

**United States Agency for International Development
Alliance to Save Energy
EnEffect, Center for Energy Efficiency**

**REGIONAL NETWORK
FOR EFFICIENCY USE OF ENERGY AND WATER
RESOURCES (RENEUER)
OF SOUTHEAST EUROPEAN COUNTRIES**

Updated Strategy
for the Activity and Further Development of
RENEUER

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FOREWORD

This updated Strategy for the Activity and further Development of the Regional Network for Efficient Use of Energy and water Resources in Southeast Europe (RENEUER) has been worked out by the Network Secretariat (the Center for Energy Efficiency EnEffect) with technical assistance from the Alliance to Save Energy and financial support from the US Agency for International Development¹.

In the process of elaboration of the Strategy consultations have been held with representatives of the countries participating in the Network, as well as with members of the Steering Committee of the Energy Efficiency 21 Project of the UN Economic Commission for Europe, under whose auspices the Network is functioning and developing.

On the basis of this paper an executive summary has been compiled and submitted for review to the Steering Committee at its Sixteenth Annual Session, held in Geneva, Switzerland, on 29 June – 1 July 2005 (as item 6 of the Agenda).

¹ Sub-agreement No 02-078, November 30, 2002 - October 31, 2003.

INTRODUCTION

The Regional Network for Efficient Use of Energy and Water Resources in Southeast Europe (RENEUER) was founded at the end of 1999 at the initiative of representatives of several countries from the region². Within a short time all countries participating in the Stability Pact joined the Network³. This is typical “*bottom up*” initiative aimed at facilitating and promoting sustainable development of the municipalities and regions in Southeast Europe through initiatives for efficient use of energy and water resources.

The Network is part of the Energy Efficiency 21 Project and operates under the auspices of the United Nations Economic Commission for Europe. The results from its activity are presented periodically to the Project Steering Committee. RENEUER receives technical and financial support via programmes of the US Agency for International Development (USAID), the US Department of Energy (USDOE) and the UN Development Programme (UNDP) and Global Environment Facility (GEF). The network has become part of the Southeast European Cooperative Initiative (SECI). Its activity is periodically reported to the SECI Agenda Committee and Business Advisory Council (BAC) and presented at other representative international SECI forums (Prague, 2002). The Network is well known to the donors and the Secretariat of the Stability Pact and at the proposal of UNECE it has been incorporated in the list of projects supported by the Pact. The substance and objectives of RENEUER have been presented also at the annual sessions of the EBRD (Bucharest, 2002), the Central European Initiative (Portoroche, 2004), the Regional Environmental Centre (REC) in Hungary, as well as to representatives of the European Commission, the World Bank and other international organizations. The Network has obtained political, technical and financial support from some European governments (France, the Czech Republic) and companies and organizations from Norway, The Netherlands and the U.S.A., among others.

Currently, the participants in RENEUER are reviewing the contents, objectives and tasks, as well as the modalities of the Network’s activities in the light of the modern conditions and the new topical tasks of local communities. This report is designed to present the major results from the activities performed in the framework of the Network so far and on that basis to outline the potential benefits from its operation for promotion of sustainable development of municipalities and regions in the light of the accelerated European integration of the states from the region.

² *Albania, Bulgaria, Greece, Croatia, Macedonia, and Romania, together with guests from the Czech Republic, The Netherlands, Norway, Russia and the United States of America and representatives of the UNECE and UNDP*

³ *Currently, participants in RENEUER are Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania, Croatia and Serbia and Montenegro.*

BACKGROUND

The idea to create RENEUER took shape on the grounds of the similarities in the historical fate of the states from the region, the similarity in their natural and climatic conditions and the common aspiration for accelerated integration in the European structures. The interest in exchange of information and experience is being fostered by certain common priorities related to the political, economic and social reforms underway on the area of the entire region. The economic underdevelopment of the majority of the countries in that region and the low living standards of their population predetermine the closeness of the social tasks they are facing and for whose resolution rational use of energy and water resources is a matter of great importance.

At the same time, the relative advance of some of the countries of the region on the road towards European integration is a shared incentive for activation of co-operation and exchange of experience with the objective to diminish the existing disparities among the countries and shorten the time for their accession to the European structures.

Major barriers to energy efficiency in Southeast Europe

At the end of the 1990's the major barriers to the efficient end-use of energy and water were the lack of correlation between the prices and production costs of these resources and the poor state of industry, which was the major energy and water consumer. At the same time a grave shortage of high quality projects in the field of improvement of end-use efficiency, capable of attracting international investors, was observed. At the background of the unfavorable economic circumstances in the region, some other shortcomings had been noted as well:

- ineffective targeted policies on the issues of how to improve the efficiency of energy and water end-use;
- inadequate institutional and human potential for identification, development and implementation of investment projects aimed at improving the efficiency of energy and water end-use;
- limited access to information of the actors and stakeholders.

The participants in RENEUER jointly agreed that these barriers could be overcome only through implementation of a comprehensive policy for improvement of the efficiency based on an upgraded regulatory and legal framework, norms and standards, strategies, programmes and action plans. Local authorities and the civil society in the region will undoubtedly have a significant role to play. Through its activities RENEUER assists the realization of this contribution of theirs to the energy policy.

