



E5P
Eastern Europe
Energy Efficiency &
Environment Partnership

In this issue:

E5P welcomes Armenia, Georgia and Moldova

DemoUkrainaDH signs cooperation agreements

Five new E5P projects

E5P grant for energy boost in Kiev

E5P in brief

Newsletter November 2013

€60m Pledged as Armenia, Georgia and Moldova Join E5P



From left: Areg Galstyan - Deputy Minister of Energy and Natural Resources of Armenia, Eva Bochorishvili - Head of Dept. at the Ministry of Finance of Georgia, Aureliu Casian, General Director for the Molovan Energy Efficiency Fund and Mr Štefan Füle - EU Commissioner.

E5P took a major step forward in October by confirming its expansion to Armenia, Georgia and Moldova. The milestone was passed at a pledging conference hosted by the EIB in Luxembourg on 21 October, which saw the international donor community raise an additional €60 million for expansion activities.

It means that three 'Eastern Partnership' countries - which are, on average, three times more energy-intensive than a typical EU country - will now benefit from funding and technical assistance to boost energy efficiency and emission reduction measures.

The European Union as the largest single donor to E5P pledged up to €30m for the expansion activities. Štefan Füle, EU Commissioner for Enlargement and European Neighbourhood Policy welcomed the historic milestone saying, "I'm delighted that the E5P is expanding to new countries and convinced of the significant benefits they will get from participating in this programme." In his speech the Commissioner highlighted the importance of securing energy supplies and improving energy efficiency in the Eastern Partnership

region, in order to reduce its dependence on imported fuel. He also emphasized the economic growth and new jobs that will be created by the expansion.

Linus Linkevičius, Minister of Foreign Affairs for Lithuania, which currently holds the rotating Presidency of the EU, added that the "Operations of the E5P Fund embrace the most important priorities of the Lithuanian Presidency: the Eastern Partnership and energy security".

The E5P was first proposed under Sweden's EU presidency and Mr Dag Hartelius, Sweden's Permanent Representative to the EU welcomed the progress E5P had made in just four years. He said, "When we launched this initiative during our presidency we wanted a very practical way to demonstrate how we could facilitate and support growth in the region... Today we are taking a new step by expanding the project to other partner countries... and are very happy to see that the successes in Ukraine have attracted the interest of these countries."

A wide range of support was received at the Conference from the representatives of Czech Republic, Denmark, Latvia, Lithuania, Norway, Poland, Romania, Slovak Republic, Sweden and Ukraine. There were also statements of support from Estonia, USA and Germany in absentia. New pledges confirmed at the Conference came from the EU (€30m), Sweden (€6m), Norway (€3m), Poland (€400,000), Estonia (€350,000), Czech Republic (€200,000), Lithuania (€100,000), and Romania (€100,000) with many other delegates indicating that new commitments would be forthcoming in due course.

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The E5P operates on the principle that the recipient countries are also contributors to the Fund and both Georgia and Moldova committed €1m to the Fund at the Conference with Armenia committed to paying funds in 2014.

Representatives from all three expansion countries welcomed future cooperation through E5P. Moldovan delegate, Aureliu Casian, General Director of the Moldovan Energy Efficiency Fund, noted the need to modernize deteriorated district heating systems while the Georgian representative outlined potential for projects in water and sanitation, waste management and public buildings in Georgia. The Armenian delegate said that E5P would be a helpful tool to assist the Armenian Government with

its two priorities of energy saving and protecting the environment.

Until the expansion E5P projects had been focused on Ukraine, with grants and loans supporting sustainable and affordable heating projects in 15 Ukrainian cities to the value of €169m. Mr Anatoly Maksiuta, First Deputy Minister of Economy of Ukraine who was present at the conference stated, *“This issue of improving energy efficiency and environmental protection and what the E5P is designed to do, is for Ukraine a strategic priority in its overall socio-economic policy.”* He added, *“We certainly value very highly the financial support being extended by the EU and by other partners to make sure the E5P is really a success.”*

The EBRD, as manager of the Fund was represented by Mr. Andras Simor, who said that the Bank was looking forward to working with the expansion countries. A sentiment echoed by Mr. Werner Hoyer, President of the EIB who hosted the conference.

