

MUNEE e-zine # 5

WELCOME TO MUNEE NEWS!!

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

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

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Regional News

Welcome New Members : In this 5th edition of the MUNEE newsletter, we officially welcome 2 new partners to the MUNEE network, including the Czech Energy Efficiency Center in Prague (SEVEN) and the Hungarian Energy Efficiency Business Council (META). In both countries, MUNEE will study the development of the countries' ESCO markets, evaluate the process of privatization of heat and water companies, and disseminate this experience to other MUNEE countries. These partners each offer more than a decade of experience in financing and implementing municipal energy efficiency projects and, as such, are tremendous resources to the network.

Seminar Season : In the first quarter of 2002, MUNEE has officially entered the 'Seminar Season.' The Alliance and the MUNEE partners are

holding seminars with municipal officials in Romania, Bulgaria, Serbia, Russia, Ukraine, Latvia, Lithuania and Kazakhstan. Seminars that have already taken place are described in more detail below. With all of the partners on board, we are now extending our reach to the city level -- disseminating successful practices on tariff and subsidy reform, billing changes, financing instruments, and municipal energy accounting. We are developing business plans for cities to present to financing institutions and designing municipal energy plans. All of this information will be available on <http://www.munee.org/>.

RENEUER: In other regional news, USAID has agreed to support a number of activities concentrated in Southeast Europe under the umbrella of the Regional Network for the Efficient Use of Energy and Water Resources (RENEUER). RENEUER consists of eight countries -- Albania, Bosnia, Bulgaria, Croatia, Macedonia, Moldova, Romania and Yugoslavia -- and is designed as a network to exchange information on methods to improve energy and water management. Representatives of the eight countries gathered for a regional workshop in January 2002 to develop a concrete menu of activities under the MUNEE program. These activities will include the following: policy reform to change the legal and regulatory barriers that inhibit investment in local infrastructure; training for city leaders on energy and water management; and development of projects to submit to local and international financing institutions. EnEffect, the MUNEE partner in Bulgaria, will serve as the network's secretariat. The Alliance to Save Energy and EnEffect are currently developing work plans in each of the RENEUER countries. You can learn more about the RENEUER activities at: <http://www.reneuer.com/> or by contacting Zdravko Genchev at zgenchev@eneffect.bg.

Next Regional MUNEE Event : The third MUNEE regional exchange will take place April 8-10 in Kiev. The International Institute for Energy Conservation-Europe will be organizing the event, which will focus on innovative ways to finance energy efficiency projects. Participants will include banks, cities, energy efficiency companies and NGOs primarily from the Former Soviet Union. The Alliance will invite speakers from Central and Eastern European countries to share their experience. The goal is to disseminate information on additional financing options for cities in the NIS that want to invest in energy efficiency. The following financing tools will be discussed in this exchange: leasing, vendor-based financing, microlending, municipal bonds and mechanisms that allow cities to keep the energy savings they generate. For more information, contact Seth Baruch at sbaruch@ase.org.

NOW AVAILABLE!! The Alliance has developed an energy accounting software program -- ASE 2.0 -- now available on <http://www.munee.org/>, along with a training manual. The software is designed to help cities monitor energy use and intensity in public buildings, such as schools. The database provides an easy, step-by-step process to help local officials assess which buildings lose the most energy and should therefore be targeted for energy efficiency upgrades.


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Spotlight on Water Efficiency

The RENEUER initiative will also be focusing on the topic of water efficiency - an area with abundant opportunities for energy savings, improvements in technical efficiency and good paybacks. One example is the water utility in Iasi, Romania. City managers estimated that leaks resulted in water losses of 60,000 m³ per year, or a \$24,000 annual loss. As part of the USAID-funded Ecolinks Program, the city obtained computer equipment to detect leaks in the distribution network. The equipment includes a series of data loggers installed along the network which send key information to a central computer. Before such equipment was installed, system managers were forced to shut down the network and interrupt water supply to detect leaks. With the new equipment, leak detection is completely automated and can be performed over long distances (100 - 150 m) between loggers. The real success story is found in the payback: the equipment costs roughly \$20,000, so the payback period for the equipment is less than one year. This is the kind of experience RENEUER will disseminate throughout the region.


