



USAID
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GLOBAL CLIMATE CHANGE

Europe and Eurasia

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Through USAID's activities designed to improve energy efficiency in the European and Eurasian countries, the future of cleaner and more environmentally sound production is promising. Creating the proper market environments for energy efficiency and emissions reduction will not only help mitigate the effects of climate change, but will promote economic development in the region.

BACKGROUND

The Europe and Eurasia (E&E) region is a significant energy producing and consuming region that has important implications for the energy and environmental systems affecting global climate change. The E&E Bureau at USAID has addressed a range of energy issues central to the transition from communist, centrally planned countries to democratic, market economies. E&E assistance programs have focused on both systemic reform and institution building as well as projects that promote more efficient technologies and private investment. National and regional projects have addressed five main areas: developing sound national energy policies, energy prices and legal/regulatory systems; improving efficiency and reducing emissions in various sub-sectors; restructuring, commercialization and privatization of energy utilities and companies; closing high risk nuclear power plants and improving nuclear safety; and promoting regional energy cooperation and the integration of energy systems into Western Europe and international energy markets.

SECTOR-SPECIFIC CLIMATE CHANGE ACTIVITIES

ENERGY EFFICIENCY AND RENEWABLE ENERGY

USAID regional programs have helped establish and strengthen institutional capacity within the private and public sectors and have facilitated partnership arrangements with U.S. companies and municipalities. Energy service companies (ESCOs), distributors, nongovernmental organizations (NGOs), energy efficiency centers, and government policy agencies and committees have been involved in these efforts. USAID has helped develop a number of projects that have subsequently been funded by the World Bank or the European Bank for Reconstruction and Development (EBRD). Ongoing activities fall into the categories of promoting financing for energy efficiency investments and the development of regional energy markets in Southeast Europe.

PROMOTING FINANCING FOR ENERGY EFFICIENCY INVESTMENTS

Energy efficiency services development is a potentially important area for private small and medium enterprise (SME) development and employment creation, and for commercial financing. USAID promotes energy efficiency investment projects in Southeast Europe by leveraging commercial and International Financial Institutions (IFI) lending in the municipal and residential sectors, with technical assistance provided by International Resources Group (IRG), Alliance to Save Energy (ASE) and EnCon Services.

PARTNERS

USAID's partners in climate change activities in Europe and Eurasia include:

- Alliance to Save Energy (ASE)
- EnCon Services International
- Hunton & Williams
- International Resources Group (IRG)
- National Association of Regulatory Utility Commissioners (NARUC)
- Pierce Atwood
- U.S. Energy Association (USEA)

Because partners change as new activities arise, this list of partners is not comprehensive.

Activities focus on regional approaches and addressing investment needs and savings programs with respect to the following: regional energy demand planning, affordability and social safety net approaches associated with utility services through residential energy efficiency, heating system reform, and the potential for increased use of natural gas.

In addition, USAID is developing a regional Development Credit Authority (DCA) facility for Southeast Europe. The DCA facility will provide partial guarantees to private lenders for a \$15 million portfolio. The borrowers would be municipalities and/or private ESCOs. The facility is now operating in Bulgaria, with plans to expand elsewhere in Southeast Europe. Similar facilities are already in place or under development in Ukraine, Georgia, and Kazakhstan. Accomplishments include:

- Support to IFI loans testing models for private sector participation in district heating (Bulgaria), and loans for energy efficiency improvements in public facilities and to households (Serbia, Macedonia), for potential applicability throughout Southeast Europe;
- DCA loan guarantees to a commercial bank in Bulgaria, resulting in \$10 million loaned for 33 municipal and industrial projects;
- DCA loan guarantees to a commercial bank in Macedonia to finance energy efficiency projects throughout the country; and
- The Bulgaria DCA program inspired multilateral banks to develop additional energy efficiency and renewable project financing programs in Bulgaria. The World Bank/GEF established the Bulgaria Energy Efficiency Fund (BEEF). The EBRD established energy efficiency credit lines for industrial and residential projects.

In Ukraine, USAID is addressing the recent energy crisis caused by the spike in gas prices and exacerbated by systemic heating system inefficiencies. With input from the World Bank and EBRD, USAID prepared a strategic assessment of Ukraine's heating sector, identifying four broad areas of potential assistance to support reforms and encourage investment. Ukraine's new government appears positively disposed towards the recommendations and USAID is coordinating with partners to support this initiative in 2008. Improved efficiency in the production, delivery, and end use of heat will result in decreased fossil fuel used in heat boilers, thereby reducing greenhouse gas (GHG) emissions.

In Macedonia, USAID's E&E Bureau and the USAID Mission are cooperating on a program of energy efficiency in Macedonia schools. Policy reforms gave municipalities new authority for services (e.g., schools) and responsibility to pay for their costs, including energy and water. Pilot projects were implemented in five schools and one senior center in three cities, which provide a model for future improvements. As a direct outgrowth, USAID, the World Bank, the Dutch embassy, and the Ministry of Education are planning for a national program of school energy efficiency.

In Albania, USAID is providing technical assistance to identify cost effective energy and water efficiency measures, which the Government of Albania can

use as part of a low income assistance program. IRG, with its subcontractor the Albanian Energy Efficiency Center, is implementing demonstration projects in representative low income housing in Tirana and Elbassan. The results will be used to guide policy decisions by the Albania Ministry of Social Affairs, encouraging them to apply low income energy bill payment funds to make energy efficiency improvements for low income households.

LEGAL, REGULATORY AND MARKET DEVELOPMENT

The E&E Bureau's Energy and Infrastructure Office and the Missions have developed an integrated program to support the Energy Community in Southeast Europe, established by treaty in October 2005. USAID is playing a critical role in the multi donor effort in developing the regional and national regulatory and market frameworks and the institutional capacities essential to improve performance of energy utilities and enhance intra- and interregional trade.

Key activities include: developing a formal Regional Regulatory Board, legal and regulatory technical assistance, regional transmission planning and development of investment priorities for IFI lending, regional and bilateral regulatory partnerships between Southeast Europe and U.S. state regulators, regional tariff harmonization, and support for the Energy Regulatory Regional Association (ERRA). The activity also strengthens capacity of energy regulators and utilities in Eurasian countries.

Assistance is provided on policies promoting more efficient and reliable transmission and delivery of energy.

A major milestone was the synchronous re-interconnection of the Balkans with the main West European electricity grid in 2004. The regional program has several mechanisms supporting this effort that help Missions implement their programs. Legal and regulatory technical assistance is provided through Pierce Atwood and Hunton & Williams. Regional transmission planning and development of investment priorities for IFI lending is being supported through a cooperative agreement with the U.S. Energy Association starting in Southeast Europe. This activity has been expanded to the Black Sea region. A regulatory partnership program involving both regional and bilateral partnerships between Southeast Europe and U.S. state regulators is being managed by the U.S. National Association of Regulatory Utility Commissioners. IRG performed a regional tariff harmonization analysis to examine opportunities to expand the use of natural gas.

Support is provided through a Cooperative Agreement with the U.S. National Association of Regulatory Utility Commissioners (NARUC) to the aforementioned ERRA, which consists of energy regulators representing the E&E region. ERRA fosters regulatory development through the exchange of information and experience, training and linkages with U.S. and European regulatory practices. ERRA's activities include ongoing technical committees on tariffs and licensing/competition; ad hoc working groups on such issues as monitoring, regulation of electricity cross border trading and legal issues; a Web site and newsletter; peer exchanges and regulatory training; and development of a tariff database.

For more information, visit:
http://www.usaid.gov/locations/europe_eurasia/