

MUNEE e-zine # 4

WELCOME TO MUNEE NEWS!!

The newsletter of the Municipal Network for Energy Efficiency (MUNEE)

Sponsored by the United States Agency for International Development (USAID)

Managed by the Alliance to Save Energy

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Introduction

Welcome to the 4th edition of the MUNEE newsletter!

As winter begins, we are reminded of the importance of energy efficiency to so many people in the MUNEE region. Energy efficiency is not just beneficial to the larger environment and the economy but, perhaps most importantly, to the health and well-being of everyday people. In addition to saving fuel for cities that cannot afford to heat their buildings, MUNEE is working on ways to mitigate the impact of rising energy prices on low-income consumers - on those least able to absorb the shock of tariff increases and subsidy reductions. Some of the success stories we are collecting show how this can be done. The MUNEE partners have an ambitious schedule of demonstration projects, training seminars, and regional exchanges planned in the year 2002, and we look forward to sharing this information with you in future newsletters and on our website.

Happy Holidays!


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Spotlight: Campaign to Mitigate the Energy Crisis in Serbia

Serbia is just beginning a long winter season and already residents are dealing with severe energy shortages. In Montenegro, in fact, the electricity company has begun rolling blackouts of up to six hours. Strategies to mitigate the energy crisis are needed now, and an opinion poll being conducted by the Alliance to Save Energy shows that Serbians are eager to learn about methods to save energy.

To disseminate practical information and increase awareness on this critical topic, the Serbian Ministry of Education and Sport and the Alliance organized "Energy Efficiency Week", December 3-7. The week's agenda included an educational program to promote energy efficiency and a media blitz on major Serbian television stations.

Through its Green Schools program, the Alliance produced educational materials that were disseminated during Energy Efficiency Week to over 100 elementary schools in 11 municipalities and educated 100,000 students on the basics of energy efficiency. The materials developed for the program included teachers' curriculum, student worksheets, handouts, leaflets, posters, 2002 pocket calendars, and stickers for light switches.

Also during the week, more than 30 television stations broadcast a residential energy efficiency documentary into the homes of nearly 6.5 million people (60-70% of the Serbian population). The documentary suggests no-cost and low-cost energy efficiency measures for residential energy savings and is narrated by the famous Serbian actor, Branimir Brstina. Recently, a Serbian municipality with a large Hungarian-speaking population requested permission to dub the video into Hungarian, and the Alliance is planning a Russian version.

For more information, contact Eric Carlson at ecarlson@ase.org.yu


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Energy Factoid: Who Really Gets the Subsidy?

One of the most challenging issues in energy sector reform is protection of low-income consumers in the face of rising energy costs. As tariffs for heat, hot water, and other essential communal services are restructured to reflect the real market costs of production, and as governments struggle to rationalize the subsidy system, low-income consumers are at great risk of being left in the cold.

Many countries in Central and Eastern Europe have chosen to allocate subsidies to those customers for whom energy expenses exceed a certain percentage of their monthly income - typically ranging from 15 to 30%. Theoretically, "burden limits" shelter low-income consumers from excessive energy expenses during a volatile period of reform. In practice, this method may inadvertently direct energy subsidies to the economically better-off energy consumers. A World Bank survey found that in 1996, only 28 percent of Ukrainian households that reported receiving a housing allowance were actually below the (relative) poverty line. Data from the report show a low positive correlation between household utility expenses and per capita income, suggesting that low-income consumers spend a similar or even smaller percentage of their income on energy than do high-income consumers.

To obtain a copy of this report, "Maintaining Utility Services for the Poor: Policies and Practices in Central and Eastern Europe and the Former Soviet Union," (September 2000) please visit the World Bank library of publications at <http://publications.worldbank.org/ecommerce/>

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News from the MUNEE Program

POLAND: December 9-12. Many countries have established environmental funds, capitalized in part by pollution penalties. The Polish Network Energie Cites (PNEC) brought many of these funds together for MUNEE's second regional exchange, "State-Level Financing of Energy Efficiency as a Component of Environmental Protection," in Krakow. In total, 15 countries from the region participated. The agenda included discussion of national policy support for energy efficiency, the relationship between national and municipal energy agencies, and an international comparison of national environmental protection funds and their management.