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News from the MUNEE Program

BULGARIA: On February 26, EnEffect - the MUNEE partner in Bulgaria - delivered a seminar to discuss financing of small municipal energy efficiency projects. Participants in the meeting included 3 banks, 11 municipalities, and 10 ESCOs. The objective of the meeting was to exchange information on the services of financing institutions and ESCOs and the needs of municipalities in implementing energy efficiency projects. Discussion focused on the establishment of baselines,

development of schemes to guarantee payment to ESCOs from energy savings, and potential amendments to laws that impede development of the ESCO market for municipal energy efficiency. For more information, contact Pavel Manchev at pmanchev@eneffect.bg.

KAZAKHSTAN: On February 18-22 in Almaty, the Alliance delivered the first of three seminars, 'Business Plan Training for Municipalities,' for municipal representatives in Almaty, Astana, and Atyrau. The three sessions will produce several business plans for projects in each city that can be presented to financing institutions. Trainees started work on nine business plans during the first seminar and were assigned a 'homework task' of obtaining additional technical, economic and financial data to be used in the second seminar in May. The seminars are being implemented in conjunction with the Nizhny Novgorod Regional Center for Energy Efficiency and German Trofimov, the local Kazakhstan coordinator for energy efficiency activities under the UNSPECA program. The workshops are being co-financed by the UN Foundation. For more information, contact Seth Baruch at sbaruch@ase.org.

ROMANIA: The Romanian Energy Policy Association (APER) organized a training session called 'Identification and Development of Municipal Energy Efficiency Projects' in Cheia, on February 20-22, 2002. Financing experts addressed various methods of financing municipal energy efficiency projects. One instrument receiving a good deal attention in Romania is the municipal bond option. One city on the Black Sea Coast recently issued a successful municipal bond (not related to energy efficiency), but several cities are expressing interest in bonds as a way to finance efficiency projects. The training session was attended by 21 representatives (vice-mayors, directors, chiefs of departments, energy managers) from 17 municipalities. For more information, contact Laura Radulescu at aper@bx.logicnet.ro.

SERBIA: In a country where longer-term local financing is extremely difficult, the Alliance's Municipal Energy Efficiency Training Course yielded its first project worth approximately \$35,000. The municipality of Zrenjanin has secured the financing it needs to upgrade a local hospital through a local Serbian bank (installation of new windows and weatherization). The project is small but important because so few cities in Serbia can obtain longer-term loans (this loan is for two years). If this project is successful, more will follow, and we could see the acceleration of a municipal credit market in Serbia. The bank will finance the project with approximately \$20,000, the municipality will

provide \$10,000 in cash, and the American Development Foundation's CRDA program may offer an additional \$5,000. The Alliance worked with the Zrenjanin administration in development of its business plan and marketing efforts. For more information, contact Eric Carlson at ecarlson@ase.org.yu.

SERBIA: The Alliance's Residential Energy Efficiency Film, 'How to Pay Less for Electricity' -- which promotes low and no cost energy efficiency measures -- continues to receive a phenomenal response across Serbia. As of January 26, the video had aired 1,660 times on 86 television stations, over 90% of the total stations in Serbia. The documentary shows what average people can do to reduce their energy use during a winter of rising prices and serious electricity shortages. The Alliance is sending the film to 10-12 television stations in Montenegro and has translated the film into Russian to share with Russia, Moldova and Armenia. For more information, contact Eric Carlson at ecarlson@ase.org.yu.

UKRAINE: The Alliance signed a memorandum of understanding with the leading municipal organization in Ukraine, the Association of Ukrainian Cities (AUC), formalizing AUC's involvement in MUNEE. Under the MOU, the Association will set up an energy efficiency committee, organize several roundtables for member cities and publish information on energy efficiency in its newsletter. This will help create an avenue of communication with the cities of Ukraine, through which we can pass useful information on everything from heat meters to tariff design. For more information, contact Anatoliy Kopets at akopets@ase.org.

