

MUNEE NEWSLETTER # 7

The Newsletter of the Municipal Network for Energy Efficiency (MUNEE)
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SPOTLIGHT ON ENERGY AFFORDABILITY

This edition of MUNEE News highlights the struggles of many people in the region with paying electricity and heat bills. In Bulgaria and Serbia, rising prices are causing public outrage because so many citizens already devote a large percentage of their income to energy services. Some people pay a third or more of their income to heat and light their homes. This makes any price increase extremely painful.

USAID and the Alliance are now working to devise strategies to help low-income residents deal with the impacts of energy sector reform, and one key tool will be energy efficiency. If people weatherize their homes, install meters and undertake other measures, they can keep their energy costs stable even as energy prices rise. If governments promote this approach, it can reduce the political damage of rising energy costs. Looking at U.S. and other European experience with low-income energy assistance, the Alliance is working with its partners in the region to develop potential pilot efforts to show how energy efficiency and other types of social assistance can be used to reduce the impact of price increases and provide a modicum of social protection.

As a first step, the Alliance participated in a recent conference of the National Low Income Energy Consortium, a group in the U.S. that promotes efforts to assist the poor in paying their heating and electricity bills. The U.S. sponsors a nation-wide program that weatherizes the

homes of people near or below the poverty line. More information on low-income energy assistance programs can be found at <http://www.nliec.org/> and www.ncat.org/liheap/ .

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NEWS FROM THE MUNEE PROGRAM
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Serbia - The Results From Last Winter Are In! During its first post-transition winter, Serbia faced a significant electricity deficit, and citizens for the first time saw steep increases in electricity prices (from about 0.5-1.0 cents per kilowatt-hour to 2 cents - still well below production cost). The price increase did lead to major changes in behavior, which were accelerated by a large USAID-funded media campaign to get people to conserve energy. The Alliance and Nexant ran the campaign, which also encouraged consumers to switch to different sources of heat. Some of the changes include:

- Electricity consumption for heating decreased by 1700 GWh or 22% from the previous winter (using weather-adjusted data).
- About 10% of households switched from electric heat to another source of heat.
- Total winter electricity consumption (for all uses, not just heat) decreased by 5.5% and peak demand by 7% (500 MW).
- According to surveys, about 400,000 households improved window insulation.

Most importantly the country faced only minor blackouts, even in late December and early January, the coldest part of last winter.

Moldova - Alliance Presents Moldovan Officials with Draft Heat Sector Plan: The Alliance organized a conference to discuss the results from our recent heat sector reform project. The list of more than 100 participants included representatives of 30 cities, international donors, various ministries, the Chisinau heating company, home owners associations, the National Agency for Energy Efficiency, and national radio and television stations.

The conference participants developed a list of short and long term plans based on the discussion, including: installation of heat meters, introduction of consumption-based billing, enhanced tariff collection, creation of homeowner associations, design of a new social assistance program, and new policies to encourage private and international

investments in the heat supply system. Following the conference, the Deputy Minister of Energy stated his support for this proposed "National Heating Program," and proposed legislative changes will likely be submitted to the Parliament. The report from Alliance consultant Bernd Kalkum, which outlines this short and long term "action plan" is available upon request by contacting Dan Przeworski at dprzeworski@ase.org

Bulgaria - New Performance Contracting Tender Issued by Bulgarian City: MUNEE partners SEVEN and EnEffect recently conducted a training program on Energy Performance Contracting in Bulgaria. As a result, the Bulgarian City of Russe adapted the model performance contracting language provided by SEVEN (for the Czech Republic) to develop a tender for one of the first energy performance contracts (EPCs) in Bulgaria - for streetlighting retrofits. This is a major step towards developing an EPC market in Bulgaria, and such an achievement demonstrates the capacity of local leaders to shape the Bulgarian market. Other participants in the training seminar indicated they too will include EPC into their future municipal activities.

