

Financing Municipal Energy Efficiency in the CIS: Closure remarks and conclusions

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Alliance to Save Energy



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renewable
energy
& energy
efficiency
partnership

Energy use continues to remain wasteful!



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- Inefficient heating systems
- Large network losses
- Outdated electric lighting systems
- Old buildings with large infiltration losses
- No regulation and automation of heating and lighting systems
- Etc... etc..

No lack of expertise



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- Highly qualified local experts and technical assistance from international experts
- A myriad of pilot projects and case studies in the CEE region with numerous successful models ready for replication in the CIS
- Energy audits for identification of EE projects and insurance of audit conclusions

Money? - not a problem!



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- Financing resources for energy efficiency is no longer an issue

Affordable and “long” Money?

- Equity and semi-equity is lacking
- Local financial markets can offer only the short- to medium-term financing for EE (2-3 years)
- International financial institutions (IFIs) provide financing for longer term investments (5-7 years)

Choice of financing instruments is abundant



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- **State, municipal and donor funds**
- **Revolving Funds and Targeted EE and Green Funds: e.g. NEFCO, ISC/FSC, BEEF, R2E2, etc.**
- **Credit Guarantees: IFC, DCA**
- **Bank loans**
- **Municipal Bonds**
- **Vendor credits/leasing/factoring**
- **Kyoto mechanisms/carbon financing**
- **Instead of subsidies, social funds can be used for low-income energy efficiency programs**
- **Cash flows are credit guarantees**

Institutional schemes



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- **Municipal revolving mechanisms separating budgets from savings**
 - NOTE: The revolving funds don't necessarily need to be municipal
- **Public-Private partnerships (PPPs)**
- **Energy service companies (ESCOs):**
 - performance contracts, third party financing, etc (examples: Hungary, Czech Republic, Bulgaria)
- **Outsourcing**

Barriers: Legal, Administrative, Institutional, Financial



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- Subsidized energy tariffs
- Payments for utility services: low collection culture
- Legislative barriers for financing of municipal EE from municipal budgets
- Lack of municipal energy staff
- Harmonize fiscal and energy efficiency legislation
- Electoral cycle

Recommendations



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- **Avoid market distortion:**
 - Should not compete with commercial financing unless the market has imperfections and failures
- **EE agenda for tariff policy:** tariff is the driver for energy EFFICIENCY and **in**EFFICIENCY
- **Harmonize fiscal and energy efficiency legislation** -- Need to eliminate legislative barriers for financing of EE from municipal budgets, accumulation and re-investment of savings, coupled with acceleration of unfinished government decentralization
- **Increase Transparency & Accountability**

Recommendations (2)



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- Create and train staff for **municipal energy managers**
- **EE standards and building codes:** set the minimum efficiency requirements
- **Energy passportization, certification and labeling** can help use the power of real estate markets and accelerate energy auditing services' market
- Improve **general investment climate** to attract private direct investments in municipal energy sector
- **Create a unified data bank** of methods, experiences, mechanisms for regional dissemination

Recommendations (3)



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Information, awareness and explanatory work crucial!

- Train executives about the true costs and benefits of energy efficiency!
 - Role of champions instrumental in the absence of effective market mechanisms (experience of Lutsk, Ungheni, NEFCO projects)
- Train municipal energy managers, planners and fund managers
- CIS Experts and municipal officials could greatly benefit from sharing experience

Case Study Collection



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If you have case studies to contribute please use the format provided in the booklet and share your experiences about the mechanisms for financing municipal energy efficiency with us.