

## MUNEE e-zine # 6

WELCOME TO MUNEE NEWS!!

The newsletter of the Municipal Network for Energy Efficiency (MUNEE)  
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1200 18th Street, NW, Suite 900  
Washington, DC 20036

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### TABLE OF CONTENTS:

- \* [Spotlight](#)
  - \* [News from the MUNEE Program](#)
  - \* [Headlines in the Region](#)
  - \* [Upcoming Events](#)
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### Spotlight on reduction of communal services debt

One of the greatest challenges for municipal leaders in the former communist countries is how to handle debts for city services – everything from heat to garbage collection. Prices are often too low to cover the costs of production, and many residents do not pay anyway. Some city leaders have experimented with ways to resolve this situation – with varying degrees of success. The MUNEE partner in Ukraine – ARENA ECO – has recently prepared new case studies that analyze payment collection for communal services in the cities of Lutsk, Berdyansk, Khmelnytsky and Zhytomir.

In Berdyansk, the city provided for a six-month period during which debtors who repaid their arrears received a 30% discount – and after debt repayment they continued to receive a 10% discount on current bills (for the six months) on the condition of timely payments. Regular payers are also entitled to the same 10% discount. Zhytomir introduced a 20% discount on arrears two months before the heating season. Each of these efforts all brought an increase in cash receipts by communal service providers. In Berdyansk, 31% of defaulters fully repaid their debt. The district heating company saw the

number of its customers paying their bills increase from 38% to 90%. The approach is effective but controversial with some officials believing that debtors are rewarded for non-payment. In addition, whether the payments will be maintained after this one-time action is unclear, but it is an issue MUNEE will continue to monitor. Other cities have used more well-known techniques, such as publicizing the names of non-payers and taking the largest debtors to court.

 [back to top](#)

## News from the MUNEE Program

**Regional Event:** Financing Workshop: MUNEE held its third regional exchange on April 8-10. Organized by the International Institute for Energy Conservation (IIEC-Europe), the workshop in Kiev focused on financing for municipal energy efficiency projects – with special attention devoted to innovative alternatives to bank lending, which is often difficult and expensive for cities. Some particularly useful examples included leasing, credit from equipment suppliers, municipal bonds, loans from national environmental funds, and revolving funds. Three breakout sessions provided the group with ways to develop and utilize these options more effectively. A report of the workshop will soon be available from <http://www.munee.org/> .

**One Innovative Financing Example:** The Alliance to Save Energy has helped finalize project for water efficiency in the Ukrainian City of Kovel. The investment project will include installation of modern pumping technology at the city's main pumping station. The project is modest-sized but important because the vendor is providing 70 percent of the project cost, which will be repaid over one year. The bank where that the water utility has its account is providing a guarantee. It's a new way of doing business for the vendor, and these are the types of projects MUNEE will be helping to develop. The goal is to build a self-sustaining, private market for municipal energy management. For more information, please contact [Andriy Chumak](#).

**Regional:** New Developments in Southeast Europe: Alliance staff have been traveling to several Balkan countries, helping to develop the [RENEUER](#) network. Through a combination of activities on municipal training, policy reform and project development, the Alliance and EnEffect, based in Bulgaria, will help cities improve their infrastructure. Perhaps the most immediate need is on the policy side – to encourage the governments of Croatia, Bosnia, Albania and Macedonia to give cities more authority to raise revenues and control their expenses. This latter point includes allowing cities to keep the savings they generate from energy efficiency investments. As a first step, cities need to be able to understand which buildings and what facilities they own – something that is often unclear. The Alliance and EnEffect, along with contractors in each country, will provide this training over the coming months to help cities monitor their energy use patterns, identify priority

investments and eventually implement actual projects. For more information, please contact [Seth Baruch](#).

**Regional: District Heating Restructuring:** Another recent direction for MUNEE has been on the restructuring the district heating sector by bringing in private sector investment. A recent seminar with the Polish District Heating Association and Ernst & Young called “Privatization and Restructuring of Polish District Heating and Heating Sector” brought together 30 heating utilities. Six newly restructured companies presented their experience, including utilities that issued concessions and lease management contracts (in some cases, the cities remained responsible for new investments, and in others, the new operators were responsible). Generally, all six cases have positive balance sheets, and price increases did not significantly increase non-payment. Not every case of privatization is successful, and the Alliance will shortly publish a report that will provide guidance to municipal officials considering bringing in private investment for district heating upgrades.