The outcome of the exchange and discussion was an improved understanding among MUNEE partners of the reasons why some state-level funds are especially successful, while others are struggling and their existence is at stake. An example of a successful state-level fund with a system of regional funds is found in Poland. One idea that came out of the workshop based on the Polish experience is that a combination of grants and loans for municipal energy efficiency and environmental projects is one way to strengthen a state fund's effectiveness and viability. The benefit of energy efficiency, of course, is that the energy savings produce revenues.

The conference proceedings - available in early 2002 - will show what makes some environmental funds work and others ineffective and will provide recommendations for national policy makers. For more information, contact Angela Morin at amorin@ase.org or Maria Stankiewicz at pnec@krakus.top.pl

ROMANIA: The major MUNEE partners gathered in Bucharest, Romania on November 15

for the second Policy Working Group meeting, arranged by the Romanian Energy Policy Association (APER). The Working Group meets about twice a year to report on the network's progress and accomplishments and to design MUNEE's upcoming activities, such as regional exchanges and workshops. This meeting brought together the MUNEE partners as well as mayors, members of the Romanian Parliament, the World Bank and consulting and law firms that work with cities. Each MUNEE partner presented its work under the program, and various Romanian officials provided their experience on municipal energy and finance innovations, including issuing municipal bonds to rehabilitate urban infrastructure. For more information, contact Seth Baruch at sbaruch@ase.org

A summary of the meeting is available on <http://www.munee.org/> in the library documents section.

RUSSIA AND UKRAINE: MUNEE Partners CENef and ARENA ECO have compiled a list of successful approaches used by cities to increase revenue collection. This additional revenue provides the resources that district heat and water supply companies need to start improving their systems. With more than 19 cases in Russia and 5 in Ukraine, MUNEE now has a wide range of approaches that will be used next year in training seminars with members of both countries' municipal associations. Some of these approaches include: innovations in billing and collection methods; tariff and subsidy reforms; incentives to install heat and water meters - both on the building level and in individual apartments; municipal software and energy accounting systems; and methodologies for city buildings to keep the energy savings they generate. For more information, contact Seth Baruch at sbaruch@ase.org

SERBIA: The second municipal energy efficiency training took place November 12-15, in Zlatibor, Serbia. The goal of the training was to review preliminary project proposals for efficiency improvements in local buildings and other facilities. These potential investments were identified by the participants with assistance from the Bulgarian Center for Energy Efficiency (EnEffect). The training also instructed the participants on preparation of business plans for submission to financing institutions. This training was the second of five scheduled sessions which will result in eleven project proposals and municipal energy plans. The training included 33 officials from eleven municipalities and was implemented in cooperation with EnEffect.

The Alliance, in coordination with the Serbian Ministry of Energy and Mining and the B92 media group, organized a public opinion poll that will be carried out each month between November and February to understand people's perceptions of and participation in energy efficiency initiatives. The poll is designed to gain information about whether people's behavior will change due to tariff reforms and the energy efficiency initiatives carried out by the Government and USAID. The first poll, carried out in November, shows that people held a very high opinion of energy efficiency initiatives. The survey also showed that heating is the most important issue with regard to electricity savings and with electricity prices rising, respondents are interested in learning more about alternative, more efficient sources of

heating. For more information on Alliance activities in Serbia, contact Eric Carlson at ecarlson@ase.org.yu

UKRAINE: The Alliance to Save Energy, along with the Association of Ukrainian Cities (AUC) and ARENA-ECO, organized a roundtable with 30 municipal representatives, ESCOs, and other experts. It was the first event on energy efficiency with participation of the AUC. The meeting focused on how the new Municipal Budget Code does and does not encourage cities to reduce operating expenses, such as energy. The Budget Code, which applies to larger cities, outlines many of the new rights that cities have over their financial situation, and the city representatives stressed the need to apply the code in small and medium-sized cities. In the end, the participants drafted a letter to the President of Ukraine with recommendations on stimulating energy efficiency. The recommendations include asking the State Committee on Energy Conservation (SCEC) and the Ministries of Finance and Economy to develop:

- A mechanism for calculating and monitoring savings from energy efficiency projects in the public sector (so city buildings can keep the savings);
- A mechanism for financing municipal energy efficiency projects using private funds with the payback resulting from savings;
- A mechanism to use municipal property and the budget as collateral for attracting third party financing.