Lithuania - MUNEE Partner and Municipal Association Form Partnership: In the on-going effort to have MUNEE partners work closely with municipal associations, the Lithuanian Energy Institute (LEI) signed a formal memorandum of understanding with the Association of Local Authorities of Lithuania (ALAL). The MOU outlines that the two groups will promote policy reforms, particularly on the draft heat sector law, and provide to member cities information on energy efficiency. The agreement is very similar to others signed between the Alliance and the municipal associations in Ukraine and Serbia. The idea is to combine the MUNEE partners' expertise in energy efficiency with the municipal associations' political clout and ability to outreach to cities. The goal is to implement policy reforms and get cities to think more about energy management. Some of the most controversial energy issues facing Lithuanian cities are the uncertainties of the new draft heat law, tariff restructuring, and supply side security concerns related to the planned closure of the Ignalina nuclear power plant.

Regional - Green Schools and Environmental Education: A growing area of MUNEE interest is combining energy efficiency in schools with educational efforts for students. At the end of this newsletter are examples of some other activities to involve students - in addition to the work done by the Alliance's Green Schools program in Serbia, Ukraine and other places.

In May, with funding from the Trust for Mutual Understanding, the Alliance organized a study tour called "Building Energy Education Programs for Students," for senior-level education officials from Russia, Serbia, and Ukraine. The tour included visits with teachers, students,

administrators and principals in Buffalo and Philadelphia, where the Alliance Green Schools Program is active. Following the study tour, a participant from Ukraine was interviewed by Voice of America and outlined the strategy for implementation of a Green Schools program in the City of Lviv. An agenda, the final report of the tour and the planned next steps of the participants can be obtained from the Alliance. More information on Green Schools in the U.S. and elsewhere can be found at <http://www.ase.org/greenschools/index.htm> or by contacting Sarah Meyer at smeyer@ase.org.

Regional - MUNEE Seminar Roundup: The Spring brought another round of MUNEE workshops for city officials from around the region. Some of the key events include:

Romania and Privatization: MUNEE partner APER (Romanian Energy Policy Association) recently gathered representatives from 18 cities as part of a World Energy Council meeting in the Black Sea town of Neptun. The session addressed the question, "is privatization a solution for continuing the reform of the Romanian Energy Sector?" The forum brought key players in Romanian energy policy together to discuss the experience of energy sector privatization in Romania and other post-communist countries. The presenters included Andersen Romania, Union Fenosa, Hunton & Williams, Squire Sanders & Dempsey and Electricité de France. The Alliance also presented the results of its work on the experience of private sector involvement in the Polish district heating sector. For a summary of the conference presentations, please contact Seth Baruch at sbaruch@ase.org.

Russia: Real World Experience: MUNEE partner CENEf (Center for Energy Efficiency) organized a two-day seminar in Moscow to discuss success stories in municipal housing and communal service reform. With the goal of replicating these reforms, the 30 participants exchanged information on tariff and subsidy restructuring, housing reform, energy accounting and consumption monitoring systems, innovative methods for bill collection and water pumping control systems. Participants included representatives from district heat and water companies and energy efficiency centers in Russia, Latvia, Lithuania, and Ukraine.

Ukraine and Municipal Best Practices: In keeping with MUNEE's efforts to disseminate practical and replicable experience on everything from bill collection to energy accounting software, the Alliance and ARENA ECO brought together nine cities to highlight what cities can do NOW to improve energy management. Of particular interest was the concept of energy passports developed in Russia. Energy passports are rating systems for buildings, issued by local authorities when a building meets a particular energy consumption standard. Most of the audience believed this experience - effective in getting Russian building managers to think

about energy efficiency - could easily be replicated in Ukraine.