**Moldova:** Recognizing the significance of heating supply infrastructures in the energy sector of Moldova, the USAID mission in Chisinau requested the Alliance assist in alleviating the heating crisis by developing a “National Heating Program.” As a first step, the Alliance is drafting a series of national policy guidelines and a strategy for attracting investments in heating solutions. The report will be available this summer and will be the first phase in an effort to restructure the heating sector in a manner that attracts private, bank and international investment. Currently, the heating sector, particularly the system in Chisinau, is in major disrepair, unable to meet basic consumer needs. For more information, please contact [Dan Przeworski](#).

**Armenia – National Energy Efficiency Council:** The Armenian Energy Efficiency Council, put together to promote energy policy reform in the country, met for the first time on April 23. The group decided that a major direction for the Council will be to push for adoption of Armenia’s energy efficiency law, currently now in draft form. The first draft was developed in 1997; it was submitted to the National Assembly but later withdrawn. A new version of the law now includes detailed language that certifies imported energy-saving equipment, promotes an energy audit system for buildings, and creates incentives (tax credits, customs duty exemptions, etc) for energy efficiency investments. The Council will now:

- Detail exactly what the tax provisions should be
- Look at the experience from other countries on energy efficiency laws and suggest other possible provisions of the energy efficiency law
- Work on making standardizing and certifying energy-saving equipment easier

- Look at methods and cases for improving building codes, along with ways to enforce them

The deadline for the energy efficiency law submission to the National Assembly is in October-November, so the Alliance is making this a high priority. For more information, please contact [Astghine Pasoyan](#).

**Bulgaria – MEEN Conference:** “EcoEnergy,” the Municipal Energy Efficiency Network in Bulgaria celebrated its 5th Anniversary at its recent April conference. Since its founding, MEEN has increased its membership to 39 cities, with an “energy efficiency officer” in each city. Through funding from the GEF/UNDP, each city has been equipped with computers, allowing for the analysis of key energy data that enable leaders to see the overall energy picture and make investment decisions. Training has helped municipal officials develop city-wide energy efficiency programs (formally adopted in several cities), as well as business plans for specific projects.

Energy efficiency in schools – a topical issue that is causing much concern nationwide – was a special focus of the conference. The participants in the Conference approved a special declaration on this topic. Also announced was the result of a contest for children's drawing on the subject “Energy and the Environment,” an effort launched by EnEffect. For the next five years, EnEffect will focus on promoting national policy reforms; getting cities to think about environmental protection strategies (including using renewable energy sources); giving cities more budgetary autonomy, including the ability to keep savings generated from energy efficiency projects; and increasing the membership, funding and sustainability of MEEN. For more information, please contact [Zdravko Genchev](#).

**Bulgaria and Kazakstan – Project Development:** Funded by the United Nations Foundation and the UN Economic Commission for Europe, the Alliance recently completed training for municipal officials from three cities in Bulgaria and three in Kazakhstan. The training is designed to develop full business plans for municipal energy efficiency projects in each city. The projects range from streetlighting to cogeneration to improvements in schools. In Bulgaria, the Alliance will look for private investors to finance the projects, primarily energy service companies, which are becoming more and more interested in the Bulgarian market. The Alliance will also look to local and international banks to finance the Kazakh projects. The final sessions will take place in early June (Bulgaria) and early July (Kazakhstan). For more information, please contact [Seth Baruch](#).

**Lithuanian Roundtable on Municipal Energy Management:** Continuing MUNEE’s general drive to get municipal associations more involved in energy issues, the Alliance, the Lithuanian Energy Institute and the Association of Local Authorities in Lithuania (ALAL) recently sponsored a workshop to develop guidelines for ALAL to promote energy reforms. A sample of the proposed guidelines include the following:

- To improve economic independence of municipalities by suggesting amendments to draft laws and other regulatory documents;
- To promote integrated resources planning on the municipal level and to develop legislative options to push cities to develop municipal energy plans;
- To develop methods for reducing the debts of municipal heat companies to their fuel suppliers;
- To establish a favorable legal and economic environment for development of cogeneration and a competitive environment for heat production.

These guidelines will be presented to the ALAL council at their next meeting. For more information, please contact [Angela Morin](#).

**Romania:** Spreading the MUNEE Word: In April, staff from MUNEE's Romania partner, APER, traveled to 16 cities to promote the MUNEE program, its information resources, and the Romanian Energy Efficiency Network (REEN).