With assistance from the Alliance and USAID, the city of Lutsk, Ukraine, agreed to adopt a full, city-wide energy monitoring system for schools. The city will install a software program in each school's computer system and, with daily tracking of meter and outdoor/indoor temperature readings, the city will be able to identify schools that have particularly high levels of energy consumption. The result will be a better understanding of which schools should be prioritized for efficiency upgrades. Energy accounting systems are being tested and developed in the Ukrainian cities of Korosten, Kalush and Ivano-Frankivsk. For more information on MUNEE activities in Ukraine, contact Seth Baruch at sbaruch@ase.org

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News in the MUNEE Region

BULGARIA: The World Bank recommended that Bulgaria embark on aggressive measures to raise industrial energy efficiency. The recommendation is contained in a World Bank report to the State Agency on Energy and Energy Resources titled "A Review of Energy and the Environment" and dedicated to developments in the Bulgarian energy sector. According to the report, power efficiency in Bulgaria is several times lower than neighboring states at similar stages of development. Hence, the World Bank pledged its support to Bulgaria for the development of environment-friendly energy facilities, for the reduction of dependency

on coal, and for support to cushion the immediate impact of price reforms on the poorer sections of the population.

For more information, contact Pavel Manchev at pmanchev@eneffect.bg.

MOLDOVA: November 28. Although the cold weather started long ago, 115 schools are not being heated yet, according to Valentin Untura, Head of the Education Ministry. The Education Ministry announced the start of the heating season on November 1. According to Untura, 78 of the 155 schools do not have fuel, while 37 have not repaired their autonomous heating stations.

Some schools are without electricity after the recent heavy snowfalls. Untura said that 6 schools were closed after doctors warned that children could become sick because of low temperatures in classrooms. According to recent data, the schools were provided with 26,000 tons of fuel, or 38% of the 70,000 tons necessary. Last year, about 300 schools had 11 days of additional vacation -- until 22 January -- because of lack of fuel, while another 100 schools announced vacation until the beginning of February. The Alliance is now installing controls in schools that do have heat, reducing temperatures when school is not in session. This should save precious fuel for the district heating company and help schools connected to the system.

For more information, contact Irina Plis at iplis@ase.org.

ROMANIA: In the Botosani municipality, the District Autonomous Regie "APA," completed the installation of water meters in all flats (in every basement, at the ownership separation point). The works were performed under a project financed by the European Bank for Reconstruction and Development (EBRD). Since 1995, TERMICA SA has installed heat meters at the entrance of every substation that supplies heat to flats. In April 2001, the Local Council approved a program to install heat meters at every staircase. Meters will be installed on both the heating and water circuits. Flat dwellers proceeded with installation of meters in their apartments in order to measure water consumption. Currently, 85% of the 32,000 apartments (95,000 inhabitants) now have water meters. The impact on behavior has been dramatic: prior to metering water, the consumption was an estimated 9,500 Gcal / month (0.1 Gcal / pers).

The current consumption is 6,500 Gcal / month (0.07 Gcal / pers) -- a reduction of 31%. Reductions in heat consumption will be measured at the end of this year. Initial heat reduction estimations show a 20% decrease. For more information, contact Laura Radulescu at the Romanian Energy Policy Agency at aper@bx.logicnet.ro.

The Romanian Energy Efficiency Fund was officially launched in November 2001, and it is expected to become operational in June 2002. The main goals of the fund are management of financial resources received by Romania from the Global Environmental Facility as well as financing of energy efficiency investment projects for development of energy efficiency in Romania. The new fund is a potentially strong instrument for co-financing energy efficiency projects. For more information, visit the following web site: <http://www.free.org.ro/>.

RUSSIA: November 27. The Moscow government approved a resolution on elimination of subsidies for families with a monthly per capita income higher than 8,500 rubles, as well as a continuation of subsidies for housing and communal services exceeding 13% of a family's income as long as living space does not exceed federal standards. The charge for these services without subsidies is estimated at 23 rubles per square meter. The support will be provided through reduced energy bills and a corresponding transfer of funds from the budget to the energy, water, and housing service companies.

The Moscow government proposed a voluntary program of subsidy reform on January 1, 2002. Under this arrangement, Moscow residents will receive two bills: a bill with the previous year's tariffs/subsidies, and another bill based on the real cost of housing and communal services without subsidies.

