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## MUNEE NEWSLETTER # 13

The Newsletter of the Municipal Network for Energy Efficiency (MUNEE)  
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1200 18<sup>th</sup> Street, NW, Suite 900  
Washington , DC 20036 USA

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## INTRODUCTION

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This issue of MUNEE news reports on the continuing momentum towards expansion of energy efficiency markets in the municipal sector. With the design of new project business plans in Bosnia , new assistance efforts in Albania and Montenegro , and new companies operating in Ukraine , there is steady movement across the region towards more sustainable efforts at municipal energy and water management. In addition, a recent evaluation of World Bank project in Russia - reported below - shows that energy efficiency projects financed by the Bank are being replicated locally. Finally, a new loan guarantee program in Bosnia shows the municipal credit market developing even in difficult investment climates.

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## NEWS FROM THE MUNEE PROGRAM & REGION

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**ALBANIA :** *New UNDP Municipal Energy Efficiency Effort in Korca.* Before this year, cities in Albania have had virtually no training on or exposure to the concepts of energy and water management. In April, the Alliance and the Albania Energy Efficiency Centre (EEC) conducted one of the first seminars for municipal managers, coming at about the same time the government is trying to devolve some power to the local level. The UNDP is also starting a new energy effort, focusing on the City of Korca . The EEC is managing this project, which consists of energy audits and implementation of pilot energy efficiency measures in public buildings. Combined with MUNEE's training sessions that will continue throughout the country, both efforts will aim at accelerating municipal energy efficiency projects in a country where international assistance in this area has to date been lacking. For more info rmation, please contact Edmond Hido at [aleueec@icc.al.eu.org](mailto:aleueec@icc.al.eu.org).

**BOSNIA:** *New Credit Line:* On September 24, USAID and Volksbank BiH signed an agreement to provide loan guarantees for municipal rehabilitation projects. USAID will guarantee 50% of the loans from Volksbank for projects in the field of water

distribution (increase capacity, decrease losses and other infrastructure-related work). The total amount available for loan guarantees is \$25 million, and cities can get 10 year loans ranging from \$200,000 to \$3.5 million. Interest rates will range from 6.5 to 8%. This is the newest development in the effort to create a municipal finance market in Bosnia . The World Bank has an existing credit line for small-scale municipal projects. The creation of lending mechanisms to the public sector is critical as the country rehabilitates its war-torn infrastructure - particularly as Bosnia enters a new era in which the international community is no longer willing to provide large amounts of grant money. For more information, please contact Lena Bratic at [alliance@bih.net.ba](mailto:alliance@bih.net.ba).

**BOSNIA AND SERBIA/MONTENEGRO:** *Municipal Water and Energy Training.* In an effort to leverage the Alliance's efforts in different countries and enhance the overall productivity of the MUNEE program, the Alliance's Serbia office recently conducted a municipal training in Bosnia. Participants came from Samac, Tuzla , Zvornik, Trnovo, Bugojno, and Gradiska and used the Alliance 's newly-developed municipal software which has been enhanced with tariff and financial information relevant for Bosnia . The training participants have identified and collected information on selected buildings - three schools, two municipal buildings, a hospital and a kindergarten. All buildings are in very bad condition, with poorly insulated doors and windows, high heat bills and considerable heat loss. The software enables the user to enter data on energy use and on the physical condition of the building, as well as analyze the impacts of a variety of energy-saving measures. The final result will be the design of several business plans for actual energy efficiency projects in these municipal buildings - some of which will be submitted to the World Bank credit line described above.

Also recently, the Alliance replicated its leak-reduction training in Montenegro , a region that imports 43% of its electricity. Earlier this year, similar training was provided to more than a dozen Bosnian water utilities, and the result was the repair of enough leaks to save an estimated 1 billion liters per year. In Montenegro , many of the tourist facilities lack reliable water supply, greatly limiting the region's enormous tourism potential. The Alliance just held a training seminar in the coastal city of Budva on how to implement modern leak detection methods. Since water utilities estimate that the level of unaccounted for water averages 50%, being able to pin-point and repair leaks should reduce this figure and help improve water supply in these coastal towns. For more information, contact Lena Bratic at [alliance@bih.net.ba](mailto:alliance@bih.net.ba).

