

MUNEE NEWSLETTER # 8

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

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TABLE OF CONTENTS:

- Upcoming MUNEE Events
- News from the MUNEE Program
- Headlines from the Region
- Upcoming and Previous Events from around the Region
- Other Resources

UPCOMING MUNEE EVENTS

District Heating Conference: As readers of MUNEE News probably know, the Alliance spends a good deal of time thinking about how to encourage private investment in the district heating sector - the theory being that any investment in rehabilitating these systems will improve efficiency. The Alliance is assisting the Moldovan government in a heat sector reform program and the City of Sofia in attracting private investors. To understand the efforts in these and other countries with regard to private sector participation (PSP) in municipal heating companies, the Alliance is organizing a conference in Prague on November 4. The event will bring together the client perspective (from cities that have entered into lease and concession type arrangements) with the investor perspective (private companies that enter into these agreements).

The conference will analyze when PSP arrangements work, when they do not, how they can improved, and how cities can - if they wish - attract private investment. The result should be a better understanding among the audience (district heating associations, municipal associations, other NGOs, private investors and national government officials) about how PSP arrangements can work better - as well as what cities and national governments need to do to encourage PSP contracts that improve heating infrastructure and also protect cities'

interest. For more information on this event or for a draft agenda, please contact Dan Przeworski at dprzeworski@ase.org .

Events in Russia: The Alliance will hold the next meeting of the MUNEE Policy Working Group in Moscow on October 23. This will be the first major MUNEE event in Russia and will be a good opportunity for all the MUNEE partners to present the results of their first-year work plans.

On October 25, the Alliance will then caravan up to St. Petersburg for a one-day roundtable on leasing as an option for financing municipal energy efficiency projects. The event will be held in conjunction with the St. Petersburg Leasing Association and will bring together three key players: leasing companies from all over Northwest Russia, municipal officials, and energy efficiency companies - particularly those whose technologies are the most suitable for innovative financing. Those products would include any with high re-sale value in case a client defaults (motors, drives, small boilers, some control systems and potentially metering devices). Another interesting set of participants will be insurance companies, which offer their services to reduce the risk of leasing projects. The event will try and form a "marriage" between all of these players to accelerate the leasing market for cities in Russia. For more information, please contact Seth Baruch as sbaruch@ase.org .

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NEWS FROM THE MUNEE PROGRAM
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ARMENIA: Work Begins on New Energy Efficiency Law: The Armenian Energy Efficiency Council, a national-level group of government and donor officials, has begun work on drafting a new energy efficiency law in Armenia. The Alliance has assisted in this effort by comparing similar legislation from other Eastern European and former Soviet countries - and recommending different options for the Council to consider. The goal is to have the Parliament consider the law by the end of the year.

In other news from Armenia, the Alliance is organizing a study tour with the Armenian National Association of Condominium Owners (NACO) to Poland and Lithuania in September. The study tour will bring condo managers and city officials to learn about the Polish experience of linking housing associations with energy efficiency improvements. Armenia has a good framework for condo associations, with many active condominium managers; this tour will give condo managers more tools to improve the efficiency of residential buildings and to learn about the Polish experience.

THE BALTICS: Energy Planning Moves Forward: One of the main objectives for MUNEE in Lithuania and Latvia is to introduce the concept of municipal energy planning. MUNEE partners in each country have now selected a city to undertake this effort - with the goal of developing an action plan for the city to adopt. In Lithuania, the MUNEE partner is the Lithuanian Energy Institute, which is now working with the City of Birstonas, a very small municipality but an enthusiastic supporter of the idea of integrated resource planning. The IRP approach looks to compare the cost of supply versus the cost of energy efficiency on a per-MWH or Gcal basis. In many instances, a kilowatt-hour saved is cheaper than a kilowatt-hour generated or purchased. The Alliance and LEI will help the city identify and measure efficiency investments, so the city can see what types of projects in which buildings will save energy at a cheaper rate than producing it.

In Latvia, MUNEE partner Ekodoma is now working with the City of Valmiera to design a "demand-side action plan" in one section of the city, looking at 136 buildings. Ekodoma is setting up the energy monitoring process, which will be followed on by additional energy audits and discussions with banks and other financing institutions. The results of this work will be disseminated to the rest of MUNEE.