The work culminated in a workshop in Sighisoara (the birthplace of Dracula) called "Promoting EE Projects." The event brought together 15 municipalities. Representatives of international financing organizations, commercial banks and equipment producers offered their perspectives on financing mechanisms, investors' requirements, technical solutions and professional management. The goal of the effort is to develop REEN and get actual projects implemented. For more information, please contact [APER](#).

 [back to top](#)

## Headlines in the Region

**Hungary:** International Regulators Conference: The Energy Regulators Regional Association recently held its first conference in Budapest, "Energy Regulation & Investment Conference for Central/Eastern Europe and the CIS." The event provided an opportunity for utility companies, financial and strategic investors and others involved in the power sector to interact with more than 50 energy regulators from more than 20 countries in Central/Eastern Europe and Former Soviet Union. Topics included: power privatization and competition, investment experiences, pricing policies and methodologies, and regional electricity trade. For more information, please go to [www.erranet.org/events/2002/investmentconference/index.htm](http://www.erranet.org/events/2002/investmentconference/index.htm).

**Latvia:** Energy Efficiency and Housing: To stimulate investments in the residential sector, the World Bank is preparing a new project in Latvia. The objective is to improve the

efficiency of housing markets and the provision of housing finance, by accelerating the development of the private sector. In particular, the project will:

- (a) promote Western-style property ownership structures as well as private initiative in the improvement of housing; and
- (b) introduce commercial banks to mortgage finance techniques and to long-term term lending for housing and housing improvements.

The project will also work to create a national group of homeowner associations.

For more information, contact [Marika Blumberga](#).

**Romania: Debtors to be Cut Off:** A recent communiqué from TERMOELECTRICA SA from the 1st May announced that it will cut off heat supply to local distribution companies that have large outstanding debts from heat supplied last winter season. TERMOELECTRICA SA needs to repay its creditors to ensure fuel imports for the last winter season. Any delay in repayment will jeopardize fuel supply for this coming winter. On April 13 2001 payments due to TERMOELECTRICA SA included penalties of ROL 5,400 (USD 200 million ).

The worst payer is the Bucharest district heating company, RADET BUCURESTI, with ROL 1,786 billion (USD 66 million) including penalties outstanding.

Source: [Balkan Energy Review](#).

**Serbia: Utilities Get More Strict With Their Own Workers:** Over 30 workers in Nis Electric Distribution Company had their electricity cut off due to unpaid bills. According to Dusan Arandjelovic, chief of technical service, this will be the fate of another 20 workers unless they pay their bills. “We had more then 300 worker-debtors for electricity. Most of them paid their bills, but one group refused, therefore we shut them down,” Arandjelovic said.

**Serbia: Europeans to Support Energy Efficiency Agency:** A spokesperson for the European Agency for Reconstruction (EAR), John White, said that EAR will finance the work of a Serbian Agency for Energy Efficiency with €5 million. The Agency will promote energy efficiency, renewable energy and work to improve regulations in the energy sector. The EAR has invested some €107 million in Serbia's energy sector and plans to invest another €50 million this year to overhaul the Nikola Tesla power plant.

**BM\_\_Toc3040331Ukrainian Law on Debt Restructuring for the Poor:** President Leonid Kuchma vetoed a law that would provide for 5-year restructuring of low income consumers' debts for communal services, including housing, natural gas, and electricity. Parliament re-adopted the law “On Writing Off and Restructuring Debts for Apartment Rents, Communal Services, Natural Gas, and Electricity” in February, after Kuchma vetoed a similar law that was adopted in November last year. Citizens' debts for the housing and communal services over the past 10 years amounted to UAH 6.87 billion (\$1.28 billion) as of February 2002.

