

## MUNEE NEWSLETTER # 10: HAPPY NEW YEAR!

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

1200 18<sup>th</sup> Street, NW, Suite 900

Washington, DC 20036 USA

---

### TABLE OF CONTENTS

- Spotlight on ESCO Market Development
- News from the MUNEE Program
- Headlines from the Region
- Events in the Region
- Opportunities in the New Year

---

Welcome to the 10th edition of the MUNEE Newsletter. We look back at the second year of the program with a great deal of pride and appreciation for the hard work of our tireless staff and partners in more than fourteen countries throughout the region. Best wishes to all for many energy efficient years in the future and Happy New Year in 2003!

---

### SPOTLIGHT - ESCO MARKET DEVELOPMENT

---

The MUNEE partner in Hungary, EGI, completed its report on the ESCO market in that country. The goal of the report was to find out why Hungary appears to have the most mature market for municipal ESCO work in the region. The full report is available from <http://www.munee.org/>. Among the reasons cited for Hungary's ESCO market:

- Cities have a good deal of budgetary and legal autonomy and can set policies that, for example, allow ESCOs to enter into performance contracts directly with hospitals without a large number of local government approvals. Banks also have a long history of lending to the municipal sector. OTP Bank, which keeps the bank accounts of more than 80% of cities, ran the German Coal Fund, which offered cities loans specifically for energy efficiency and is one of the relative success stories with

revolving funds.

- With a new law that requires cogenerated electricity to be purchased by the grid at a fixed price, a new market has developed for investments in CHP facilities, providing district heat and power. This law makes cogeneration a much more secure activity that can cover some of the higher risk on the heating side.
- In the early 1990's, large and quick increases in the fuel oil prices (to avoid the illegal use of fuel oil for cars, since petrol prices were much higher), along with gas-sector privatization, led to the dramatic expansion of the country's natural gas network. This made fuel switching in old district heating boilers more cost-effective for local governments.
- In the 1990s, the market for ESCOs operating municipal facilities flourished, helped by a difference in the VAT rate between the procurement of goods (25%) and energy (12%). This gave the incentive for cities to outsource and buy energy at a lower tax rate than they would pay if buying equipment. Combined with the pressure to reduce staff and related expenses, more cities were willing to try outsourcing, creating a market for ESCOs that operated district heating systems, hospitals and schools.
- As energy markets have recently liberalized, utility-based ESCOs are emerging in Hungary; electric companies want to expand beyond their service territory, which they can legally do for energy services. The desire to keep existing customers and gain new ones encourages these ESCOs to look at a wider range of projects and take on additional risk.

These facts help us understand why the Hungarian ESCO market in the municipal sector has made such strides and may prove useful to other countries in the region.

=====

**NEWS FROM THE MUNEE PROGRAM**

=====

**Bosnia:** Documentary Film on Water-Loss Detection: The Alliance is near completion on a documentary film on reduction of losses in water systems. The filming took place over the fall, during a series of training session for water managers on leak detection and other water-saving techniques. The final film will be used for the promotion of energy and water efficiency in water supply companies throughout the former Yugoslavia. An English version will also be available for wider distribution. The documentary will be part of a water efficiency "toolkit" that will be available in the next couple of months free of charge from the Alliance. For more information, please contact Seth Baruch at

[sbaruch@ase.org](mailto:sbaruch@ase.org) or Kevin James at [kjames@ase.org](mailto:kjames@ase.org).

**Kosovo:** Public Awareness Campaign: After a power plant fire created supply problems, the Kosovo government set up an emergency energy conservation plan. A former intern of the Alliance to Save Energy - Shpresa Kursani - who worked in Washington under a program administered by the National Albanian American Council, led a public awareness campaign to spread the word on energy efficiency. The campaign reached more than 400,000 energy consumers through television and newspaper ads and through printed leaflets in Albanian, Serbian, and English. The national utility - Korporata Energjetike e Kosoves - reported immediately reduced energy consumption levels resulting partly from this campaign. Ms. Kursani is now working with the Ministry of Education to incorporate energy efficiency into its school curriculum. For more information, please contact Eric Carlson at [ecarlson@ase.org.yu](mailto:ecarlson@ase.org.yu) .

**Latvia:** Creation of Latvian Energy Managers Association (LEMA): Throughout 2002, the MUNEE program trained energy auditors to focus on municipal infrastructure. As a result of this training, participants recently formed an association, similar to the Association of Energy Engineer chapters; however, LEMA also has a focus on municipal and residential energy efficiency (as opposed to the more traditional industrial energy efficiency focus). The Latvian Association has already met twice, submitted its documentation to become a legal entity and currently has ten members and growing. The first tasks of LEMA, as outlined in its founding statutes, are to draft a national energy auditing program for the Ministry of Economy, develop a professional certification program, disseminate practical information on energy management, and represent the voice of energy efficiency in the national energy policy discussion. For more information, please contact Angela Morin at [amorin@ase.org](mailto:amorin@ase.org) .

