



**E5P**  
Eastern Europe  
Energy Efficiency &  
Environment Partnership

## In this issue:

Statement by  
the European Union as  
Chair of E5P Assembly

Third E5P Assembly meets  
in London

Signing of the E5P  
co-financed project in  
Dnipropetrovsk

NEFCO launches its activities  
in Georgia

E5P at the Eastern  
Partnership Summit

E5P in brief

Newsletter March 2014

## Statement by the European Union as Chair of E5P Assembly

The E5P was launched in 2009 to improve energy efficiency and the environment in the Eastern Partnership region with an initial focus on Ukraine. The E5P offers an attractive framework for blending donor funds with international financial institution (IFI) loans to implement investment projects in the energy efficiency sector. Investing in energy efficiency is the cheapest and cleanest way to improve energy security and drive change in the energy sector.

The E5P grants are providing the initial trigger to make the infrastructure projects bankable and drive the reform agenda that will guarantee sustainable investment. This formula has worked well in Ukraine where a number of district heating projects have secured grants from the E5P combined with intensive policy dialogue.

The success of the E5P was recognized at the Eastern Partnership Summit held in Vilnius in November 2013, which also welcomed the expansion of the Partnership to Armenia, Georgia and Moldova. This sends a positive signal that E5P is a well-placed initiative with a great potential for change.

The European Union sees the E5P as a complementary initiative to the EU Covenant of Mayors. The Covenant of Mayors secures the commitment of municipal authorities to make energy savings, while the E5P offers a mechanism to implement these changes. The number of signatories increases every year and has now reached 80 municipalities in

*Philip Mikos  
(photo right),  
Head of Unit DG  
DEVCO  
Neighbourhood  
East of the  
European Union,  
has chaired the  
E5P Assembly of  
Contributors for  
the past three  
years.*



the Eastern Partnership region, which is a 30 per cent increase since 2012.

There is huge potential to save energy in the Eastern Partnership region. Energy intensity in these countries can be as high as three times the EU average and there is a heavy dependence on gas imports. Energy-saving investments would increase competitiveness, provide more jobs and raise the standard of living in the region. Many of the EU member states have great expertise in dealing with energy efficiency which can be shared.

As the largest contributor to the Fund, the European Union remains fully committed to the E5P and it looks forward to close cooperation with Ukraine, Armenia, Moldova and Georgia, as well as working with other contributors and IFIs to increase energy security and foster reforms in this region.



## E5P Assembly holds its third annual meeting in London



From right: Betsy Nelson, EBRD Vice President, Philip Mikos, Head of Unit at the European Union, Anders Lund, E5P Manager, Alistair Clark, Director of the EBRD Environment and Sustainability Department

The EBRD, as the Fund Manager of the E5P, hosted the third Assembly of Contributors held in London on 5 December 2013. The European Union, as the largest contributor to the Fund, chaired the meeting attended by delegations from Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Sweden, Ukraine and the USA. High level representatives from Armenia, Czech Republic, Georgia, Germany, Moldova, Romania and Slovak Republic, alongside the implementing agencies (EBRD, EIB, KfW, NEFCO and NIB), took part as observers.

The Assembly convenes on average once a year to review the progress of approved projects and to decide on new grant allocations as proposed by the Steering Group. The Assembly also oversees the governance and strategic priorities of the Fund.

“As Fund Manager we would like to thank all contributors for delivering on their pledges made in 2009, which confirms that the E5P is a valid initiative in terms of timing, political and sector priorities,” said Betsy Nelson, EBRD Vice President. On behalf of all the partners, the EBRD Vice President also thanked Ukraine for its commitment to the Fund and for its proactive approach in identifying new project proposals. She also added: “Investments in the

municipal utilities sector not only reduce CO<sub>2</sub> emissions but also help to improve security and energy independence which is a shared priority in all the Eastern Partnership countries.”

On behalf of the European Union chairing the Assembly, Philip Mikos, Head of Unit, DG DEVCO Neighbourhood East, highlighted two successful events in 2013. First, the successful Pledging Conference in Luxembourg resulted in substantial pledges for the new countries, i.e. Armenia, Georgia and Moldova. Second, the E5P was positively noted during the Eastern Partnership summit in Vilnius and referred to as one of the success stories. “The E5P financing framework combines financial support with the reform agenda but the grants are only used as a transitional measure to ignite the modernization process to scale up energy efficiency investments at country level,” said Philip Mikos. He added that for the European Union, the E5P and the Covenant of Mayors are two building blocks of one single strategy to improve energy efficiency in the Eastern Partnership region.

### ***The third Assembly approved grants totalling €15.5 million for new projects in Ukraine***



From left: Olga Romanyuk, Commissioner of the National Commission for Tariff Regulation of Ukraine, Volodymyr Khomanets, Embassy of Ukraine in the UK, Joachim Waern, Senior Adviser, Swedish Ministry of Foreign Affairs



From left: the Swedish, Polish, Norwegian and Lithuanian delegations to the E5P Assembly of Contributors

The Contributors approved four new grants to support district heating rehabilitation projects in Ukraine brought forward by the EBRD and NEFCO for the cities of Donetsk (€7.5 million), Luhansk (€6 million) and for Severodonetsk (€2 million). This is in addition to three projects approved through written procedure during 2013 for three NEFCO proposals – DemoUkraine 2, Zhytomyr Energy Efficiency in Public Buildings and Performance Contracting of Energy Efficiency Measures in Kiev Public Buildings – which total €3.25 million in E5P grant fund needs (see full list of approved projects on page 4).

The Assembly examined the financial status of the Fund and approved a new Swedish contribution of €2,288,240 paid in June 2013 for Ukraine and the following new contributions for the expansion countries: PLN 1,730,000 from Poland, SEK 45,000,000 from Sweden, €200,000 from the Czech Republic and €350,000 from Estonia.