UKRAINE: ARENA-ECO, the Alliance and the Association of Ukrainian Cities held a workshop on February 26 in Kiev to disseminate information on best practices and case studies in municipal energy efficiency in Ukraine and abroad. The case studies underscore the importance of innovative leadership and demonstrate that successful reforms do not always require a lot of money. A key issue addressed in the case studies is creative billing and tariff collection, so MUNEE brought in city officials who could relate real-world experience on how heat and water utilities can begin to cover their costs. Speakers also addressed the new municipal budget code, which introduces much greater autonomy for municipal finance. For example, cities can now keep the money generated from energy efficiency projects. Unlike before, energy cost savings can no longer be withdrawn from the next year's budget as the budget expenditures are determined according to general formulas (e.g. number of pupils), and improved efficiency does not change the data in these formulas. In

addition:

* Energy cost savings can be directed to financing further energy efficiency measures, through the creation of a special municipal energy efficiency account or fund. The budget code has specific classifications for efficiency equipment, which should give more clear guidance to city managers.

* An investment surcharge can now be included in heat and water tariffs. Unlike electricity tariffs, heat and water tariffs are established locally in Ukraine. As a result, cities now have a specific financial resource with which to pay for municipal improvement projects.

* Long-term loan financing is becoming more feasible for municipalities. A decree of the Cabinet of Ministers is being prepared that will allow the cities to use budget funds as a loan collateral.

All of this could be very good news for cities looking to improve their heat and water systems. For more information, contact Anatoliy Kopets at akopets@ase.org.



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Upcoming events

BULGARIA: The annual conference of the Municipal Energy Efficiency Network (MEEN) will be held April 10-12 in Bulgaria. MEEN is Bulgaria's network of cities that promotes energy efficiency. This year's annual meeting will have a particular focus on schools. The meeting will take place in Gabrovo, which is a UN Energy Efficiency Demonstration Zone. For more information, contact Pavel Manchev at pmanchev@eneffect.bg.

CZECH REPUBLIC: The eighth annual Energy Efficiency 2002 international conference and exhibition will be held at the Prague Congress Center on November 5 -7, 2002. The specialist conference and exhibition will be the culmination of Energy Efficiency Week, which will also include other activities focused on promoting the efficient use of traditional and renewable energy sources. Seminars will be designed for experts and decision-makers in both the public and private sectors. Participants of Energy Efficiency 2002 will receive information on the latest practical experience from the sector, as well as an overview of specific products and services offered. For more information, contact SEVEN at seven@svn.cz.

LATVIA: Ekodoma, the MUNEE partner in Latvia, is meeting with representatives of Latvian municipalities to investigate successful municipal energy efficiency projects. The most interesting examples will be presented in a training seminar for municipal representatives and energy auditors in Riga in early March. Ekodoma is collaborating with the Association of Self-Government and the Association of Executive Directors of Municipalities to organize invitations and curriculum. For more information, contact Angela Morin at amorin@ase.org.

LITHUANIA: The Lithuanian Energy Institute, a MUNEE partner, is organizing a major conference in May on local management of energy supply. The session will be held in Klaipeda, on the Baltic Coast, and the Alliance will bring several energy efficiency companies to discuss their technologies. MUNEE partners from Poland, Latvia and the Czech Republic will also speak. For more information, please contact Angela Morin at amorin@ase.org.

ROMANIA: The 2002 EBRD annual meeting and associated business forum will take place in Bucharest, Romania, May 19-20. Over 2,500 people are expected to participate in the event, and there will be a special panel on energy efficiency. The annual meeting is an occasion for the EBRD's shareholders to provide support and guidance to the Bank for the coming year. The meeting is attended by delegations from each of the Bank's 62 shareholder countries and institutions. For more information, please go to www.ebrd.com/annualmeeting/index.htm.

RUSSIA: CENef -- the MUNEE partner in Russia -- was invited by the Deputy Chairman of GosStroy, the State Commission on Construction, to make two presentations at the annual GosStroy forum on 'Modernizing Housing and Communal Services,' to be held on March 12-13 in Moscow. More than 200 senior-level municipal representatives will attend this event. CENef is preparing a presentation on the composition of effective municipal energy planning, including organizational, technical, and economic considerations. For more information, contact Sarah Meyer at smeyer@ase.org.