**Serbia:** New Green Schools Effort: The Alliance recently launched a new Green Schools program for 90 schools (10,000 students) in southeast Serbia, expanding on a program launched last winter with the Ministry of Education and Sport. The current program is being funded by CHF International, the program implementer in southeast Serbia for USAID's Community Revitalization through Democratic Action program. In October the Alliance trained over 150 teachers from these schools on the curriculum, teaching methods and implementation of Green Schools. The training included everything from special events to classroom activities to measures that students and teachers can perform in their schools or homes. The Alliance is visiting each school to help with program implementation and to assist teachers. The curriculum, workbooks and trainings were produced in

both Serbian and Albanian to reflect the cultural diversity of the region that includes about 20 Albanian-language schools. For more information, please contact Eric Carlson at [ecarlson@ase.org.yu](mailto:ecarlson@ase.org.yu).

**Ukraine:** Carbon Trading Agreement Signed: The Alliance recently signed its first carbon-finance agreement to implement an efficiency project in the City of Ivano-Frankivsk. The project will upgrade a boiler and two schools that are served by that boiler. The carbon savings will be high enough so that the buyer, Swiss Re's Centre for Global Dialogue in Ruschlikon, will be CarbonNeutral®, meaning that the Centre's carbon emissions will be 100% offset by the CO<sub>2</sub> savings from this project for the next eight years. CarbonNeutral is a trademark of FutureForests, a UK-based company that is also a partner in this project. The Centre for Global Dialogue plans to develop its relationship with the schools over the coming years and hopes to involve the staff and pupils in programs run by the Centre. Further details about the program of collaboration between the Centre and the schools will be announced at the ribbon-cutting ceremony that will take place at the schools in March 2003, when the installation of the equipment will be complete. For more information, please contact Seth Baruch at [sbaruch@ase.org](mailto:sbaruch@ase.org) or Bill Sneyd at [bill.sneyd@futureforests.com](mailto:bill.sneyd@futureforests.com).

**Ukraine:** Wastewater Treatment Project Reduces Load on Municipal System: Lviv, like many other Ukrainian cities, experiences significant problems with its water supply and sanitation system. Based on results of an EcoLinks-funded feasibility study, Alliance staff in Ukraine took part in negotiations with the management of the ENZYM, a company that produces yeast, and arranged a site visit to a similar industry in Santiago, Chile to demonstrate a relevant wastewater pretreatment technology in action. Following this visit, ENZYM signed a \$600,000 commercial contract with the US-Dutch company Biothane, which installs anaerobic-aerobic wastewater treatment technology for pretreatment of wastewater before discharge into the municipal system. The total investment will be more than \$1.5 million. Expected electricity savings for the Lviv water utility will likely exceed 15 million kWh per year, with greenhouse gas reductions of 36,000 tons of CO<sub>2</sub> equivalent. This will result from the reduction of excess sludge and the utilization of biogas generated by the anaerobic wastewater treatment. The technology is highly replicable within other urban industries (breweries, dairies, distilleries, sugar refineries, pulp and paper plants) that currently overload municipal wastewater treatment facilities in Ukraine. In fact, the Alliance helped prepare a second Ecolinks project, which was approved for a partnership that will hopefully lead to the installation of the same technology in another company, Nadezhda, located in the Dnipropetrovsk oblast. For more

information, please contact Stas Potapenko at [spotapenko@ase.org](mailto:spotapenko@ase.org) .

**Ukraine:** New Resolution Requires Energy Audits: The Lviv Regional Council recently adopted a resolution to implement an energy management program that, among other things, requires public facilities subsidized by the Oblast budget to conduct energy audits.

On December 9, the Governor of the Oblast officially issued the decree. Oblast officials and the Alliance are now assisting in the implementation of the resolution. For more information, please contact Anatoliy Kopets at [akopets@ase.org](mailto:akopets@ase.org)

=====

## HEADLINES FROM THE REGION

=====

**Kazakhstan:** In September 2002, the Institute for Market Transformation (IMT) and the Natural Resources Defense Council (NRDC), in conjunction with the Moscow-based Center for Energy Efficiency (CENEf), launched a project funded by the U.S. Environmental Protection Agency to support the development and implementation of building energy codes in Kazakhstan. This work is intended to build upon the successful experiences of the project team in promoting innovative regional energy codes in Russia. Since 1998, thirty-one Russian oblasts, krays, and autonomous republics have adopted codes based on a model developed by IMT, NRDC, and CENEf. The project team estimates that as the regional codes are implemented, buildings consume about 50% less energy per unit of floor area than most existing building stock, and 40% less energy per unit of floor area than buildings minimally compliant with pre-existing federal codes. For more information, contact Cliff Majersik, Program Director at IMT, at [cliff@imt.org](mailto:cliff@imt.org) .