Fundamental principles

In order to minimize the energy intensity of the local economies it becomes ever more indispensable to resolve a large number of specific *local* tasks, i.e. to improve energy efficiency at numerous small consumers – municipal or industrial sites, households, etc. The states/governments formulate the general policy and set up the regulatory framework for these processes and/or introduce incentives. The concrete activities to achieve improved efficiency,

however, are implemented at the local level. That is why the initiative to establish RENEUER was borne from inside the civil society in the countries of Southeast Europe (local authorities and the NGO sector) and focuses on co-operation and activities at the local (mainly municipal) level.

At their first meeting the participants in the Network agreed that “RENEUER should be established at the local level, using the “*bottom up*” approach”. Participants stressed the leading role of municipalities and local authorities in realizing network activities since they will be the most direct beneficiaries of the project” (Memorandum of the International Conference “Regional Network for Efficient Use of Resources”, Sofia, November 17-18, 1999). Being a typical “*bottom up*” initiative, without assignment from the governments, it has been conceived as an open network of local authorities and NGOs.

Because of the different degree of development of local self-government and the NGO sector, focal points in the individual countries have been established in a different manner. In Albania, Bulgaria and Romania NGOs have been selected to act as focal points, in Croatia – a research institute, and in Bosnia and Herzegovina, Macedonia, Moldova and Serbia and Montenegro specialized units within the respective ministries act as focal points. These diverse representation arrangements enrich the activities of the Network by introducing different viewpoints in the discussions. What remains unchanged, however, is the wish *to contribute to the European integration processes*, which manifest rather similarities than differences in the individual countries. Therefore,

the Network is getting ever more consolidated on the grounds of the similarity of problems it is addressing rather than on the identical characteristics of those participating in it.

Although since the very beginning municipalities and regions are the primary subjects of the Network’s activities and objects of its impact, the numerous acute problems of the national energy policies and the still heavily centralized nature of the energy sector in the countries of Southeast Europe help retain the activities of the Network within the scope of national tasks. In recent years favorable opportunities are being created for allocating more attention to the specific functions of *municipalities* in the fields of energy planning and management.

At the Coordination Meeting held in Sofia in 2002 the participants in the network agreed to:

- promote RENEUER as a useful, timely and significant contribution to the policies for stabilization of Southeast European countries, which are prerequisites for their future integration in the EU structures;
- promote and activate links between potential partners from the region for promotion of efficient use of energy and water;
- encourage the promotion of the RENEUER initiative to the relevant local authorities, state institutions, R&D organizations, companies, NGOs, and international donors;
- further support the RENEUER initiative as means for contribution to the sustainable development and growth in accordance with the policies and practices of the European Union and in fulfillment of the international obligations of the countries from the region under the UN FCCC (Memorandum of Understanding, RENEUER Coordination Meeting, Sofia, 20-22 January, 2002)

Directions of activities

According to the basic concept about the development of RENEUER, approved by the Steering Committee of the UNECE Energy Efficiency 21 Project (UNECE, ENERGY/4/2001/5, 4 September 2001), the activities of the Network may be grouped in five major directions:

- A. *Policy Development and Advocacy* – formulation and coordination of appropriate efficiency policies, based on a regulatory framework, norms and standards, strategies, programmes and action plans.
- B. *Capacity Building* – development of an appropriate institutional environment, organizations and structures, as well as education and training;
- C. *Financial Development* – identification, development and introduction of appropriate financial sources, financial instruments and mechanisms.
- D. *Information Dissemination* – dissemination of information on efficient use of energy and water resources.
- E. *Business Promotion and Coordination* – support to and facilitation of energy and water efficiency businesses in the region.

The substance of the activity in these five directions ensues from the as yet persisting barriers to energy efficiency in the region and the acute need of action for their overcoming.

Expected Benefits from RENEUER

At the time of founding of RENEUER it was anticipated that its activities would contribute to the creation of an adequate regulatory framework, management and executive structures, and financial instruments in the countries of the region. This would help create a favorable investment climate and accelerated penetration of the urgently required private foreign investments for improvement of the efficiency of end-use of energy and water resources. RENEUER may turn into a favorable medium and instrument for coordination of different investment and other initiatives, including international programmes and projects. It would allow avoiding wasteful duplications and overlapping of activities. Instead, conditions will be created for dissemination and multiplication of the achieved effects and maximizing the efficient use of investment and donor programmes. By activating "bottom-up" activities, the Regional Network would use historically existing good contacts and relationships at the local level among local authorities and organizations from the countries in the region. This would help multiply the positive precedents of cooperation and might prove to be a valuable support and "bottom up" pressure on governments in the region to take respective steps and actions in the spirit of good neighborly relations and cooperation.

Major achievements

Since the founding of the Network a variety of activities have been conducted in the framework of RENEUER in close co-operation with organizations and experts from different countries in the region with or without the participation of foreign consultants from Western Europe, the USA and Canada.