Lithuania: "Let's Create the Future" was the motto of the conference Energy Decentralization: the Future of Urban Energy that took place in the coastal city of Klaipeda. The Lithuanian Energy Institute (LEI) organized the event, which attracted municipalities and district heating companies from all over Lithuania. MUNEE partners contributed 15 papers and presentations on topics such as district heat restructuring and privatization, financing and performance contracting, tariff reform, municipal network development and public awareness, energy auditing, and low-cost methods for building comfort. The conference participants discussed and debated ways to strengthen local self governance and prepare cities for the new responsibilities of managing heating systems and dealing with competition in the heat sector.

For more information on any of these workshops, please contact Seth Baruch at sbaruch@ase.org.

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HEADLINES FROM THE REGION

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Bulgaria - IMF Says Bulgaria Needs Energy Reform: Although Bulgaria has dutifully implemented most economic reforms prescribed by the International Monetary Fund, the government still must announce a schedule for energy price hikes. Jerald Schiff, the IMF's mission chief for Bulgaria, recently spoke after a review of Sofia's compliance with the terms of a \$300 million two-year loan. Schiff said the government had fulfilled all criteria under the deal with the Fund with the exception of announcing a three-year timeframe of energy price hikes by end of April 2002. Disbursement of the next phase of the loan now hinges on releasing an energy price schedule by July.

Sofia has been criticized by the IMF and the EU for being slow in reforming its energy sector. Schiff said the government needed to raise energy prices by 50 percent over three years to cover production costs, while trying to cushion the effect on those most vulnerable. The government raised electricity and heating prices 10 percent in January, triggering social protests because the average pension is not enough to cover energy bills. The price rise also boosted January-April inflation to 5.1 percent, above the government target agreed with the IMF at 3.5 percent for the end of 2002. As a result, the IMF revised up the target to 7.25 percent. (Source: Reuters)

Denmark - Energie-Cités Conference: The European group Energie-Cités recently held its annual conference in the Danish city of Odense. The seminar, titled "The Impact of Liberalization of Energy Markets at the Local Level" asked a key question for most cities in the region: Is there

still a Role for Municipalities in a Liberalized Energy Market? The seminar examined the responsibilities of cities as energy consumers, producers and distributors and proposed management mechanisms to improve the response to the challenge of liberalization. Some of the key questions the presenters from cities sought to answer included:

- In the new liberalized market, how do I buy electricity for my municipality? What type of electricity?
- How new energy services helped me improve energy efficiency?
- How I reorganised my municipal company.
- Why is my district heating network a suitable option in the new context?
- How do I provide advice and information to the citizens?

For more information, visit the Energie Cites website at <http://www.energie-cites.org/>

Hungary - The Regional Environmental Reconstruction Programme (REReP). The Regional Environmental Center for Central and Eastern Europe (REC) has developed a database with information on projects funded under the Regional Environmental Reconstruction Programme for South Eastern Europe (REReP). These projects are meant to help rebuild the environment of South Eastern Europe, damaged by years of war and neglect. This searchable database was created as part of the comprehensive Balkan Information Service in order to improve access to information on REReP project implementation. Now anyone can find information about 48 current projects, timelines, funds awarded, objectives and past and planned activities. "Thus far, over 100 million euros have been pledged by donor countries," according to Dragana Tar, REReP Project Coordinator. The database is online at: www.rec.org/REC/Databases/REReP/

Serbia - Prices to Rise Again: The Serbian Government just approved electricity price increases averaging 50 percent starting July 1. According to local press reports, the increase will most likely hit small consumers the most. Monthly bills for households that consume less than 600 kWh, which comprise 67 percent of consumers, will see increases from 50 to more than 100 percent. For example, those using 150 kWh of electricity per month can expect their next bill to double. Households using 600 kWh per month will have their bill increased 50 percent.

The president of the Nezavisnost Pensioner Association said that the increase would threaten about 350,000 retired people, whose monthly income does not exceed 3,900 Yugoslavian dinar (\$60). Another million people have incomes of \$100 per month. He said that many retired people would have to allocate half their pensions for electricity bills, and

in some cases the bill would equal the entire income. For consumers of up to 600kWh per month, who prove they cannot pay the bills, the government will issue special subsidy vouchers.