**Romania:** At a Donors Conference in Bucharest on December 16-18, 2002, the Romanian Minister of Finance stated that "the cost of energy sector restructuring will exceed 1 billion USD over the next 5 years." The event gathered representatives of financial institutions such as the World Bank, IFC, EBRD, USAID and the EU. During the meeting, the World Bank Director for South and Central Europe declared that, in 2003, the WB will offer Romania an 85 million USD loan for partially financing a 110 million USD project focused on the energy market and modernization of the power transport system.

According to the president of Romania's National Electricity Regulatory Authority (ANRE), power tariffs paid by final consumers reached the cost of production in April 2002. In order to support privatization of power distribution, ANRE elaborated a new methodology for calculation of tariffs over the next 3 years, which are

based on justifiable costs, reasonable profit, and reinvested capital. In other tariff news, the National Authority for Natural gas Regulation (ANRGN) will implement a new system for distribution tariffs. According to the new procedure, prices for the residential consumers will increase, prices for small consumers will slightly increase, while tariffs for the industrial consumers will remain the same or even decrease.

**Serbia:** The Minister of Mining and Energy said recently that Serbia's citizens will soon be able to enjoy the effects of last year's energy price hike, "Last year's price correction was reflected in an evident reduction of power consumption during the winter, and in 2003 Serbia's citizens will reap the fruits of 'sacrifice' they endured last year." The Minister also stated that a new price increase should be expected this year, as directed by international monetary institutions. Although the price incentives to save energy are better than before, tariffs still do not cover costs.

**Slovakia:** Evolution Markets announced that it brokered the first "International Emissions Trading" mechanism as defined by the Kyoto Protocol. The first trade of greenhouse gas emissions allowances was executed by the Slovak Republic and a major Japanese trading house. The buyer can use the allowances - or assigned amount units (AAUs) -- to comply with greenhouse gas emission reduction obligations. The seller will use the proceeds to finance domestic emission reduction projects. The Ministry of Environment of Slovakia, which is the authorized body of the Slovak government for Climate Change issues, has guaranteed to transfer AAUs out of their 2008-2012 greenhouse gas budget to the Japanese buyer. The total transaction size is 200,000 AAUs. Countries that are party to the Kyoto Protocol receive a five-year allocation of AAUs, each AAU reflecting the right to emit one metric ton of CO<sub>2</sub> equivalent. The AAUs will be transferred from the Slovak national registry to the buyer through Menert s.r.o., a Slovak engineering company. This landmark government-to-corporation trade kicks off the Kyoto compliance market and provides a glimpse of how the global GHG trading market is likely to function.

=====  
**EVENTS IN THE REGION**  
=====

**Austria:** The World Sustainable Energy Day 2003, "The Megatrends of Sustainable Energy," will take place March 6-7 in Wels/Austria. The two focal points of the symposium will be green building technologies and green electricity. Presentations will cover energy efficient architecture, building shells, heating, cooling and ventilation

technologies, as well as planning tools for new buildings and renovation of housing, commercial and public buildings. Participants will include energy experts from the business community, the energy industry, universities and research institutions, technology providers, consultants, planners and the media. Representatives of the European Commission and national parliaments as well as key actors from European, national, regional and local public administrations will also be present. For more information, please visit [http://www.esv.or.at/aktuelles/WEST/index\\_e.htm](http://www.esv.or.at/aktuelles/WEST/index_e.htm)

**Belgium:** The European Conference, "Policies to Stimulate Energy Efficiency Services and Programs in Liberalized Gas and Electricity Markets," will be held on March 27-28 in Brussels. Experts from different stakeholder groups and science will discuss how to create a supportive policy framework that will allow energy companies and other actors to play their role in assisting customers with the more efficient use of electricity and gas, thereby completing the market for least-cost energy services and achieving full economic and environmental efficiency.