(a) In the field of energy policy reform

With the leading participation of APER (Romania) a comparative study of the general policy on energy efficiency in the region was launched. The Albania-EU Energy Efficiency Center coordinated an investigation of the specific instruments for financing energy efficiency projects and series of specialized seminars with the participation of RENEUER representatives were organized in Ukraine, Poland, Moldova, Romania and Serbia. At the initiative of the French Government and under the leadership of the International Energy Consulting (ICE) a one-week Energy Efficiency Circle on the subject “Energy efficiency policy - methods, tools and instruments” was held in Paris (attended by Albania, Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania, Yugoslavia and the RENEUER Secretariat). Under the auspices of USAID a comprehensive study of the assistance programmes for low-income strata of the population was implemented (with the participation of Bulgaria, Romania, Croatia, Macedonia, Moldova, Serbia and Montenegro, etc.), which ended with an international conference held in Sofia. Energy efficiency programmes have been worked out for municipalities in Serbia, Moldova and Bulgaria.

(b) In the field of local capacity building

Training seminars and specialized courses on local energy planning, energy auditing and business planning, designated for local decision-makers and experts from municipalities from the region, have been conducted in Bulgaria, Serbia and Moldova. Parallel with the education specific energy efficiency investment projects are being worked out in Serbia, Moldova and Bulgaria. An international conference for exchange of experience among municipalities was organized in Gabrovo (Bulgaria), while specialized workshops for local authorities and NGOs were conducted in Belgrade (Serbia and Montenegro), Kishinew (Moldova) and Struga (Macedonia). With support by the USDOE a specialized website “Win-Win Business” was created. This website and a series of seminars serve as effective channels for dissemination of information about good practices on the area of the region and in municipalities from Central and Western Europe.

(c) In the field of organizational strengthening of the Network

Significant effort is devoted to the strengthening of the Network itself. The most valuable contribution to that effect has been made by the UNECE Secretariat, the Steering Committee of the Energy Efficiency 21 Project and the USAID, who have assisted the organization of the coordination meetings of the National Coordinators for the countries participating in the Network (held in Sofia, Kishinew, Maribor, Struga, Paris and Geneva). Several international missions to countries in the region were conducted for acquaintance with the specific conditions in the respective countries and presentation of the objectives and tasks of RENEUER (Bosnia and Herzegovina, Bulgaria, Macedonia, Moldova, Romania, Serbia and Montenegro and Croatia). Information database about the participants in the Network is being developed.

CURRENT STATUS

Important political and economic transformations and dynamic democratization processes have taken place in the region of Southeast Europe in the years after RENEUER was founded. Significant progress has been achieved on some of the urgent tasks of the 1990's, which were part of the original basic concept of the Network. Meanwhile, under the pressure of numerous urgent reforms, the transition economies of the South East Europe region have unfortunately delayed the development of strong policies. There have been a multitude of isolated efforts that either fall short of their full potential or are short-lived due to the lack of fundamental framework elements [3]. These circumstances give rise to new challenges, which open broad opportunities for RENEUER as well.

Major emphases of RENEUER activities

Viewed in its entirety, the essence of the basis concept for development of the Network approved in 2001 continues to be valid to date, although some of the priorities are gradually evolving and determine new immediate and urgent tasks. The countries manifest ever more clearly their European orientation and some of them realize significant advance in the process of accession to the European communities. As a consequence, there is an ever more evident need of closer linkage of the tasks of RENEUER with the policies and priorities of the European Union in the field of efficient use of energy and water resources. In this connection two key factors determine the new tasks of the Network:

- European orientation of the countries from the region;
- The growing role of local authorities and civil organizations.

The development of the Network till now provides grounds to anticipate that in a short-term aspect the focus of the activity should remain predominantly in the field of energy efficiency while in the meantime preparing stepwise conditions for expansion of its scope to cover water resources as well. Two major priority directions form the backbone of the future activities of the Network:

- The role of energy efficiency in the preparation of the countries from Southeast Europe for integration in the Internal European energy market;
- The contribution of energy efficiency to the implementation of the countries' commitments under UNFCCC and the Kyoto Protocol.

In recent years a lot is being done for the establishment of national policies in support of energy efficiency, national institutions are being set up and/or the existing ones are being strengthened, modern regulatory framework of efficiency is being set in place. The basic principles of behaviour of the actors on the future liberalized (deregulated) regional energy market are being identified and concrete actions are being taken for implementation of the commitments under UNFCCC and the Kyoto Protocol. The central governments of the countries in the region play an important role in these actions, making profound efforts in the atmosphere of active co-operation.

At the same time, despite the efforts of the governments, the practical implementation of the new policies in the field of energy efficiency is far from satisfactory as yet. Their successful implementation depends to a considerable extent on the involvement of a broad circle of actors, among which local authorities and civil organizations (NGOs) play a key role. A clear

trend towards decentralization of governance and increased role and significance of local authorities and NGOs is observed in all countries of the region, which is in line with the good European practices. In some of the countries these processes are in their initial stage of development, while in others there is a significant advance in this respect. For this reason

RENEUER continues to get established as a Network of local authorities and organizations, who are involved in specific actions for implementation of the national policies for energy efficiency improvement under the conditions of a liberalized energy market.