German Gref, the Minister of Economic Development and Trade, said that such reforms are absolutely necessary. Gref also said that if at least 10-15% of Moscow residents agree to make full payments, the city leaders could develop a program of obligatory elimination of subsidies for high-income people to be launched on July 1, 2002.

The Moscow government must complete a draft law which outlines plans for implementation of an economic reform model for the housing and communal sector. The plan should include not only an increase in energy charges, but also details on subsidy reform and regulation, tariff auditing, creation of a market environment, and stricter punishment for non-payers.

Currently, more than 2.5 million residents in Moscow pay reduced charges.

SERBIA: With energy expenses exceeding 30% of monthly income, many consumers are considering methods to save kilowatt-hours. Studies show that electric stoves, for example, use 80% of overall electricity consumption in an average Serbian household. Meanwhile of all the heat lost in the average household, 40% is lost through roofs and basements, 25% through walls, while the remaining 35% is lost through terrace doors and windows. Sources say that for every drop in temperature (by each C°), electricity consumption increases 3 million kWh.

As winter wears on, Serbian leaders are concerned that the increasing use of electric heat will exacerbate the potentially serious power shortage. On December 12, electricity consumption reached a record of 139.5 million kWh, which Serbia's national utility, EPS, managed to cover by imports of a million kWh a day (to supplement the production of 126.6 million kWh a day).

So far, the trend is not positive: residential consumption increased 6% over the past 11 months, in comparison to the 4% annual increase in previous years.

Officials of EPS said that they do not expect power cuts in Serbia. In cases of unexpected breaks in production, however, EPS may implement power cuts. EPS is particularly

concerned with the upcoming "slava" season, so they are appealing to citizens to start saving electricity. Slava is the traditional celebration of the saints and the day on which EPS typically records the highest consumption of electricity.

Meanwhile, the Electric Energy Company of Montenegro (EPCG) said that the energy situation is dramatic and announced six hour long power cuts, which would mean that consumers - with daily power cuts - would be without electricity every fourth night. EPCG officials asked citizens for their understanding and asked them to save electricity to avoid system breakdowns.

UKRAINE: While meeting with the region's leaders, Prime Minister Anatolii Kinakh said that the Cabinet opposes writing off the population's debts for housing and communal services. According to Kinakh, the government will oppose the draft law on debt write-off currently in Parliament for examination. Kinakh also said that local authorities should not promise people debt write-offs. According to the State Statistics Committee the population has accumulated a debt of UAH 6.87 billion (USD 1.28 billion) for housing and communal services over the last ten years. Since the beginning of this year, the debt has risen by UAH 696 million (USD 130 million) from UAH 6.17 billion (USD 1.15 billion). In 2000, it increased by UAH 1.12 billion (USD 209 million). For more information, contact Artem Kharchenko at akharchenko@ase.org.

The Ukraine Ministry of Foreign Affairs sponsored the first state-funded weatherization project in Ukraine, replacing windows, doors and making other improvements. The Alliance calculated weatherization costs, chose the appropriate equipment and materials, and organized additional on-site training in Kyiv for local technicians. As a result of this work, the Ministry awarded the contractor, ESCO Center, a second contract. These contracts are an important source of business for these newly emerging businesses. According to PNNL, the Ukrainian government is making a significant effort to improve energy use in government buildings. For more information, contact Artem Kharchenko at akharchenko@ase.org



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Upcoming Events

SOUTHEAST EUROPE: January 21-22. EnEffect will host a meeting in Sofia for the Regional Network on the Efficient Use of Energy Resources (RENEUER). The network is designed to bring together leaders from the Balkan region to help cities invest in energy and water efficiency improvements. The meeting will include representatives from all eight countries (Albania, Bosnia, Bulgaria, Croatia, Macedonia, Moldova, Romania, and Yugoslavia) and participants will develop the workplan for 2002 (including training, network development, project financing, and regional conferences). For more information,

contact Seth Baruch at sbaruch@ase.org.


POLAND: Late January / Early February. The Polish Network Énergie Cités (PNEC) will develop a workshop for leaders in environmental education in the field of sustainable energy development, sponsored by the Polish National Fund for Environmental Protection. The six-day workshop will be organized in Northeastern Poland. The agenda will include discussion on climate change, renewable energy (solar, geothermal, biofuels, wood chips and straw), water/sewage/waste management, energy efficiency in buildings, sustainable energy development, and sustainable transport. For more information, contact PNEC at pniec@krakus.top.pl.