Demand for energy efficiency in the region continues to grow alongside the E5P partnership. For example, the Covenant of Mayors, an EU initiative asking municipalities to voluntarily commit to emission and energy use reductions, now has more than 78 cities in the E5P region as signatories – representing over 10 million people.



From left: Štefan Füle, Vaidotas Verba - Ambassador of the Ministry of Foreign Affairs of Lithuania, Anatoly Maksiuta - First Deputy Minister of Economy of Ukraine and Dag Hartelius – Ambassador, Permanent Representative of Sweden to the EU



From left: László Baranyay - EIB Vice President, Linas Linkevičius - Minister of Foreign Affairs of Lithuania



From left: Marcus Cornaro, Gabriel Blanc and Walter Tretton of the European Union

First cooperation agreements under DemoUkraine DH facility signed



Volodymyr Deboy, Mayor of Zhytomyr and Johan Willert of NEFCO

The cities of Zhytomyr and Vinnytsya, both lying to the west of Kiev, have become the first cities to receive approvals for projects under the ‘DemoUkraineDH’ facility - a major project led by NEFCO which has received a grant of over €0.5m from E5P.

The two cities and NEFCO signed loan, grant and municipal guarantee agreements at the Ministry of Regional Development, Construction and Municipal Economy of Ukraine on 15 October.

The projects will use the latest energy sector technologies to modernize district heating systems and significantly reduce energy consumption. In Zhytomyr, 19 of the city's 100 public buildings will undergo energy efficiency improvements including thermal insulation, replacement windows and individual heat substations.

It is hoped that the two projects will have a significant demonstration effect, showing how people can get

heat and hot water in Ukraine’s tough climate while still reducing energy consumption.



Volodymyr Kistion, Deputy Mayor of Vinnytya and Johan Willert of NEFCO

Steering Group puts forward five new projects for approval



Chair Tamsyn Barton, Director General, EIB

The latest meeting of the E5P Steering Group was held in Luxembourg on 21st October, attended by the E5P Implementing Agencies (EBRD, EIB, NEFCO, IFC) and Ukraine. The EU, donor governments and new partners from Armenia, Georgia, Moldova, the Czech Republic, Romania and Slovakia attended as observers.

Five projects were approved by the Group to go forward as recommendations to the Assembly of Contributors. These included a €26.5m joint application by EBRD and NEFCO to improve district heating in Donetsk, a €30m investment to modernize district heating in Luhansk

in Eastern Ukraine (proposed by EBRD and NEFCO), a €6m NEFCO project to rehabilitate District Heating in Severodonetsk and an EIB project to rehabilitate district heating in Kriviy Rih in central Ukraine.

The IFC also presented a concept for a new mechanism to use E5P grants to enable commercial banks to offer credit lines to home associations to improve energy efficiency among multi-family buildings in Ukraine. Time constraints limited the discussion but questions are being put in writing directly to the IFC to see if the mechanism will work.

At the meeting, the E5P Manager reported that contributions received in cash amounted to €88.6 million, with the Assembly having so far approved grants totaling €35m, across 11 projects. These include three newly-approved NEFCO projects for public buildings in Kiev and in Zhytomyr and for the expansion of the DemoUkraina project.

The Steering Group examined the status of the projects approved by the

Assembly and discussed ways to speed up the process of issuing municipal guarantees so that implementation and disbursement of grants and loans can start the soonest.

The National Regulator of Tariffs in Ukraine took part in the meeting to advise on its latest activities to adjust tariffs which is crucial for the sustainability of the E5P investments. Its work will be strengthened by a technical assistance programme financed by Sida and implemented by the World Bank based on the E5P terms of reference.



Ukrainian Delegation to the Steering Group

E5P grant for energy boost in Kiev



November 13th marked the signing of a loan agreement between NEFCO and municipally owned Kiev energy efficiency company, GVP, to promote energy efficiency in the capital.