The participation of local authorities and the NGO sector in the implementation of the national policy on energy efficiency, as well as the collaboration at the local level in this field are often hindered by the different degree of decentralization in the different countries of the region, the shortage of local human and institutional capacity for application of the national policies and the different degree of access of the individual countries from the region to the programmes of the European Commission. In this way often the linkage between the national objectives and the concrete local actions is disrupted and the impact of the national energy efficiency policies under the new market-based circumstances is gravely diminished. Therefore, targeted support for local capacity building is necessary, as well as launching of programmes, to which all states of the Stability Pact would have equal access.

Participants in the Network

Although the objectives and activities of RENEUER are concerned above all with local authorities and civil organizations, initially a broader range of institutions both from the countries of the region and beyond it have been attracted to participate in the Network. Among them are bodies of the central and local authorities, representatives of the private sector (banks, companies and public funds), NGOs, international programmes and organizations, and financial institutions.

With the advance of the democratic processes in the countries of Southeast Europe and the growing importance of local authorities and civil organizations (NGOs) the number of municipalities, which directly or indirectly get involved in activities of the Network is also growing. In this way the focus of RENEUER is laid ever stronger on the primary object of its activities - *local policies for efficient use of energy and water resources*. At the same time contacts and exchange of information and experience with other similar local-level networks are conducted, such as MUNEE⁴ and Energie-Cites⁵, as well as with certain national energy efficiency networks, such as EcoEnergy (Bulgaria), Orase Energie and the Municipal Energy Efficiency Network (Romania), UNEEC⁶ (Ukraine) etc. RENEUER is a Network open for contacts and co-operation with similar networks from Central Europe, the Commonwealth of Independent States (CIS) and the countries from Central Asia.

⁴ *Municipal Network for Energy Efficiency, established and supported by USAID / Alliance to Save Energy for Central and Eastern European countries and countries of Former Soviet Union*

⁵ *European network of municipalities, based in Besançon, France*

⁶ *Ukrainian Network for Energy Efficient Communities*

Sponsors

The activity of RENEUER is still implemented under the auspices of UNECE and is coordinated by it. The contacts with the USAID, the Stability Pact for Southeast Europe, the Central European Initiative (CEI), international financial institutions, governments of European states (France, the Czech Republic, etc.) are maintained as usual. Recently, the links with the European Commission have been pursued more actively in an attempt to achieve closer coordination of the Network's objectives with the EU priorities and on that basis to create prerequisites for integration of RENEUER in the international efforts for strengthening of local authorities and the civil society in the countries of Southeast Europe and fostering of their role in the application of a coordinated European energy policy.

THE FUTURE

On the basis of the experience of RENEUER till now and as a result of the new developments in Europe in general and in the region of Southeast Europe in particular one may outline the possible directions for development of the Network in the coming years. Under the existing fragile political balance and economical stability the efforts that the countries might invest in the below listed priority spheres are strongly dependent on the international political and financial support. Their success depends further on the continuation of the close cooperation among the countries in the region and the support for the Network on the part of the European Commission and the UNECE "Energy Efficiency 21" Project.

Specific forms of activity of RENEUER

RENEUER will continue to use forms of activities that are inherent to an informal international network and will try to avoid duplication of functions and activities of other national and international institutions. The Network will aim at consolidating its positions as

a favorable medium for co-operation and facilitated exchange of experience and information, in which participants will themselves specify the focus of their interests and range of activities.

The Network remains open for any individual municipality or civil organization or networks and associations of networks that might wish to join it. The network is also open for representatives of the small and medium size businesses, which are responsible to a great extent for the economic development of local communities and for which energy efficiency is of decisive importance. The base for co-operation among the participants is the joint aspiration for improved awareness about energy efficiency and strengthening of the local institutions as important tools for improvement of the general investment climate in the region and for accelerated identification and implementation of local energy efficiency projects. To this end special attention is paid to identification and dissemination of successful policies and good practices in the field of efficient use of energy and water resources and building, strengthening and accession to RENEUER of national networks and associations of local authorities and NGOs.

Dissemination of good practices

The exchange of experience and information through dissemination of good practices from the countries of the region and from the developed countries will continue to be used as a *primary instrument* for achieving the objectives of the Network. The positive experience and specific successful policies and practices should be closely related to the policy development process and be illustrative in terms of managing and delivering strong and sustainable results. The European Commission could seek to marshal foreign aid and best practice expertise from international donors to add value in this process and RENEUER contributes to the success of these efforts [3].

Important role in that respect is assigned to the upgraded Clearinghouse of RENEUER in Internet (www.reneuer.com), which facilitates the exchange of information and experiences and the local capacity building process in the countries of the region. It also makes possible business communication between donors, investors and potential recipients and establishes effective linkage to other similar information sources in Internet. Parallel to it, design of distance learning and self-training manuals and teaching aids is envisaged. The use of other modalities of exchange, such as electronic newsletters, periodical publications, conducting of seminars and conferences and study tours of experts etc. is planned as well.

The donors requested the European Commission to systematically visit all the capitals of the region in order to effectively communicate its policies [4]. In this connection support is envisaged for the organization of regional conferences, donors meetings and investment forums [1], as well as actions to encourage investments and technical support for efficient use of energy and water resources in Southeast Europe.