KAZAKHSTAN: Business Plans for Energy Efficiency: The Alliance - in conjunction with the Nizhny Novgorod Regional Energy Efficiency Center in Russia - organized the third and final training session in Kazakhstan from July 2 to 6 for municipal officials from Almaty, Astana and Atyrau. The participants finalized 10 energy efficiency projects including business plans, feasibility studies, and a short presentation of each project. The goal of the training sessions - based on the standard UNECE approach, materials and curriculum - was to develop energy efficiency projects to be presented to local and international financing institutions. The business plans also estimate greenhouse gas emission reductions, so the Alliance is interested in seeking potential investors in carbon credits. The projects range from streetlighting to building retrofits to rehabilitating district heating plants. Anyone interested in learning more can contact sbaruch@ase.org.

ROMANIA: MUNEE Partner APER organized a round table, "An In-Depth Energy Efficiency Review of Romania," for national and local decision-makers to discuss a study developed by the Secretariat of the Energy Charter and to discuss recommendations provided to the Romanian government. A roundtable report is available on the APER website - <http://www.aper.ro/>. An extended Romanian-language version of this report was distributed to all members of the Romanian Energy Efficiency Network, as well as to Ministry-level decision-

makers, municipalities, and energy and water utilities.

SERBIA: New Energy Minister: On June 18th, the Serbia's Minister of Energy unexpectedly resigned. Reasons for his departure are unclear, though the official reason given was difficulty communicating the need for ongoing electricity price increases in Serbia. Immediately, Ms. Kori Udovicki - former assistant at the Ministry of Finance and IMF employee - assumed the post. The Alliance provided the new Minister with policy, PR and logistical support, while the Minister developed a new electricity tariff structure. The task for the new minister is to communicate better the need for price increases given Serbia's highly subsidized electricity prices - while also coming up with ways to protect the poor. The Alliance conducted a series of polls on a 2001/2002 public information campaign which revealed that the public gave low ratings to the government's handling of the energy situation, particularly the recent tariff increases. While most people knew the new tariff structure reduced costs by eliminating the demand charge, they knew little else about the new structure. Resistance to the increases and to behavioral changes is still quite strong, and is a topic that must be addressed by the new Minister.

SERBIA: Green Schools: In August, the Alliance finalized school curricula developed in conjunction with the Serbian Ministry of Education and Sport for the first and fourth grades in 100 schools. The Green Schools class, which teaches children about the general concepts of energy efficiency and environmental issues, was listed in the official Ministry curriculum book in July, meaning that any first or fourth grade teacher in Serbia may elect to teach the class in addition to their core classes. At the same time, the Alliance is working to implement a year-long Green Schools program for 70 schools in southeast Serbia, including as many as fifteen Albanian language schools. Each of these schools will receive the curricula, as well as workbooks for the students, teacher training, site visits and end-of-semester activities. Each school will be encouraged to develop its own program based on Alliance recommendations (including creation of an EcoClub, media outreach, etc.). An important component, particularly for older students, will be to monitor energy use in schools, encourage behavioral changes and translate energy savings into greenhouse gas reductions.

UKRAINE: Replication of Best Practices: As a result of a recent MUNEE workshop to share best practice experiences, the cities of Rivne, Kharkiv and Zaporizhzhya are preparing to introduce a system of two-tier tariffs for heat. Two-tier tariffs provide a capacity or demand charge, along with the charge for heat consumption. The tariffs provide a more stable source of revenue throughout the year. Lutsk first adopted this idea and was the source of this best practice. Lutsk

instituted a demand charge, which encourages institutional consumers to reduce their peak demand. One of the goals of MUNEE is to illustrate these examples of how to increase revenue collection, so other cities can learn from this experience.

UKRAINE: Water Efficiency: With support from the US Department of Energy, the Alliance is implementing a project to demonstrate the effectiveness of modern water saving technologies for municipal buildings in Lviv. The Ukrainian Network for Energy Efficiency Cities (UNEEC) recommended the Lviv Children's Hospital as a demonstration site. The hospital project will introduce technologies provided by Energy Technology Laboratories (ETL) and will consist of three activities: to demonstrate installation of water saving devices in a public facility; to monitor and disseminate the water and cost saving results; and to conduct a public outreach event to raise awareness about the water efficient technology, measuring / verifying savings. The results will be reported in one of the next two MUNEE Newsletters.