**Ukraine's State Property Fund Postpones Oblenergo Privatization:** State Property Fund Chairperson Oleksandr Bondar recently announced that the State Property Fund has postponed the privatization of additional electricity supply companies (oblenergos) previously planned for the second quarter of 2002. Bondar said the Fund supports President Leonid Kuchma's position that power companies should not be privatized hastily. Bondar noted that the main problem facing oblenergo privatization is the large debt of nine power companies that are slated for sale. According to Bondar, these companies owe approximately USD 1 billion, compared with the USD 132 million owed by companies privatized last year. Twelve of 27 electricity suppliers in Ukraine are currently privatized.

  
back to top

## Upcoming events

**Czech Republic:** Management of Productivity at Water Utilities: 12-14 June in Prague. The conference will focus on the tools to improve the productivity of operation and maintenance of water and wastewater systems. It will bring together operational staff, consultants, researchers and university teachers, information system specialists, developers, technology providers and other specialists supporting research, developments and advanced applications of new technologies and especially of those with a view to increasing productivity of the operation and maintenance of water and wastewater networks. For more information, please visit:

<http://www.cziwa.org/>

[http://www.unesco.org/water/water\\_events/Detailed/269.shtml](http://www.unesco.org/water/water_events/Detailed/269.shtml)

**Slovakia:** The Central European Energy Efficiency and Renewable Energy Sources (CEEERES) Conference -- May 16-17 in Bratislava, Slovakia -- is an international activity of the Organizations for Promotion of Energy Technology (OPET) in cooperation with OPET Czech Republic, the Energy Centre České Budejovice, OPET Hungary, and the Energy Centre Hungary. The objective of the event is to give project developers, researchers, decision makers, businessmen and financiers from Central and Eastern Europe the opportunity to present the situation in their countries, their needs and opportunities and their latest findings in the energy sector. For more information, please go to: [http://www.ecb.sk/en/ecb\\_activities\\_events\\_9.html](http://www.ecb.sk/en/ecb_activities_events_9.html)

**Poland:** Polish Network "Energie Cités" is organizing a seminar on "Water Management – Responsibility of Local Authorities. Present State and EU Requirements" and will be held in Kraków-•opuszna in May 2002. It will be the first forum of municipal associations dealing with water and sewage management in Poland. The workshop will outline topics such as local plans on flood prevention and individual cost calculation of water supply and sewage drain off. The lectures will educate participants with

the following issues: legal regulations in the field of water management, the role of local governments in water supply, water quality and protection, and financing. For more information, please contact [Angela Morin](#).

**Russia:** In mid-June, the Center for Energy Efficiency (CENef) will hold an event called: Energy Efficiency and Municipal Reforms – Real World Experience in Russia. The workshop will present to a wide-ranging municipal audience key experience from Russian and former Soviet cities on everything from tariff reform to billing collection to energy efficiency funds. The workshop will be a way to determine what kinds of reforms, adopted by innovative city leaders, can be most easily replicated by other cities in the region. For more information, please contact [Igor Bashmakov](#).

**Russia:** Conference on Electricity Restructuring: With over 440 power plants and a production capacity of over 170 gigawatts, and 2.7 million kilometres of transmission lines, Russia's power sector holds tremendous potential for export as well as for foreign and domestic investment. This conference will focus on the restructuring of the electricity sector, the need to improve efficiency and to attract much-needed capital. It will have numerous case-studies based on real-life examples as well as presentations from world's energy majors, banks and financial institutions. The conference will take place on June 25-26 in Moscow. For more information, please go to: <http://www.euromoneyenergy.com/energy.asp>.

**Ukraine:** Similar in theme to the above-mentioned CENef seminar in Russia, ARENA ECO and the Alliance will organize a workshop for Ukrainian cities on May 26. This will be a follow on to a previous meeting where representatives from 14 cities gave their opinions about the type of reforms they would be most interested in replicating. These reforms will now be investigated in more depth in this "second round." The final step in the process, to take place through this year and into next, will be to provide direct assistance to the most committed cities that want to implement various energy efficiency and municipal reforms – from improving bill collection to financing efficiency improvements through leasing and other methods. For more information, please contact [Anatoliy Kopets](#).

**United Kingdom:** Second Annual Conference on Emissions Trading: The Commercial and Financial Implications. Emissions trading is an area of enormous importance and growth and this conference will analyze the business opportunities that have arisen from its evolution. The Conference will be held on May 20-21 and focus on:

- Analyzing the business opportunities of emissions trading
- Finding out how the UK emissions trading scheme is being implemented
- Discussing the risk management perspective

- Discovering how financial developments will shape the future of emissions trading

For more information, please go to <http://www.euromoneyenergy.com/energy.asp>



back to top

#### 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](mailto: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](mailto:smeyer@ase.org).

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Sarah Meyer

Alliance To Save Energy

1200 18th Street, NW, Suite 900

Washington, DC 20036

Telephone: (202) 530-4343

Fax: (202) 530-4355

Web site: <http://www.ase.org/>



back to top