The Contributors also discussed a potential E5P project pipeline in the new countries of Armenia, Georgia and Moldova and governance issues in relation to the expansion of the Partnership.

## Pilot project in Dnipropetrovsk receives a €2.5 million grant from E5P



From left: Mark Magaletsky, EBRD Senior Banker, Ivan Kulichenko, Mayor of Dnipropetrovsk, Anders Lund, E5P Manager

An E5P grant and EBRD loan agreements to finance energy efficiency investments in public buildings were signed on 13 December 2013 in Dnipropetrovsk.

This pilot project will establish a scheme of regulatory and contractual arrangements for financing energy performance contracts through private companies and banks. If successful, the plan is to replicate this scheme in other municipalities.

Public buildings in Ukraine consume more than 10 per cent of all energy used in the country. Most buildings built between 1960 and 1980, are no longer energy efficient and deteriorating at an alarming pace. Dnipropetrovsk is one of Ukraine's largest municipalities and has over 700 public buildings in need of modernization.

Through this pilot project, the EBRD will provide funds to an energy saving company (Dnipropetrovska Municipalna Energoserwisna Kompaniya – DMEK), which is a communal company specifically established to develop and manage energy efficiency projects in the city. DMEK will use the EBRD loan to finance energy efficiency measures that will be carried out by privately owned energy service companies (ESCOs). In return for providing these investments, the city will pay DMEK

the equivalent of the full energy cost savings achieved as a result of these measures.

The E5P grant will finance additional investments with longer pay-back time to allow comprehensive refurbishment of buildings that would raise the level of energy saving from 30 to 45 per cent. These would include: thermal insulation of external walls, roofs and basements, new windows and improved street lighting.

The Czech Republic, Swedish Sida and the EBRD Shareholder Special Fund are supporting this pilot project by providing technical assistance funds.

## E5P at the Eastern Partnership Summit

The joint declaration agreed at the Eastern Partnership Summit held in Vilnius on 28-29 November 2013 included supportive statements for E5P.

## Georgia signs a Framework Agreement with NEFCO



From left: Tita Antilla, NEFCO General Counsel, Magnus Rystedt, NEFCO Managing Director, Nodar Khaduri, Minister of Finance of Georgia

Following the Assembly's decision to expand the Partnership to Armenia, Georgia and Moldova, NEFCO has been negotiating Framework Agreements with the respective countries. On 26 February 2014 NEFCO signed a Framework Agreement with Georgia which acknowledges NEFCO's status as an IFI in Georgia. This will allow NEFCO to extend loans for projects in the

municipal sector with additional co-financing from E5P.

"Cooperation with organizations of this type is very important. It gives us the opportunity to attract more affordable financial resources, leading to significant investments, especially in the energy sector, with an aim of attaining increased energy efficiency in Georgia. I believe that this Agreement gives a sound opportunity for the Georgian economy and its financial sector to become a significant part of the European market," stated the Minister of Finance of Georgia, Mr Nodar Khaduri.

NEFCO has also initiated negotiations on signing new Framework Agreements with the Moldovan and Armenian governments.

Article 35 of the declaration included the following statement on future sector cooperation: "*Participants note the key importance to consistently increase efforts on energy efficiency and the use of renewable energy sources also through capacity building in the field of green energy technology. They support the closest possible involvement in the Covenant of Mayors and welcome the decision to expand the Eastern Europe Energy Efficiency and Environment Partnership (E5P) to cover Armenia, Georgia and the Republic of Moldova, in addition to Ukraine*".

To read the full Declaration, please go to: <http://www.eu2013.lt/en/news/statements/-joint-declaration-of-the-eastern-partnership-summit-vilnius-28-29-november-2013>

Projects in brief	Agency	Total cost € million	Loan € million	ESP grant € million	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 2014
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 2014
9. DemoUkraine Programme Phase 2	NEFCO	10	4	0.4	Est Signing 2014
10. EPC in public Buildings, Kiev	NEFCO	9.3	5	1.5	Signed Nov 2013
11. EE in Public Buildings, Zhytomyr	NEFCO	4.7	3	1.35	Est Signing Q4 2014
12. Donetsk City District Heating	EBRD/NEFCO	27.5	19	7.5	Approved by Assembly
13. Luhansk District Heating	EBRD/NEFCO	31.5	24	6	Approved by Assembly
14. Severodonetsk District Heating	NEFCO	6.9	4	2	Approved by Assembly
<b>TOTAL € million</b>		<b>241.75</b>	<b>147.54</b>	<b>49.35</b>	

Contributions to E5P for Ukraine	Pledged	Paid in cash
European Union	40,000,000	40,000,000
Denmark	5,000,000	5,238,428
Estonia	160,000	128,000
Finland	2,000,000	2,000,000
Iceland	56,842	56,842
Latvia	50,000	30,000
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
<b>TOTAL in EURO</b>	<b>92,535,910</b>	<b>89,193,712</b>

### READ MORE ABOUT E5P PROCUREMENT:

#### DemoUkraine Programme (NEFCO)

- <http://www.ebrd.com/english/pages/workingwithus/procurement/notices/project/130411a.shtml>
- <http://www.demo-dh.org.ua/en/procurement.html>

#### Energy Efficiency in Public Buildings—ESCOs (EBRD)

- <http://www.ebrd.com/english/pages/workingwithus/procurement/notices/project/130919c.shtml>

#### E5P in Armenia, Georgia and Moldova - Project Identification Study (EBRD)

- <http://www.ebrd.com/pages/workingwithus/procurement/notices/csu/42734.shtml>



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*The Eastern Europe Energy Efficiency and Environment Partnership (E5P) is a multi-donor Fund established 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*