RUSSIA: The Association of Siberian and Far East Cities (ASFEC) is organizing a seminar for municipal managers of economic and financial services. The seminar, 'Economic Aspects of Reform of Residential and Communal Services and the Municipal Budget,' will be held May 23-24 in Novosibirsk. Reform of communal services is a major focus of ASFEC

training, particularly with the severe problems that many Far East cities experienced with heat and water services during the severe winter of 2000-01. Seminar titles can be found on ASFEC's Russian-language website at -- <http://www.asdg.ru/bases>, or contact Sarah Meyer at smeyer@ase.org.

SOUTH AFRICA: The World Summit on Sustainable Development (also known as Rio + 10), will be a gathering September 2-11, 2002, in Johannesburg, South Africa, of world governments, concerned citizens, United Nations agencies, multilateral financial institutions and other major actors to assess global change since the historic United Nations Conference on Environment and Development (UNCED), of 1992 in Brazil, at which representatives of 179 countries gathered to reconcile the impact of human socio-economic activities on the environment and vice versa. In Johannesburg, the world will take a critical look back at UNCED, and aim to arrive at a comprehensive, frank and useful review of the past ten years. For more information, visit the following website: <http://www.johannesburgsummit.org/>.


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Headlines in the MUNEE regions

ARMENIA: Keeping the Energy Savings: Advanced Engineering Associates, Inc. (AEAI) and IIEC-Europe organized a workshop in December on 'Barriers to Financing Energy Efficiency and Renewable Energy' that provided an opportunity to become familiar with energy efficiency issues in Armenia, as well as to meet with members of Yerevan's energy and energy efficiency communities. Participants in the workshop discussed new legislation in Armenia, under which the budgeting process for schools changed significantly. Budgets are now determined on a 'per pupil' basis. This means that school directors who are able to reduce their energy consumption are entitled to use energy savings for other uses within their own schools. This should create a strong incentive at the school level that does not exist under systems where the financial benefits of energy efficiency are usually enjoyed by the municipality or oblast, rather than by the school itself.

LITHUANIA: Dalkia in Vilnius: On February 1, the French company Dalkia signed a 15-year deal with the city of Vilnius to lease and modernize the city's heating utility. Vilnius Mayor Arturas Zuokas told journalists the Dalkia deal was 'the most important agreement the city has concluded in a

decade, with significance for the whole Lithuanian energy system.' The Lithuanian Finance Ministry still has to approve the contract, but Zuokas said he expected that Vilniaus Energija, a newly established subsidiary of Dalkia, could assume control of the city's heating facility as soon as April. Dalkia has committed itself to invest 564 million litas (\$141 million) in modernizing the heating facility and pay off 80 million litas of its debts. It also pledged to expand the heating network into new Vilnius suburbs and pay for installing computerized thermostats in residential buildings to improve centralized heating services. Under the agreement, residential heating prices are to be lowered 5% the day the French company assumes control of VST and may not be raised until 2004. After that, prices are to be set by a mechanism based on prices of natural gas and cold water, inflation and average monthly earnings in the country.

ROMANIA: Consumer Education Program: Danfoss - the Danish producer of automated controls -- will open a factory for thermostatic valves in Romania. The total investment is estimated at approximately \$5 million. To prepare the local market for targeted annual sales of 100,000 valves, Danfoss has developed an education program for consumers. The program runs in collaboration with the homeowners associations in the Cluj-Napoca municipality and will be extended to the municipalities of Targoviste, Fagaras and Bucharest.

RUSSIA: 100% Payment on Hold: On February 12, German Gref, Minister of Economic Development, said in a speech to senior officials from the Northwest and Volga regions that 100% payment for residential and communal services is premature because residential incomes are too low and quality of service is inadequate. Housing reforms will concentrate, instead, on development of a unified system of direct subsidies to be transferred to consumers' personal accounts through special distribution centers. Such a system promotes metering of energy consumption and implementation of efficiency initiatives. The current system sends subsidies directly to residential management organizations. The Minister of Economy emphasized that high-income consumers will not receive subsidies under the new system.

The Russian MUNEE partner, CENef, has been monitoring a system of 'voluntary 100% payment' for residential and communal services in the Moscow oblast. Since January 2002, Muscovites have been receiving two energy bills - one for obligatory payment that includes subsidies, and another voluntary bill that does not include subsidies. According to V. Strelbitsky, Head of the City Contract Department, results have exceeded the municipality's expectations. Mosgorteplo -- a Moscow heat company --

reported that 12% of residents, or 200,000 families, voluntarily paid 100% of their heat bills.