**BULGARIA :** *Easing the Transition of Energy Reforms.* USAID is organizing a regional conference on "Energy Reforms and the Social Safety Net," to be held in Sofia on October 20-21. In a region where many consumers pay huge portions of their income to heat their homes, this event will try and synchronize the work of various donors looking at improving the affordability of energy - and the potential mechanisms to help especially vulnerable households. The conference will explore promising approaches through (a) targeted subsidies; (b) innovative tariff designs; and (c) energy efficiency measures. USAID aims to foster an exchange among practitioners and policy makers, as well as define a matrix of effective approaches that countries can use. The results of the conference will be available on the MUNEE website ([www.munee.org](http://www.munee.org)). For more information, contact Seth Baruch at [sbaruch@ase.org](mailto:sbaruch@ase.org) .

**LATVIA :** *One Example of Consumers Bracing for Increased Heat Tariffs.* Consumers throughout Latvia have begun to bear the brunt of higher gas prices. The Riga Public Services Regulatory Council recently approved an 8.2% hike in heating energy tariffs starting in October 2003. The rise in tariffs is due to higher natural gas prices and heat tariffs from the state-owned power company "Latvenergo." The Daugavpils heating company requested a permit from its regional regulatory agency for raising heating tariffs by 30%. That tariff hike is also needed to cover a new 18% VAT for heat supply, as well as pay for the company's \$1.1 million debt to the Latvian gas company. For more information, contact Angela Morin at [amorin@ase.org](mailto:amorin@ase.org).

**LITHUANIA :** *World Bank and GEF Support Efficiency of District Heating in Lithuania .* The GEF recently agreed to provide the City of Vilnius and Vilniaus Energija \$4 million and \$2.5 million, respectively -- to finance the Vilnius Heat Demand Management Project. The project aims to reduce greenhouse gas emissions from the Vilnius district heating system by implementing a variety of energy efficiency investments in the residential sector. For more information about the project, visit <http://www.worldbank.org>.

**MOLDOVA :** *Government Approves National Plan for Energy Conservation for 2003-2010.* The Moldovan government

approved a national plan for energy conservation for 2003-2010. The document says energy resources worth \$10-12 million should be saved every year. The plan calls for the adoption of energy saving technologies, rehabilitation of buildings and use of renewable energy. The Deputy Energy Minister, who presented the plan, said the new measures need at least \$4 million a year in investments. As is often the case, however, the question of where that money will come from remains to be seen - although much of the plan deals with policy reforms, not investments. So far, the State has allocated 30,000 MDL (about \$2,140). The government hopes to attract investments through the international project SEETEC, financed by the Canadian government. The cabinet also hopes to negotiate grants from donor countries. For more information, contact Irina Plis at [iplis@ase.org](mailto:iplis@ase.org).

*New Donor Website.* As a result of the Energy Donor Group meetings, the Alliance -- in cooperation with the local USAID Mission in Chisinau -- opened an Energy Donor Web site at [www.edwg.md](http://www.edwg.md). The major goals of the website are to help integrate all energy donor projects in Moldova, eliminate duplication of effort and stimulate dialogue between the local community and donors. The website will feature an energy sector overview, including information on the regulatory and legal framework of the sector, a list of projects and donors, a calendar of upcoming events, a collection of current news on energy and a discussion forum.