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HEADLINES FROM THE REGION

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BULGARIA: EBRD Finances District Heat in Sofia -- Sofia will rehabilitate its district heating system with the support of the European Bank for Reconstruction and Development, providing 900,000 residents with more efficient heat service during the winter. The 114 million euro project will receive financing from numerous sources, including the EBRD, World Bank, Toplofikacia Sofia (a municipally-owned management company), the Kozloduy International Decommissioning Support Fund, the EU Phare program, and USAID. Work is expected to begin this year in West Zemliane and continue through next year across the city. The rehabilitation project will include replacement of 6,840 substations and 60 km of pipes. Peter Reiniger, EBRD Business Group Director for Energy, said that by upgrading and rehabilitating existing infrastructure, Sofia could reduce its energy consumption for district heating by more than 20%, or 20 million euro per annum at current prices, and realize significant improvements in the quality of services provided to Toplofikacia's customers.

MOLDOVA: A government regulation has been issued in the Republic of Moldova to cut the cost of energy supply in the national economy. The local authorities, the Ministries of Energy, Industry, Agriculture, Environment, Transport, Education, Culture, and Health are instructed to lower the costs of energy resources in 2002-2005. The appropriate ministries - the National Agency for Energy Saving, the National Agency for Regulations in Power Supply, the Department of Privatization, and the Institute of Electric Power -- have been made

responsible for drawing up the legislative acts. Optimism is in short supply for this latest initiative. During the past five years, three national energy savings plans have been developed and rejected. The Energy Savings Law of 2000 had no definitive mandates. From 1994-98, the Moldovan National Agency for Energy Savings was created and funded by TACIS, but the acute shortage of funding in Moldova makes development of new projects difficult. The difficulty of spurring a successful national energy plan is blamed on lack of financing, emigration or retirement of the country's most able specialists, and lack of a strong legislative and regulatory framework.

SERBIA: Given its large electricity deficit, the Serbian government is encouraging alternative forms of heat and trying to get consumers to connect to district heating systems. One method is to offer financing for the connection fee at a 10 or 12% interest rate, so this expense can be paid over time. In Serbia, however, the prices for district heating are artificially low, and the costs of connection are extremely high relative to other countries in the region. Despite the high cost of connections, many consumers are signing up anyway, in response to the rising costs of electricity. About 5,500 applications for connection to the district heating system arrived at the Belgrade Heating Company (Beogradske Elektrane), totaling 184,000 square meters of apartment space. Every day at least 300 to 500 citizens show interest in this program, according to the heating company.

UKRAINE: From June 1, the State Administration of Kiev increased the charges for domestic heating from the Kyivenergo company - the main provider of heat and electricity for Kiev - by 22% to UAH 54.4 per gigacalorie (USD 1 = 5.3 UAH). In May, Kyivenergo asked the State Administration of Kiev to increase charges for domestic heating energy for the population by 28.9% to UAH 57.5 per gigacalorie. Kyivenergo expects losses in the first half of the year due to non-payment for heat of around UAH 20 million, compared with 2001 losses of UAH 118.8 million. The heat company finished the year 2001 with a net profit of UAH 5.6 million. The production cost of heat is UAH 52.7 million per gigacalorie, while the average selling price is UAH 49.9 per gigacalorie.

UKRAINE: On July 24, the National Electricity Regulation Commission (NERC) asked the Cabinet of Ministers to initiate an increase of electricity tariffs for domestic consumers by 4% each quarter (or an increase of 30%) starting from January 1, 2003. Domestic users today pay 70% of the real cost of the electricity they use. Ukrainian News reported in May that the Prime Minister, Anatolii Kinakh, did not plan to increase tariffs on electricity, which have stood at 15.6 kopecks/kwh since April 1999.

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UPCOMING AND PREVIOUS EVENTS FROM AROUND THE REGION

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Fifth International Conference ENEF 2002 in Slovakia: The Association of Energy Managers, the Slovak Member Committee of the World Energy Council, and the Slovak Energy Agency are organizing their bi-annual conference in Banska Bystrica, Slovakia, September 10-12, under the title, "Energy Sector on the Move." The key themes in this year's events include: energy legislation, renewable energy sources, electricity market liberalization, biomass utilization, regional energy policy, energy efficiency in buildings, and modern energy technologies. For more information, please visit: <http://www.sea.gov.sk/> .

Energy Efficiency Business Week in Prague: MUNEE Partner SEVEN is organizing its bi-annual conference and exhibition in Prague on November 5-7. 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/> .