AUSTRIA: March 6-7. O.Oe. Energiesparverband is organizing the World Sustainable Energy conference, an annual European meeting on sustainable energy. The agenda will provide a forum for learning about the latest developments in energy policies, for exchanging know-how, for initiating projects and establishing partnerships. A special feature of the symposium will be the presentation of the winning projects of the Energy Globe Awards 2002, the international prize for sustainable energy solutions. For more information, please visit the O.Oe. Energiesparverband website at http://www.esv.or.at/aktuelles/WEST/index_e.htm.

BELGIUM: March 19-21. A conference "Cogeneration in a New Energy Market" will take place in Brussels. The agenda will include discussion of energy policies to promote cogeneration, case studies, and international/inter-regional comparisons of approaches to cogeneration.

Conference participants can also attend the Cogen Expo (March 20-21), in Brussels, which will include an industry showcase for the cogeneration market. For further details, please visit the Events section of the Cogen Europe website at <http://www.cogen.org/>.

SWEDEN: June 5-8, 2002. The Stockholm Partnerships for Sustainable Cities will host an international exhibition and conference at Kulturhuset in Stockholm, Sweden. The three-day gathering will showcase leading-edge work in urban sustainability from around the world, identifying innovative and replicable examples. See the section below on "New Opportunities" for information on a related award program. For more information, contact Stefan Rauner at stefan.rauner@ecolo-bremen.de or visit <http://www.partnerships.stockholm.se/>.

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Recent Events

LITHUANIA: November 9. Recognizing energy as an important strategic priority, the city

of Klaipeda in Lithuania organized the seminar "Municipal Energy Management at Klaipeda City: Needs and Possibilities" to discuss development of a municipal energy management system. Participants of the seminar prepared a proposal recommending amendments to the Law on Local Self-management of the Lithuanian Republic, which would enable towns (regional) municipalities to implement energy sector (including district heating, power and gas sub-sectors) strategic self-management, including monitoring, pricing, self-financing and participating in the management of state-owned capital. Participants included Board members of Klaipeda city, Parliament members, the Klaipeda Association of Industrialists, the Lithuanian Association of Local authorities, Ministry of Economy representatives, energy companies and energy scientists. For more information, contact Angela Morin at amorin@ase.org.

RUSSIA: November 14-16. The Moscow Government and AVOK organized the 16th annual conference and exhibition "Moscow - An Energy Efficient City" in Moscow with the goal of discussing the development of energy usage for residential and communal services in large cities. The conference featured energy efficient technologies, case studies from various larger Russian cities, and discussions on energy policies and standards. More than 2,000 energy specialists from Russian and the Commonwealth of Independent States participated in the 3-day event. For more information, contact Svetlana Sorokina at cenef@online.ru.

November 11-12. The Association of Siberian and Far East Cities delivered a seminar in Krasnoyarsk titled, "Energy Conservation in Residential and Communal Services: Lowering Costs and Improving Quality of Service." The seminar also addressed formulation of tariffs for communal services. For more information, contact Sarah Meyer at smeyer@ase.org.

November 22. The Russian Ministry of Industry, Science and Technologies organized the exhibition "Energy and Resource Savings - 2001." The Ministry presented the project "Creating Conditions to Overcome the Main Barriers to Energy Efficiency Improvements in the Housing Sector and District Heating" and organized a seminar "On the Ministry of Industry's Energy Efficiency Policy." For more information, contact Svetlana Sorokina at cenef@online.ru.

December 18-19. The Congress of Municipalities Associations held its annual meeting in Moscow December 18-19, 2001. The meeting, which was originally scheduled in October of this year, brought together more than 300 representatives of Russian municipalities to discuss the most topical issues in municipal economic development. MUNEE partner, CENEf, attended this conference to learn about innovative municipal energy efficiency initiatives throughout Russia. For more information, contact CENEf at cenef@online.ru.

Comments on MUNEE NEWS?

If you have any comments or suggestions as to what information you would like to get from MUNEE NEWS, send an email to [Sarah Meyer](mailto:Sarah.Meyer@ase.org).

For previous editions of the MUNEE Newsletter, log on to <http://www.munee.org/>. Thanks for your interest in the MUNEE program.

*For newspaper citations, please contact smeyer@ase.org.

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