**MOLDOVA/UKRAINE:** *New Developments on Homeowner Associations (HOAs).* The Alliance helped the Moldovan association of condominiums win a World Bank grant to strengthen the capacity of HOAs to manage housing funds and promote their sustainability. The Alliance is currently working with the national association to prepare a seminar on heating services for about 300 HOA representatives. The grant will focus on: legislative framework for establishing an HOA; contracting of communal services; development and management of HOA activities; and sources of HOA income. These are all key issues, and the Alliance will borrow from experience in other countries. For example, the Alliance recently helped draft a contract for communal services between several housing associations and a private maintenance company in Lutsk, Ukraine. This particular contract is new in many countries because it is based on actual heat and water service delivered - no services, no payment required. If the temperature is below a certain level, payments are reduced. For more information, contact Irina Plis at [iplis@ase.org](mailto:iplis@ase.org) or Yuri Havrylyuk at [yhavrylyuk@ase.org](mailto:yhavrylyuk@ase.org).

**ROMANIA :** *Awareness Campaign.* At a "Consulting Citizens" seminar that involved representatives of Bucharest City Hall (District 4), utilities, energy experts and homeowner associations discussed the use of individual heat and water meters to improve the bill collection rate. Increasingly, domestic consumers in several Romanian municipalities have asked for meters to be installed in their homes. In one case, a homeowner association consisting of 80 flats had heat and water meters installed in October 2002. As a result, overall consumption was reduced significantly. MUNEE Partner APER (Romanian Energy Policy Association) and RADET - the district heat company of Bucharest - have agreed to initiate an awareness campaign for promoting the use of individual meters and other energy efficiency measures for reducing energy consumption. For more information, please contact Honoriu Pitaru at [aper@xnet.ro](mailto:aper@xnet.ro).

**RUSSIA :** *Severe Water Shortages Plague Vladivostok.* As reported by BBC World News, Vladivostok, the far-eastern Russian port city, is only receiving one seventh of its daily water needs, despite conservation efforts. Rationing is in force, but many parts of Vladivostok are completely without water and residents have taken to restoring deserted wells. Authorities admit the situation is spiraling out of control. The state of emergency means that water supplies to all the city's businesses - except for food-producing firms - are being cut off. Only kindergartens, schools and hospitals will receive uninterrupted supplies. The reason for the crisis is the region's unprecedented drought, compounded by a power company's decision to switch off electricity supplies to pumping stations. The company says the cuts are legitimate, pointing to unpaid bills - but it now faces lawsuits by the local authorities.

*Behind Schedule on Winter Preparations.* According to the Moscow Times, Russian regions and republics are not fully prepared for the winter season. Some 82bn rubles (about \$2.7bn) should be allocated for preparations for the fall-winter season, while only 51% of this sum has been allocated. The most critical situation is in the Kamchatka region. The Russian Prime Minister ordered his Cabinet to take urgent measures to avert a winter heating crisis in Kamchatka, including allocating emergency funds to the cash-strapped region and installing a crisis management team to oversee its finances. The Deputy Prime Minister, who oversees the nation's crumbling housing sector, recently declared Kamchatka insolvent and decried its "catastrophic lack of preparation for the winter season." The region, home to 400,000 people, has less than one-third of the amount of fuel it will need to heat homes this winter and 80% of its heating infrastructure is outdated. The Deputy Prime Minister said nonpayment for heat and electricity supplies to households and companies were mainly to blame.

*World Bank Evaluation Proves Value of Energy Efficiency.* In the 1990s, the World Bank had a credit line for cities to implement energy efficiency projects in Russia . Of the original list of 10 cities, four received loans including the City of Kaliningrad , where the Alliance assisted in the loan application.

The Bank recently published its evaluation report, which shows that despite low energy prices and the economic volatility in the late-1990s (many cities dropped out because the 1998 ruble devaluation made it much harder to import equipment), the projects were extremely cost-effective - often achieving a higher economic rate of return than originally estimated. The projects, which focused on district heating, also had significant social benefits:

- About 76,000 people in Archangelsk and 55,000 in Semenov saw their winter apartment temperatures rise from 12-16 degrees to a stable 20 degrees Celsius.
- In Semenov, in many buildings, hot water is now available in summer and not only during the heating season, as before.
- The quality of domestic hot water for more than 35,000 people in Kaliningrad has improved dramatically.
- Following the installation of heat meters, the Ryazan municipality discovered that the actual heat consumption was 30% lower than what was regularly invoiced by the heat supplier (RAO UES), which resulted in savings and allowed the city to finance other priority programs.