Network of networks as a policy instrument

The more national networks and associations of local authorities and civil organizations are created in the countries of the region, the higher will be the effectiveness of RENEUER. Therefore, the future development of the regional Network is linked to promotion of the setting up of national networks of municipalities and local NGOs active in the energy efficiency field. In this way RENEUER will gradually get established as a regional network of national associations and will turn into

a unique coalition of people and institutions who support the reforms in the energy sector in the countries of the region through active exchange of experience and information and thus contribute to the more efficient use of the energy and water resources.

In this way it will perform the function of effective policy instrument for the countries of the region. The integration of RENEUER to the European BISE⁷ process, initiated by the European network Energie-Cites, is an important prerequisite for its further linkage to the EU priorities and tasks and for the acceleration of the European integration processes in the countries of the region.

⁷ *Better Integration through Specific Exchanges / for Sustainable Energy (BISE) is an European movement for better integration through specialized exchange of experience, founded in 2004 at the Grenoble Forum (France) and supported by the European Commission. The second forum of the movement is scheduled for 27-28 October 2005 in Sofia.*

Principal thematic directions of the activity

The European Commission considers energy efficiency an important priority of the regional strategy for the creation of the energy market in SE Europe [1]. It is expected that energy efficiency may significantly contribute to this process at least in two directions:

- lessening of the difficulties caused by the implementation of energy reforms;
- reduction of the total volume of investments required for building of new energy production capacity.

To achieve this objective, the Commission underlines the basic requirement that the signatories to the Athens Memoranda have to quickly adopt legislation enabling them to be in line with the *acquis communautaire* [2]. On that basis the participants in RENEUER give priority to thematic spheres and activities of common interest or at least of interest for more than one country of the region.

A. The role of energy efficiency in the preparation of the countries of Southeast Europe for joining the Internal European energy market

It is a well-known fact that the European Commission is seeking to create a competitive regional market for electricity in South East Europe, where all customers enjoy continuous supply of electricity and have choice of supplier. The electricity market must deliver reasonably priced energy with the highest service level to the final customer. It therefore appears that most of the countries need to make a considerable effort to create open transparent electricity markets based on Community legislation. The encouraging element is that all have realized the necessity to move forward with adopting compatible market designs [2]. The Commission's perspective is that the market in Southeast Europe will develop similarly to the rest of the European markets. Integration of this market into the Internal market is the key aspect [4]. This integration requires to joining the efforts of the local market actors, including municipalities and regions.

The establishment of a regional energy market and its integration in the internal European energy market is a complex and difficult process, known as the Athens Process. At least in two directions RENEUER may contribute to its successful evolution and in particular to alleviation of the painful consequences of the reforms and to the formation of an adequate public attitude to energy efficiency and the energy market.

Social Protection of Vulnerable Customers

The regulator's main task is to create and implement a system of regulations with a view to ensuring the proper functioning of the electricity sector and market in terms of efficiency, competition, transparency and consumer protection [2]. Nevertheless, the reforms in the energy sector, including the creation of a competitive energy market, might at certain periods increase the burden of energy costs on low-income end-users. Energy efficiency can be a reserve for alleviation of the burden of energy costs on low-income households [1]. In a number of countries specific programmes are operated in this respect and they might serve as the basis for useful exchange of experience and design of new models. At the example of the European Union, incentive energy efficiency programmes might be worked out and

introduced in the region with respect to certain typical communal end-users, such as public buildings (hospitals, schools, residential buildings), street lighting, district heating etc. This process could be significantly facilitated through exchange of experience and information about good policies and practices.

Change in consumer attitudes

Improvements in energy efficiency depend not only on technical innovations but to a greater extent on a change in consumer attitudes and in a strong institutional framework for the gains to be sustainable. In order to achieve such changes, convincing and solid national policies are required, which could bring structure to government actions as well as provide the right signals and motivations to encourage market transformation [3]. However, the introduction of a deregulated energy market requires adequate market behaviour on the part of both the states (in the person of their governments and national energy companies) and the local market actors – the individual petty energy producers and end-users.

The change in the behaviour patterns of energy end-users and its alignment to the market conditions and the energy efficiency requirements need a profound shift in priorities in most states. This change is connected above all with public awareness raising and building of specific human and institutional capacity at the local and regional level. The building of institutional capacity and rules regulating flows of electricity amongst the countries of the region will facilitate the integration of the Southeast Europe Energy Market into the European Internal Energy Market [2].

There is an acute need of training guides and tools on local energy planning and management, which will serve for direct and distance training and for self-training of local managers and specialists in the region. Training of local trainers from the region will provide for sustainability of the capacity building process in the countries in Southeast Europe. Local capacity building and formation of market behaviour in the individual local actors is in the focus of RENEUER activity.