Ukraine - Communal Service Reform Workshop: PADCO recently held a workshop in Kiev called "Capital Finance and Private Sector Participation in Communal Services." The conference was organized under the framework of the Ukraine Tariff Reform and Communal Services Enterprise Restructuring Project funded by USAID.

Experts in the government, heating and water companies, donor institutions and housing maintenance companies discussed positive experiences in financing communal services. Some interesting case studies of having long-term lease management or concession contracts came from the water companies of Lviv and Odessa in Ukraine, as well as the water companies of Elbasan, Albania and Yerevan, Armenia. For more information, including copies of many of the presentations, please visit: <http://tariffreform.padco.kiev.ua/eng/NEWS/psp-conf.html>

Ukraine - Nuclear Power Development. Enerhoatom Tops List Of Companies With Largest Profits In 2001. Ukrainian electricity producer Enerhoatom topped the list of the enterprises with the largest profits in 2001, according to the "TOP 100" list of Ukrainian enterprises, published each year by Investgazeta. According to the newspaper, Enerhoatom's profits totaled UAH 3,253 million (US\$613.7 million) in 2001. In 2000, the company lost UAH 416 million or US\$78.5 million. In addition, Russia will provide Ukraine with \$44 million worth of equipment and parts to help complete two nuclear power stations currently under construction. Russia had earlier estimated the amount of loan required for completing construction of the Rivne and Khmelnytskyi reactors at \$450-500 million. The reactors are about 85% complete. Ukraine is also holding talks with the European Bank for Reconstruction and Development on completing the project.

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UPCOMING EVENTS
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Climate Change Conference in Kiev: The Ministry of Ecology and Natural Resources of Ukraine and the USAID Climate Change Initiative (CCI) are holding a conference on July 10-11 called "Investments and Climate Change: Opportunities for Ukraine." The conference will look at attracting investments for projects that reduce greenhouse gas emissions. At the present time Ukraine is starved of investment capital for urgently needed modernization of the economy, and the country is also dependent on imports to meet most of its primary energy requirements. If Ukraine ratifies the UNFCCC Kyoto Protocol, the

financing mechanisms employed in the Protocol would bring new investment sources to the country. The CCI Center maintains a database of potential GHG mitigation projects. The objective is to help find domestic and foreign financing for the most promising ones. For more information, please visit: <http://www.climate.org.ua/>.

Energy Efficiency Business Week in Prague: MUNEE Partner SEVEN is organizing its bi-annual conference and exhibition in Prague on November 7-9. The key themes in this year's event include: liberalized energy markets, third party financing and performance contracting, biomass, lighting, low-energy low-cost houses and transportation. For more information, please visit: <http://www.svn.cz/>.

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OTHER RESOURCES: ENERGY AND ENVIRONMENTAL EDUCATION

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As a result of the Alliance's Green Schools program, we have learned about many other educational initiatives in the region. Just a few of these efforts include:

- The Czech organization Tereza is an independent NGO that works in the fields of environmental protection and continuing education of children and adults. One of their focus areas is energy education. <http://www.terezango.cz/>
- The Regional Environment Centre recently published the "Green Pack," a multi-media environmental education curriculum kit primarily intended for Polish secondary school teachers and their students, although it can also be used at other levels of education. The kit focuses on particular aspects of environmental protection and sustainable development and includes a variety of educational materials, including a teacher's handbook (with lesson plans and factsheets), a video, CD ROM and printed materials (<http://www.rec.org/>).
- In Russia, the Kola Energy Efficiency Centre is implementing a program with the assistance of Kirovsk Environmental Foundation and the Norwegian SPARE (School Project for Application of Resources and Energy). The program encourages older students to track heat consumption in their schools, and includes lessons on saving energy in the home (how to change habits on lighting, washing, cooking, utilizing heating devices, etc.) (<http://www.keec.com/>).

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