

Annual Progress Report

Project title: Financing Energy Efficiency and Renewable Energy Investments for Climate Change Mitigation

Project number: IMIS: GFL-2328-2721-4961 PMS: GF/4040-07-02

Project documents: UNECE had concluded agreements with each donor organization on funding and implementation of the project. The table below indicates dates of signature of the project documents with donor organizations.

United Nations Foundation/ UN Fund for International Partnership	22 September 2006
United Nations Environment Programme/Global Environment Facility	1 March 2007
Fonds Français pour l'Environnement Mondial (FFEM)	27 April 2007

Project manager/s:

<i>Name</i>	<i>Functional Title</i>	<i>Contacts</i>
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Project starting date: 1 January 2008

The project starting date remains 1 January 2008 due to later signature of the project documents (see above) and disbursement of funds from the respective donors for the first year of project implementation.

Project completion date: 31 December 2011

Reporting period: 1 January – 31 December 2009

Project budget:

The total project budget comprises of US\$ 10,950,000 where US\$ 3,200,000 is the UNECE in-kind contribution and the rest of amount is the funds provided by respective donors. The expected contributions from donors are listed in the table below:

<i>Source of funding</i>	<i>Amount (US dollars)</i>
United Nations Foundation/ UN Foundation for International Partnership	2,000,000
Fonds Français pour l'Environnement Mondial (FFEM)	2,500,000
UN Environment Programme/ Global Environment Facility	3,000,000
European Business Congress	250,000
Participating countries (in-kind)	1,200,000
UNECE Secretariat (in-kind)	2,000,000
Total budget:	10,950,000

Purpose:

Summary of main objectives and expected outcomes as per approved project document

This project is to assist the participating countries to enhance their energy efficiency, diminish fuel poverty arising from economic transition and meet international environmental treaty obligations under the UN Framework Convention on the Climate Change (UNFCCC) and the UNECE. It will provide a pipeline of new and existing projects dedicated to public private partnership investment funds. The project will establish an expanded and enhanced network of selected municipalities linked by advanced Internet communications with international partners for value added information transfers on policy reforms, financing and energy management. It will provide case study investment projects in renewable energy technologies, electric power and clean coal technologies. The project is intended to (i) identify and develop investment projects and strengthen capacities of a network for the development of energy efficiency; (ii) institutional strengthening and provision of assistance to municipal authorities and national administrations to introduce economic, institutional and regulatory reforms needed to support these investments projects; and (iii) provide opportunities and support banks and commercial companies to invest in these projects through professionally managed investment funds. This project is to promote a self-sustaining investment environment for cost-effective efficiency projects for carbon emissions trading under the UNFCCC Kyoto Protocol.

Results:

The progress in project implementation in 2009

<i>Description of work undertaken</i>	<i>Major challenges encountered and findings/recommendations</i>
First half –year (1 January – 31 June 2009)	
OBJECTIVE ONE: Identifying, developing investment projects and strengthening capacities of a network for the development of energy efficiency	
<p>(a) The Contract for provision of services for the development of a website and Internet communications of energy efficiency managers in Eastern Europe is signed with Center for Energy Efficiency EnEffect.</p> <p>(b) The questionnaire on assessment of ICT capabilities and skills of the participating institutions was prepared and disseminated among the NPIs.</p> <p>(c) The Recommendation on Minimum Standard for ICT Equipment and the Basic Level of Skills of Local Experts is developed.</p> <p>(d) The concept for a Network of Energy Managers and database of contacts are elaborated.</p> <p>(e) The prototype of regional website and the blog of regional homepage are developed.</p> <p>(f) Memoranda of Understanding (MoUs) have been signed between UNECE and the NPIs in the following participating countries: Albania, Kazakhstan, the Former Yugoslav Republic of Macedonia and Serbia, on the grant basis.</p>	<p>(a) The term of the contract is 150 weeks commencing 3 April 2009 and ending 20 February 2012.</p> <p>(b) The assessment of collected replies based on questionnaire appraised that participating institutions are in need of specific recommendations and training on ICT skills for local experts.</p> <p>(c) This recommendation is to be sent to the NPIs together with Terms of Reference for ICT applications and use of project software.</p> <p>(d) The database of contacts is currently uploaded on a temporary web server.</p> <p>(e) At present, web blog is uploaded and hosted on a temporary web server.</p> <p>(f) In the framework of these MOUs the NPIs provide assistance to the elaboration of project website.</p>