B. Energy efficiency in support of the implementation of the commitments of the countries from Southeast Europe under UNFCCC and the Kyoto Protocol

Long-term plans and strategies for energy efficiency

A national energy efficiency policy might typically consist of a comprehensive multi-year plan that describes in broad yet flexible terms what realistic objectives, strategy, action plan, legal framework and organization are needed. These policies might cover specifically energy efficiency, energy conservation and renewable energies. Under such circumstances, technical solutions could become instruments of change, rather than an end in itself [3]. The majority of the countries in the region have their own energy efficiency strategies and programmes. The development of an Internal energy market requires synchronization of these programmes, which might be effected on the basis of active exchange of information and good practices.

RENEUER might become the basis for synchronization of the energy efficiency programmes of the countries of the region by laying the emphasis on the role and participation of *local* actors in these programmes. In this way the Network will grow into a driving force for the

elaboration of a regional energy efficiency strategy as an integral part of the Strategy Paper for the Regional Energy Market in Southeast Europe. This strategy may include as main elements (among others): improvement of energy efficiency (in cooperation with the UNECE “Energy Efficiency 21” project), overcoming of energy poverty (in cooperation with the USAID), social impact of district heating prices (in cooperation with the IEA) and reduction of the total volume of investments required for building of new energy generation capacity.

Promotion of the utilization of renewable energy resources

The use of renewable energy sources and in particular those, which are available in ample quantities in the region – biomass, solar energy, geothermal water – is an important priority of the countries in the region. There are untapped opportunities for useful exchange of information in this field as well, which might be successfully utilized by RENEUER. This part of the Network’s activity may be coordinated with the efforts of the UNECE “Energy Efficiency 21” project.

The UNECE secretariat summarized its targets in energy efficiency and renewable energies⁸. It could contribute to an increase in the market share of RES in the current energy mix by promoting RES market formation and the development of RES investment projects for UNECE transition economies. Thus, UNECE could help reach its ultimate objective of reducing GHG emissions. In pursuit of this strategy, UNECE supports regional partnership networks. To secure the success of RES related projects, it is important to identify and promote best practices as well as foster investment opportunities. Finally, public awareness about RES needs to be increased, especially in Eastern and Southeast Europe and CIS countries [5].

Energy efficiency in buildings

It has been found that buildings account for about 40% of the energy consumption in the EU member-states. For this reason energy efficiency in the building stock is a priority task for the Union. Article 7 of the Directive 2002/91/EC of 16th December 2002 on the energy performance of buildings stipulates that: “Member States shall take measures to ensure that for buildings with a total useful floor area over 1,000 m² occupied by public authorities and by institutions providing public services to a large number of persons and therefore frequently visited by these persons an energy certificate, not older than 10 years, is placed in a prominent place clearly visible to the public.” This extended “top down” process can be accelerated by means of parallel and complementary actions, which are closely linked to the legislation itself and which get the end participants involved by offering them the option of implementing the provisions of the Directive on a voluntary basis, well before it is transposed into national law, and using a “*bottom up*” approach.

⁸ A special working session dedicated to Renewable Energy Sources (RES) was opened at the Fifteenth session of the Steering Committee of “Energy Efficiency 21” project on 24-26 May 2004 in Geneva. A general overview on renewable energies in the UNECE region was presented by the secretariat, IREED (ENERGY/2003/1). According to the overview, the Kyoto Protocol commitments, the Johannesburg Implementation Plan, and the Ministerial Conference “Environment for Europe” (Kiev, Ukraine, May 2003) provided a political impetus to renewable energy sources in the UNECE region.

A number of projects of the European Commission are oriented in this direction⁹. Via RENEUER their results might be effectively taken up and disseminated in the countries of the region, many of which do not have as yet full access for participation in the programmes of the Union. Even this opportunity alone, if realized, offers a sufficiently broad platform for co-operation among the countries of Southeast Europe to make use of the positive experience of the developed European states in the field of building stock. RENEUER may successfully use the advantages of the *networking approach*, which provides a new way of thinking, producing, proposing, building and implementing ideas which is at the same time both political and practical, European and local. Thus it may show how European and national institutions may better use the strength of networks of players and give them more encouragement to play their part.

Flexible financing mechanisms under the Kyoto Protocol

Although the countries from the region are included in different Annexes of the UNFCCC and have different international commitments, there are broad opportunities for exchange of positive experience and information among them with a view to the more rapid penetration of the Kyoto flexible mechanisms in all countries of the region. The awareness raising and the pilot implementation of selected innovative financial instruments will test their applicability in single countries, in groups of countries and in the entire region. Specific steps can be made to create and introduce in practice an appropriate financial instrument (or package of instruments) that will facilitate financing of small and medium-size projects in the region for energy and water efficiency improvement.

RENEUER may play its role in this direction in close coordination with the UNECE “Energy Efficiency 21” Project, which in the coming years will to a growing extent lay the focus on the implementation of the countries’ obligations under UNFCCC and the Kyoto protocol.

C. Realization of the key role of local authorities and civil organizations in energy management at the local level

Under the conditions of a liberalized energy market wholesale buyers (suppliers to final consumers and large consumers directly connected either to the transmission or to distribution grid, such as municipalities, for instance) can choose their supplier bringing competition into the generation and wholesale supply. Assessing the experience gained both at European level as well as in several countries of Southeast Europe, the European Commission believes that the establishment of a regional electricity market is an evolving and gradual process. The countries of the region have stressed that a standard market design may be necessary to develop the market but they have concerns about a top-down approach that does not recognize the realities of progress to date [2].