The EUR 9.3 million project is funded by a EUR 5 million loan from NEFCO

combined with a grant of EUR 1.5 million from the E5P. Additional financing comes from the City of Kiev, USAID and the Swedish International Development Cooperation Agency (Sida). According to the terms of the agreement, energy efficiency measures will be based on energy performance contracts.

The project is fully focused on the demand side measures to improve energy efficiency in public buildings by upgrading old heating substations and improving insulation and lighting. The energy efficiency measures are expected to reduce energy consumption by approximately 25 per cent in the project area and decrease emissions of carbon dioxide, sulphur

and nitrogen oxides and generally improve air quality.

Ulf Bojö, NEFCO's Senior Investment Manager, praised the Ukrainian Cabinet of Ministers and the Ministry of Finance for the swift process of the project and commends the strong commitment from the City and the management of GVP and appropriate tailored international technical assistance that has been instrumental for the successful implementation of the project. "From a financial and technological perspective, our hope is that the project will pave the way for many more similar projects involving privately owned energy service companies", he added.

Projects in brief	Agency	Total cost MEUR	Loan MEUR	E5P Grant MEUR	Status
1. Mykolaiev Vodokanal Rehabilitation	EIB	40	15.54	5.1	On-going
2. Zhytomyr District Heating Rehabilitation	EBRD	16	10	5	Implementing
3. DemoUkraine Programme for 10 Municipal District Heating Utilities	NEFCO	14.5	4	0.5	Implementing
4. Rivne Soshenko District Heating Modernization	NEFCO	2.75	2	0.5	Under preparation
5. Ternopil District Heating Rehabilitation	EBRD	16.1	10	5	Under preparation
6. Zaporizhzhya Energy Efficiency Project	EBRD	9	6	2	Est Signing Q4 2013
7. Lviv District Heating Rehabilitation	EBRD	31	21	10	Signed June 2013
8. Energy Efficiency in Public Buildings (ESCOs)	EBRD	22.5	20	2.5	Est Signing Q4 2013
9. Technical Assistance to the Regulator Tariff Commission	EBRD/WB	-	-	1.65	Est Signing Q4 2013
10. DemoUkraine II	NEFCO	10	4	0.4	Est Signing Q4 2013
11. EPC in public Buildings, Kiev	NEFCO	9.3	5	1.5	Signed Nov 2013
12. EE in Public Buildings, Zhytomyr	NEFCO	4.7	3	1.35	Est Signing Q4 2014
TOTAL MEUR		175.85	100.54	35.5	

Contributions to E5P	Pledged	Paid in cash
European Union	40,000,000	40,000,000
Denmark	5,000,000	5,328,428
Estonia	160,000	96,000
Finland	2,000,000	1,500,000
Iceland	56,842	56,842
Latvia	50,000	20,000
Lithuania	28,962	28,962
Norway	5,000,000	5,897,917
Poland	915,106	915,106
Sweden*	24,000,000	25,466,750
Ukraine	10,000,000	6,000,000
USA	5,325,000	3,431,707
TOTAL in EURO	92,535,910	88,651,712

* Of which EUR 1,150,700 allocated for Expansion countries

CALENDAR

28 November 2013

Eastern Partnership Summit
Vilnius, Lithuania

5 December 2013

3rd E5P Assembly of Contributors
London, UK

READ MORE ABOUT E5P PROCUREMENT:

- <http://www.eib.org/about/procurement/index.htm>
- http://www.ebrd.com/saf/search.html?type=procurement_notice
- <http://www.nefco.org/>
- <http://www.demo-dh.org.ua/en/procurement.html>



The Eastern Europe Energy Efficiency and Environment Partnership (E5P) is a multi-donor Fund set up in 2010 to promote energy efficiency and environmental investments in the Eastern Partnership countries, initially in Ukraine. The Fund merges contributions from the European Union and a group of over ten nations, which are used as grants to support municipal investment projects implemented by the EBRD, EIB, IFC, NIB, NEFCO and the World Bank.

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