The economic rates of return ranged from a low of 31% (new boilers and distribution lines in Archangelsk) to a high of 289% (the metering project in Ryazan ). In three of the cities, the rates of return were about 30% higher than estimated in the original feasibility studies. The project disbursed a total of \$16.8 million for all the cities. Economic cost savings of the 2002-2003 season are expected to exceed \$10.7 million equivalent, and financial savings are at about \$7.7 million equivalent. Fuel savings are about 56,000 tons with carbon dioxide reductions of 105,600 tons.

The report notes that many cities have seen the benefits of energy efficiency and many are pursuing their own programs - usually using their own money - demonstrating that the municipal market for energy efficiency in Russia is developing. For example, nine energy efficiency programs, with the total costs exceeding the equivalent of \$34.7 million were launched in the Nizhny Novgorod region to replicate activities of the Semenov project. The report also notes that 35 regions have passed energy efficiency laws; 362 resolutions have been issued at the regional and local levels; and 50 regions have established some kind of energy efficiency center, agency or association. For a copy of the report, please contact Seth Baruch at [sbaruch@ase.org](mailto:sbaruch@ase.org).

**SERBIA :** *International Recognition for Green Schools.* The Alliance's Green Schools in Babusnica and Razanj won the top prizes for the 2002/2003 projects and actions in the prestigious international Earth Apple Awards competition. The Earth Apple Awards competition rewards Green Schools worldwide for outstanding contributions to energy efficiency and environmental protection. The competition is sponsored by ABB. The Green Schools Program of the Alliance to Save Energy is a comprehensive and long term educational initiative focusing on energy efficiency in schools. In Serbia , the Green Schools Program gathered together educational institutions and USAID's implementing partners in the multi-ethnic and bilingual initiative that introduces energy conservation and environmental education. For more info rmation, please contact Eric Carlson at [ecarlson@ase.org](mailto:ecarlson@ase.org).

**UKRAINE :** *Energy Efficiency Company Expands Into a New Market.* Experts in Ukraine have begun noticing that energy efficiency companies are now expanding their presence in the country, and that new financing and cash transactions are replacing old, more risky barter deals - a sign of a stabilizing economy. One example is AERECO, which just signed a long-term agreement with the Lviv Oblast Education Department to install 373 automatic air inlets in a school to improve comfort and save energy by regulating air flow in accordance with humidity levels. Currently heating in the school cannot be distributed evenly and students often open windows in overheated classrooms, resulting in excessive heat loss. AERECO's air inlets will eliminate this by regulating air flow. The energy savings will likely exceed 5% with a rapid payback and tangible improvements in comfort. This is AERECO's first project in Ukraine and will be an important test case of their technology's potential for improving ventilation in public buildings. For more info rmation, please contact Anatoliy Kopets at [akopets@ase.org](mailto:akopets@ase.org).

*Unprepared for Fall-Winter Season.* The Vice Prime Minister, Vitaly Gaduk, said that many regions in Ukraine are seriously

unprepared for the upcoming cold weather in 2003/4. The Vice PM estimates that Gaduk, Vinnitsa , Kirovograd , and Kharkov are approximately 80% prepared for a severe winter, whereas Crimea , Sumy , and Kherson are prepared at the level of 61%. In government-owned residential buildings, only 75% of planned roofing repairs are complete, 76% of heating systems are in working order, and 80% of hot water supply systems are functioning. For the full article in Russian, visit [www.energy.net.ua](http://www.energy.net.ua) .

*Water Efficiency Report in Russian.* The report, "Watergy: Taking Advantage of Untapped Energy and Water Efficiency Opportunities in Municipal Water Systems," was translated into Russian and presented at the recent Ninth All-Ukrainian Municipal Hearings in Kiev . The hearings and their exhibition was attended by the President of Ukraine, members of the Cabinet of Ministers and the Parliament. The Association of Ukrainian Cities invited the Alliance to present the Watergy report during the hearings. For more information, please contact Seth Baruch at [sbaruch@ase.org](mailto:sbaruch@ase.org).