Therefore, the bottom up initiatives may significantly contribute to the achievement of

⁹ This is precisely the objective of the projects “Display” and “Towards Class A” of the European Commission, since the idea is to encourage municipalities to display their consumption and emission performance on a voluntary basis, for its own sake and because they are an example to the general public and to local players. In this way, they facilitate the implementation of national transposition acts in all EU countries, once these have been adopted.

balanced approaches in which local communities shall be able to play an important role.

Local (municipal) and regional energy planning

While the local technical capabilities are often highly commendable, the ability to develop long-term plans and to define strategies is less so [3]. This is particularly characteristic for local communities, since the available experience in energy planning and management there is very scanty in the majority of the countries of the region. That is why promotion of local and regional energy planning and management is an important priority for RENEUER. It is viewed as the basis for establishment of the new functions of municipalities in energy management under market-based circumstances.

According to the practice in the EU member-states, municipalities have four major functions in the field of energy management, which are implemented to a different extent in the individual countries. Municipalities are most frequently acting as energy end-users, producers and motivators for efficient energy use. Under the conditions of a liberalized energy market some of these functions will get significantly more active and/or modified. Local / regional energy planning is an effective tool for optimal utilization of the functions of municipalities in the field of local-level energy management.

Energy planning is also the basis for development of the local market for energy services in municipalities and regions and for promotion of investments at the local level. Some of the countries of the region possess definitely specific experience in the field of local and regional energy planning and that is a good basis to build on for the purposes of beneficial exchange of experience and information.

Building of local energy efficiency institutions

Support could be given to the countries in the region to create and/or strengthen appropriate local institutions and networks that may disseminate experiences and information and may also contribute to the local capacity building in each of the participating countries. Thus, favorable conditions will be created to achieve countrywide sustainability of the network activities.

Institutional building / strengthening is oriented in two directions. One of them is related to local authorities and the operating municipal administrations, in which in the majority of cases there are no specialized energy efficiency units capable to formulate and implement a comprehensive holistic energy policy. In the European countries there are different models that might be evaluated and applied in the region. Anyway, institutional capacity building for energy efficiency within the local and regional administrations is connected with the creation of adequate databases concerning energy production and consumption, as well as financial and technical tools for implementation of concrete programmes and investment projects.

The second direction in institutional building / strengthening is connected with the NGO sector, which marks a certain advance in recent years in the majority of the countries of the region. At the municipal and regional level, however, this development is as yet not very satisfactory and does not provide adequate support to local authorities in their policies and

practice.

In both these directions of institutional building / strengthening RENEUER is in a position to offer substantial support through its specific tools for exchange of experience, information and good practices.

Possible partnerships

Partnerships in the framework of RENEUER

Being a network of institutions, which operate at the local (municipal) level and whose activity is related to the problems of local (municipal) authorities, RENEUER represents a medium for building of various partnerships among these organizations, designated to assist, promote and activate the process of energy efficiency improvement. One of the possible organizational forms of such partnerships is that of establishing specific energy efficiency networks (associations, societies) of municipalities and local organizations in the framework of the individual countries or parts of them. Another form may be that of *ad hoc* associations (consortia), set up for the implementation of concrete tasks (projects). Particular attention is given to the partnerships among local authorities, local NGOs and/or associations, municipal or regional governmental and/or non-governmental energy agencies and companies dealing with the efficient use of energy and water resources¹⁰.

RENEUER promotes the search for, selection and establishment of such partnerships, which are adequate to the local conditions, traditions and political and economic circumstances in the countries of Southeast Europe. Setting up of energy efficiency networks will be fostered as one of the possible forms of co-operation with proven advantages. At the same time, in those countries that give preference and launch other effective forms of promotion and activating of the process of energy efficiency improvement, support shall be provided to ensure the success of their introduction¹¹.

For the purposes of identifying the optimum forms of partnership at the local level RENEUER will continue to take active part in the European process BISE (Better Integration for Sustainable Energy)¹².

Partnerships between RENEUER and other networks and organizations

The successful implementation of the functions and tasks of RENEUER requires building of broad partnerships between the Network and other networks of this kind, international organizations and financial institutions. A characteristic example for co-operation with such a

¹⁰ In 2005 the Bulgarian Energy Efficiency Agency, the National Association of Municipalities in the Republic of Bulgaria and the Bulgarian Energy Efficiency Network EcoEnergy signed an agreement for co-operation and joint actions in the application of the energy efficiency policy at the local level and the implementation of concrete energy efficiency projects and activities.

¹¹ While in Bulgaria and Romania specialized municipal energy efficiency networks have been set up, in Serbia the functions of these networks are currently performed by one of the specialized committees of the national association of municipalities – the Standing Conference of Towns and Cities.

¹² The BISE process was initiated at an international forum, held in Grenoble in 2004 under the auspices of the European Commission. The second international forum on this process will be held in Sofia on 26-28 October 2005.

network is that related to the contacts and exchange between RENEUER и MUNEE¹³. At the same time RENEUER will continue to maintain contacts and long-term partnerships with international organizations, whose activity is somehow related to the objectives and tasks of the Network. A top priority is the establishment and maintaining of permanent contacts with the bodies of the European Commission with a view to the close linkage of the Network's activities with the processes of European integration underway in the states of the region.