RUSSIA: IBRD to Finance Water Project: On January 18, Mikhail Kassianov, the Chairman of the Russian Government signed an agreement between Russia and the IBRD to finance the Municipal Water Supply and Sewage project. The loan of \$112.5 million is to be repaid over 17 years with a 5-year grace period. The money will be on-lent to municipal water utilities with guarantees from the local governments and oblast governments.

SERBIA: Prices Continue to Rise: Because most Serbians heat their homes with electricity, price increases have an enormous impact on the average Serbian household. The government recently announced an increase of 50% in the price of electric heat. Consumers' electricity bills regularly exceed some families' average salary and force people to consider alternative, often inefficient, heating sources. According to plans, the price of electricity will reach the level of 2.9 cents per kWh by the end of this year. From January 1, 2003, the average price per kWh should be 3.5 cents and, as of January 1, 2004, the planned price should be 4 cents.

UKRAINE: But Prices Can Fall: The Kharkiv regional administration is reducing charges for heating from February 1 by 12% to 80 kopecks per square meter. The chairman of the State Administration of the Kharkiv region, Yevhen Kushnariov, told journalists that the Kharkiv heating networks enterprise reduced costs after dismissing 1,000 staff and decommissioning several boilers. Heating charges for Kharkiv residents without meters have been reduced by 12.5% to 70 kopecks per square meter. For consumers with heat meters, prices dropped 7.4% to UAH 59.73 per gigacalorie. In many cases, consumers with heat meters pay less because they are charged only for what they consume and not for overall losses in the system. Charges for domestic hot water in Kharkiv have also been reduced. One UAH is about \$5.40.

UKRAINE: Opposition to Privatization: The Anti-Monopoly Union - a non-profit advocacy group - petitioned the Cabinet of Ministers to postpone the privatization of energy supply companies until laws are passed to improve regulation of the industry. The Union believes that the lack of clear regulation might allow privatized oblenergos to abuse their monopoly positions and gain unjustifiably high profits.

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New Resources / New Opportunities

Dubai International Best Practices Award: A call for submission of proposals for the 4th cycle of the Dubai International Award for best practices has been launched by UNCHS (Habitat) and Dubai municipality. Rewards are made biennially to 10 outstanding programs to recognize sustainable achievements in improving the living environment. As a result of three successive award cycles in 1996, 1998 and 2000, currently there are over 1,150 good and best practices from 125 countries featured on the Best Practices database. The next deadline for submissions is March 31, 2002. For more information on this award, visit:

http://www.bestpractices.at/4hub_engl/E4call.htm.

Special American Business Internship Training (SABIT): The Department of Commerce's SABIT program, an innovative grants program that provides funding to U.S. organizations to conduct stateside training for business executives and scientists from the NIS, announces the availability of \$1.5 million in grants. U.S. businesses and organizations are invited to apply for SABIT grants to host up to 10 NIS professionals for three to six months of training in agribusiness, biotechnology, computer technology, medical and disease research, environmental protection, industrial chemicals, pharmaceuticals, power engineering, and waste management. The deadline has been extended to April 15, 2002. For more information, visit

<http://www.mac.doc.gov/sabit/sabit.html>.

The Charity Know How (CKH) Grants Program: This program provides small grants (up to £15,000) for cross-border skill-sharing partnerships between NGOs based in Central and Eastern Europe and the Newly Independent States. Applications are particularly encouraged from NGOs based in Central Asia and the Caucasus. Projects should contain a significant element of transfer of know-how, and can include training programs for NGO staff and volunteers, professional advice and study visits. In addition to the General Program, there are two new schemes: Global Grants which encourage links between organizations in this region and Asia, Africa or Latin America, and Partnership Development Grants which aim to develop longer-term sustainable NGO partnerships. The CKH program cannot fund applications from individuals. There will be just two grant rounds in 2002, with deadlines set on August 27. For more information, visit the EurasiaNet website at <http://www.eurasianet.org/grants/allavida.shtml>.



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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 SarahMeyer.

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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