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## EVENTS, OPPORTUNITIES & RESOURCES

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**BELGIUM :** *Energy in the New Europe* . The European Union will expand to 25 states in May 2004 and the latest market liberalization measures mean there will be a single, competitive market for energy in this region. EU legislation is having a growing influence over the operation of national markets. For the energy industry the continuing integration of the EU will also have an increasing impact. This two-day conference - November 12-13 - will explain how the EU affects regional and national energy policy. By looking at the way in which the institutions of the European Union interact, and what their priorities are over the coming months, delegates will be able to better understand how the Community shapes the markets in the Member States. For more information, visit <http://www.ecinformenergy.com/>.

**BELGIUM :** *Local Energy Management.* The European Commission's Directorate General for Energy and Transport is organizing a "European Conference on Local Energy Action," November 26-27, in Brussels . The conference will help local decision makers to build strategies for achieving the goals put forward by the European Union regarding the use of renewables, efficient use of energy and clean urban transport. This year's annual conference will focus on the latest policy issues and new energy programs, directives and other action initiated by the Commission, with a look toward the future. There will also be an emphasis on financial mechanisms available at the local and regional level, especially related to the Structural Funds. For more information, visit <http://www.managenergy.net/conference/register2003.html>.

**GERMANY :** *Second International Congress.* Ombiasy GmbH is organizing the second international congress, "Restructuring the Energy Sector in Transition Countries," to be held April 26-28, 2004, in Leipzig, Germany. Since the reunification of Germany , the energy sector in the five new German states has undergone dramatic changes during the transition from a centrally planned to a market economy. This unprecedented experience is of tremendous value to EU accession countries and the former Soviet Union as well as for developing countries that are only at the beginning of this road and will face similar challenges during their eventual transition process. The agenda will focus on the following points: the development of national and regional energy strategies, investment in public-private partnerships, the efficient implementation of renewable energies in transition countries and the future of the energy market in these countries. Over 800 high-ranking participants -- policymakers, regulators, academics, bi-and multi-lateral institutions and the private sector -- are expected to attend.

**NEW PUBLICATION:** *Success Stories in Energy Efficiency.* The authors of the "Successful Energy Efficiency Programs" project initiated by the European Environmental Agency (EEA) will soon publish a report on the factors that make particular energy efficiency programs successful and replicable. The report will review energy efficiency policies in all 31 member-countries of the European Environment Agency (EEA) and, following an extensive workshop and consultation, the preparation of 20 success stories, which show good examples of energy efficiency policy implementation. The work was scheduled to be presented at the end of September 2003 in an integrated publication summing up and characterizing the successful policies. For more information, please contact the EEA: [eea@eea.eu.int](mailto:eea@eea.eu.int).

**NEW REPORT:** A report from the World Bank - Meeting the Environment Millennium Development Goal (MDG) in Europe and Central Asia -- looks at economic development in the region and assesses the progress in 28 countries. The report examines linkages between the Environmental MDG and the health and poverty goals, and analyzes the costs of meeting the targets. MDG Goal # 7 - to ensure environmental sustainability - supports the integration of sustainable development into national policies through energy efficiency and carbon emission reduction programs. The report's data show an increase in energy efficiency in the region of 35% since 1992 -- a marked improvement - but the ECA region remains the least energy efficient in the world in terms of GDP per unit of energy used. The report estimates that an increase in efficiency of 74% is needed if the ECA region is to reach the same energy efficiency level as other countries at similar levels of development. To view the full report, including the executive summary in English and Russian, visit [www.worldbank.org](http://www.worldbank.org).

**NEW REPORT:** *The Meters Market.* A third edition of the report, "World Market for Utility Meters," has just been published and provides comprehensive analysis and forecasts of the global electricity meter market, including 400 companies classified by energy sector - electricity, gas, water -- and 300 companies listed without energy classification. For more information, visit [www.energypromotion.net](http://www.energypromotion.net).

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