create a National Coordination Council on amending the National Program for Energy Conservation. There were positive responses from other local coordinators representing the Ministries of Denmark and Germany in Moldova. However, this process was put on hold due to the elections. It would be helpful if the deputies of the new Parliament would pay closer attention to this proposal, especially considering that the gas prices will be increasing more and more.