An urgent key task is the establishment of sustainable partnership between RENEUER, the Regional Association of the National Associations of Municipalities in Southeast Europe (NALAS) and the national energy agencies of the countries from the region. Such a development would create favorable conditions for close linkage of the Network's activities with the national priorities of the countries from the region in the field of energy efficiency.

Legal status and financing of the Network

Alternatives for change in the legal status of the Network

Since its founding till the present day RENEUER has been functioning as a non-formal network of local authorities and organizations committed to the policy and practice in the field of energy efficiency improvement in the countries of Southeast Europe. The analysis of the opportunities for change of this status in the direction of formal regulation of the Network by way of judicial registration and formal setting up of RENEUER as a non-profit legal entity shows the existence of a number of obvious and potential difficulties. The international nature of the Network complicates significantly the registration of such an organization because of the need of its linkage to the legislation of some of the participating countries and to the practice of international law in such cases. Bearing in mind the substance and objectives of the Network, as well as the complex political circumstances in the region and the lack of full compatibility between the legislative provisions on this issue in the individual countries, such a step might cause significant complications, while the benefits from its implementation would be quite limited.

Therefore, it is reckoned that it would be feasible to retain the non-formal nature of RENEUER as an open-end network (rather than an organization or institution) of local institutions during the coming years as well. This nature is not an obstacle to the Network's commitment to implementation of concrete projects, since they may (as before) be implemented under the leadership of a mutually acceptable and jointly selected organization of some of the participating countries, which is a common practice in the implementation of numerous international projects in the region.

Financing of Network activities

The participants in the Network appreciate highly the moral, technical and financial support extended so far to the activity of RENEUER on the part of the donors. In the meantime they investigate all the possibilities for expansion of the financial assistance for the Network's

¹³ MUNEE is a network, whose functions and tasks are similar to those of RENEUER, however its territorial coverage is broader (the countries of Central and Eastern Europe and the former Soviet Union).

activities, as well as its co-financings. Consultations with some participants and studies of the experience of other organizations of this kind reveal that at present there are no sufficiently favorable conditions in the region for the transformation of the open-end network RENEUER into an organization with strict internal rules and responsibilities of its members, including financial commitments in the form of membership fee or other forms of co-financing of the Network activities. Ensuing from the understanding that currently the mission of the Network is connected above all with winning local authorities and institutions for the cause of energy efficiency improvement, it may be expected that any restriction to participation in the Network activity, and especially any financial barriers to such involvement, would undermine its effectiveness to a much higher extent than any advantages the introduction of financial liabilities of the participants would bring. This understanding is based above all on the conviction that in the majority of the countries in the region the energy efficiency market is currently making its first steps. At present efforts are needed to fuel and foster its further development in order to be able to rely in the future on the market itself to support and promote the initiation of activities such as those of RENEUER.

All this leads to the conviction that financing of RENEUER should continue to be performed on the basis of bilateral or multi-lateral donor (predominantly foreign) programs and projects. For the successful identification and implementation of such projects and programs the Network should continue to foster local capacity building for their design and implementation.

Taking account of the above considerations, the procurement of financing for the activities of RENEUER should be oriented to well-established financial institutions, programs and organizations. Ranking in the first place among them are the European Commission, the United Nations, the US Agency for International Development and a multitude of other national programs of the industrialized countries.

Communication strategy

The mission of RENEUER and its specific objectives and tasks require development of active communication activities, based on modern technical means. The major principle of the Network activities will continue to be support and promotion through adequate examples. For this reason the core of the Network programs will be composed of activities related to collection and dissemination of good practices and useful information, knowledge and skills. To this end, as from the fall of 2005 a new website of the Network will be launched¹⁴, which is expected to inspire the involvement of the participants in the Network and mark a new stage in the active exchange of experience and information among them. The search for new opportunities for financing of *ad hoc* and periodical publications and handbooks should continue.

¹⁴ *The website has been developed with the assistance and financial support from the Energy Efficiency 21 Project of the UN Economic Commission for Europe.*

CONCLUSION

Despite the existing difficulties, there exist good preconditions in the framework of RENEUER for mutual exchange of experience among the countries of Southeast Europe, as well as between the region as a whole and the EU member-states for the purposes of:

- establishment of adequate local energy efficiency policies under the conditions of a liberalized energy market;
- building of adequate local institutional infrastructure for promotion of energy efficiency;
- raising the awareness of the general public, local authorities and experts with a view to building adequate market behaviour of the local actors on the energy market;
- minimizing the need for construction of new energy generation capacities through attraction of investments for energy efficiency improvement.

Under the auspices of UNECE the participants in RENEUER will continue at a growing pace to seek for coordination of their activity with the priorities and programmes of the European Union and in this way to assist the European integration processes at the local and regional level. Co-operation will be sought also with the traditional donors and partners of the Network, such as USAID, UNDP/GEF, IEA etc.

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