Microcredit Summit + 5: More than 3,000 delegates from 140 countries will gather at the Microcredit Summit +5 in New York City from November 10-13, 2002. The 2002 Summit will offer an opportunity for microcredit practitioners, advocates, donors, and others committed to the Summit's goal to assess progress, identify challenges, and reaffirm their commitment to the nine-year campaign. This meeting will include a progress report since the original summit meeting, twelve day-long courses on microcredit development topics, and the most extensive directory of microcredit institutions. The original summit meeting -- held in February 1997 -- was organized by RESULTS Educational Fund, which launched a campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by the year 2005. For more information, visit: <http://www.microcreditsummit.org/plus5/index.html> .

Round Table on Self-Repayment Projects in Ukraine: As part of the USAID/PADCO Tariff Reform and Communal Service Enterprises Restructuring Program, a roundtable on "Energy Efficiency Projects Implementation Experience and Turnkey Installation Services at the Communal Services Enterprises in Ukraine" was organized on July 22-23, in Kyiv. The roundtable was designed to disseminate positive

experience on self-repayment projects to improve energy efficiency in the communal services sector. The projects had three principal goals: 1) to encourage Energy Saving Performance Contracting (ESPC) energy efficiency project development in Ukrainian communal service enterprises (CSEs) and to attract financing to support those projects; 2) to promote the Ukrainian Energy Services Companies (ESCO) energy efficiency industry; and 3) in the process, to contribute to the larger goal of restructuring and tariff reform in Ukraine's CSEs. To obtain a copy of "Energy Conservation Best Practices," visit: <http://tariffreform.padco.kiev.ua/eng/ENERGY/bp/bp-e.html> or visit <http://www.munee.org/> .

Conference on GHG Emissions Reduction in Ukraine: The Ukrainian Ministry of Ecology and Natural Resources and the Climate Change Initiative organized a 2-day conference in July to discuss investments in reduction of GHG emissions, international progress in and institutional aspects of implementing the UNFCCC, participation of countries with economies in transition in the Kyoto Protocol mechanisms, funding sources and mechanisms for GHG mitigation projects, and the role of NGOs in attracting investments in climate change mitigation. Senior-level stakeholders in the energy markets of Ukraine, Russia, Georgia, Armenia, the United States, Netherlands, and the European Union attended this conference, as well as representatives of the World Bank, EBRD, international consultant groups, the private sector, and NGOs. The Alliance presented an overview of its activities in Eastern European countries and focused on the World Bank project to modernize district heating companies in four Polish cities.

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OTHER RESOURCES:

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Energy Globe Award: It's that time of year again! The third annual Energy Globe Award competition - organized by O.Oe. Energiesparverband -- honors the most outstanding projects in the fields of energy efficiency and renewable energy sources. Public and private organizations and individuals from all over the world are invited to submit their projects before the deadline of October 9, 2002. The project or initiative should involve either energy efficiency or renewable energy sources - or a combination of both. A prize of 10,000 euros will be given for each category. In 2002, more than 1,300 projects from 98 countries were submitted to the Energy Globe Award competition. Former USSR President Mikhail Gorbachev handed over one of the "Energy Oscars" in a gala which was attended by 1,600 guests. The high-profile ceremony was televised in 130 countries - including CNN Prime Time News. For more information,

visit the website: http://www.esv.or.at/aktuelles/energyglobe/globe02/winners_e.htm .

Energy Bill Calculator: As summer approaches an end, heating issues heat up for Serbian households using electric and other inefficient and expensive sources of heat. The Alliance is helping Serbian consumers understand the impact of new tariff increases (as of July 1) on their monthly income through an energy bill calculator - available on <http://www.ase.org.yu/english/> . During the month of July -- when the Alliance posted the calculator -- the website experienced more than 18,000 hits. The new calculator allows consumers to enter data based on previous usage and see what their utility bill will be for a similar period this winter. The Alliance also publishes cost comparisons on various heat sources. Those who use natural gas to heat a 60 square meter apartment will pay 46YUD (0.74 USD) per square meter. Those who use propane/butane will pay 103YUD (1.66 USD) per square meter, while black fuel costs are 147YUD (2.37 USD) per square meter. Natural gas is about 20% more expensive than lignite heating, but due to the comfort that it provides, as well as the possibility to pay on a monthly basis, it is one of the most favorable options for heating. The tariff adjustments are meant to persuade consumers to switch to more efficient heat sources.

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