**France:** The EU and IEA are organizing a seminar, "Experience Curves: A Tool for Energy Policy Analysis and Design," on January 22-24 in Paris to consider long range strategic goals for energy policies. Representatives of the International Energy Agency and countries of the European Union will discuss experience of various governments in developing markets for innovative energy technologies, policy analysis, and various case studies in EU countries. For more information, visit [http://www.eceee.org/eceee\\_forum/meetings\\_events.lasso](http://www.eceee.org/eceee_forum/meetings_events.lasso) .

**Italy:** The European Commission's Institute for Environment and Sustainability will host the first pan-European conference on Energy Service Companies (ESCOs), "Creating the Market for the ESCO Industry in Europe," on May 22-23 in Milan, Italy. Presentations will address the status, prospects and barriers facing the ESCO industry in Europe, following the recent electricity and gas market liberalization and the international commitments deriving from the Kyoto Protocol. The Conference will explain the critical role of the ESCO industry in the context of the Kyoto Protocol's Flexible Mechanisms (ET, CDM and JI) and will demonstrate methods that the ESCO industry can help countries to meet the challenge of climate change. The conference will be held during the INTEL Fair -- one of the major European fairs for lighting, building and factory automation, and electrical equipment. For more information see <http://www.intelshow.it/fi/hpintelgen/1,2663,e%7C6,00.html> .

**International:** Mark your calendars for World Fuels Conferences throughout 2003 in the United States, Belgium, Brazil and Singapore. The Conferences will bring together key refining, automotive and technology industry players with government leaders to discuss critical legislative and regulatory policies, vital cross industry-government issues and the most cutting-edge technologies. Presentations will address cross-cutting economic, environmental, and energy issues related to fuel supply and the automotive industry. For more information, visit the World Fuels webpage for conferences and tradeshowes at <http://www.cwacts.com/hart/> .

**Poland:** The Polish Network Energie Cites (PNEC) - in conjunction with the City of Krakow, the region of Malopolska and the European Commission -- will host the 8th Annual Energie Cites Conference, "Sustainable Energy Management in Municipal Buildings and Equipment," April 3-4, in Krakow, Poland. Presentations will address methods of saving energy in a sustainable way in schools, hospitals and other municipal buildings, in water treatment facilities, street lighting, and in fleets of municipal vehicles. Examples will be provided that demonstrate how municipalities can save money and better manage public funds and encourage the use of renewable and decentralized sources of energy. Simultaneous interpretation will be provided in English, French and Polish. For more information, visit <http://www.energie-cites.org/en/news.php>, or send an email to Nathalie Morage at [krakow2003@energie-cites.org](mailto:krakow2003@energie-cites.org)

**Switzerland:** In 2003 the United Nations Economic Commission for Europe (UNECE) Spring Seminar will focus on "Sustainable Development in the ECE Region." This seminar will be held on March 3 in the Palais des Nations, Geneva. The annual meeting of the Commission follows the seminar, from 4-6 March. The first day of the Commission meeting will be devoted to a discussion of the policy implications of the Spring Seminar and focus on national sustainable development strategies and the UNECE's follow-up to the World Summit on Sustainable Development. These meetings are open to the public. For more information, visit [http://www.unece.org/ead/2003seminar\\_ad.htm](http://www.unece.org/ead/2003seminar_ad.htm).

=====  
**OPPORTUNITIES IN THE NEW YEAR!**  
=====

The European Sustainable City Award 2003 aims at recognizing and awarding the progress made by European local authorities in the field of sustainable development. The three subcategories for the 2003 Award are: Sustainable Waste and Resource Management, Poverty and Social Equity, and Health. The Award questionnaire is now

available for downloading in English, French, German, Spanish and Italian from the Campaign Interactive website ( <http://www.sustainable-cities.org/award2003.htm> ). This webpage includes details about eligibility, submission languages, time frame, and evaluation procedure. The completed application forms should be sent to the EUROCITIES Network by January 31, 2003.

The Special American Business Internship Training Program (SABIT) -- a U.S. Department of Commerce initiative -- is accepting applications from small and medium-sized businesses looking to establish long-term relationships with potential customers, distributors, and partners in Eurasia. Over \$1.5 million in grants will be awarded. SABIT offers competitive grants to cover a portion of the costs of hosting Eurasian managers and scientists for three to six months of professional training in U.S. business, research, and technology development practices. Organizations can apply to host trainees from Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Visit [www.mac.doc.gov/sabit](http://www.mac.doc.gov/sabit) to download an application. Applications are due by March 1, 2003.

\*\*\*\*\*

Sarah E. Meyer  
Alliance to Save Energy  
1200 18th Street, NW, Suite 900  
Washington, DC 20036  
Tel: (202) 530-4343  
Fax: (202) 530-4355  
Website: <http://www.munee.org/>