<p>(i) Additional MoUs with NPIs in several participating countries will be signed for preparation of the investment projects pipeline.</p>	<p>(i) These MoUs will be signed with those countries where sufficient expertise and experience for preparation of bankable projects was demonstrated.</p>
<p>OBJECTIVE TWO: Institutional strengthening and strengthening energy efficiency and renewable energy policies</p>	
<p>(a) The contract for preparation of regional analysis of policy reforms to promote energy efficiency and renewable energy investments is signed with Pöyry Energy Consulting AG.</p> <p>(b) The Project Implementation Plan by Poyry Energy Consulting AG is prepared to provide a detailed description of key deliverables and time framework for their submission.</p> <p>(c) The methodological outline of the regional analysis was elaborated.</p> <p>(d) The Questionnaire on National Energy Policy was prepared and sent to the NPIs.</p> <p>(e) The interviews with NPIs and National Coordinators to discuss National Energy Policy Information, current findings of regional analysis and future countries' policy developments were conducted in the following countries:</p> <ul style="list-style-type: none"> - Bosnia and Herzegovina (10-11 April 2009); - Bulgaria (9-10 May 2009); 	<p>(a) The term of the contract duration is 50 weeks commencing from 19 January 2009 and ending 18 January 2010.</p> <p>(b) The finalized version of the Project Implementation Plan includes a detailed structure of the report on Regional Analysis. In particular, it includes the structure for country-specific analysis of policy framework and existing barriers to implement energy efficiency and renewable energy projects as well as the structure for the analysis of 12 case studies to be included in the report.</p> <p>(c) This outline provides a methodological framework to be used as a draft structure of the Final Report.</p> <p>(d) In the framework of the MOUs between NPIs and UNECE (see Objective Two (f)) the NPIs will collect information for the Regional Analysis of Policy Reforms and provide this information to the Contractor.</p> <p>(e) The interviews are scheduled and will be conducted with other participating countries as follows:</p> <ul style="list-style-type: none"> - Albania (15-17 July 2009); - Belarus (25-26 July 2009); - Russian Federation (16-18 July 2009).

<ul style="list-style-type: none"> - Croatia (17-18 April 2009); - Kazakhstan (8-12 July 2009); - Republic of Moldova (12-13 May 2009); - The former Yugoslav Republic of Macedonia (2-4 May 2009); - Serbia (12 April 2009); - Ukraine (9-11 May 2009). <p>(f) The MOUs (see Objective One (f)) between NPIs and UNECE were concluded.</p> <p>(g) Grant to the French Environment and Energy Management Agency (ADEME) was signed for provision of advisory services on energy policy to UNECE secretariat and the participating countries.</p> <p>(h) A Seminar for Policy Makers from participating countries will be organized in cooperation with Poyry contractor, also to consider preliminary results of the Regional Analysis for Policy Reforms.</p>	<p>(f) Under these MOUs the NPIs prepare a national case study on overcoming barriers to financing EE and RES projects in their countries.</p> <p>(g) ADEME was solicited by two participating countries for providing consultation and assistance in the improvement of their energy related legislation.</p> <p>(h) The seminar will be held in Geneva, from 7 to 9 October 2009, in conjunction with the 14-th session of the AHGE, with participation of policy-makers from the 12 participating countries.</p>
<p>OBJECTIVE THREE: Promoting opportunities for banks and commercial companies to invest and support for the initiative to create an investment fund</p>	
<p>(a) Contract with Conning Asset Management Ltd for provision of Investment Fund Designer services is signed.</p> <p>(b) The Project Implementation Plan by Conning Asset Management LTD is elaborated to provide the detailed description of key deliverables as well as the time framework for their submission.</p>	<p>(a) The term of the contract duration is 50 weeks commencing 2 May 2009 and ending 19 April 2010.</p> <p>(b) The elaboration of detailed work plan is based on the decision of the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation (AHGE) at its 12th session on 19 December 2008.</p>

<p>(c) The Financing Facility Agreement (FFA) is elaborated to support the launch of renewable energy and energy efficiency fund which aims to provide mezzanine financing to renewable energy and energy efficiency projects in the participating countries.</p> <p>(d) The Glossary of relevant financial terms is developed for preparation of the bankable project proposals on energy efficiency and renewable energy sources.</p> <p>(e) The cooperation between the Investment Fund Designer and the contractor responsible for the development of website and Internet Communications (Center for Energy Efficiency EnEffect) is established.</p> <p>(f) The Workshop on Function-ning and Requirements of the Investment Fund was organized on 2 March 2009, Geneva.</p> <p>(g) Memorandum of Understanding (MOU) with UNEP/DTIE is in its final stage of negotiations between the two parties.</p> <p>(h) The Report on Investor Interest and Capacity Building Needs is translated into Russian.</p>	<p>(c) The FFA needs to be further developed and placed on the website as the project tool/instrument. It will also be disseminated among NPIs.</p> <p>(d) The Glossary of Terms was prepared in both English and Russian languages.</p> <p>(e) The cooperation is based on the Consolidated Work Plan prepared by the three project contractors and approved at the 13th session of the AHGE on 2-3 March 2009.</p> <p>(f) The workshop gathered local experts from participating countries to demonstrate the modalities and requirements for preparation of bankable energy efficiency projects.</p> <p>(g) In finalizing this MOU the two parties invited project contractors concerned for consultations.</p> <p>(h) Report is being finalized for further publication in English and Russian.</p>
<p>Second half –year (1 July – 31 December 2009)</p>	
<p>OBJECTIVE ONE: Identifying, developing investment projects and strengthening capacities of a network for the development of energy efficiency</p>	
<p>(a) In accordance with the Contract and the Project Implementation Plan, the contractor EnEffect Consult SP LTD submitted eight monthly and two status reports.</p>	<p>(a) The first status report was submitted upon the first month of contract implementation (May 2009). The second status report (November 2009) among others included results of the work on project database and web</p>

<p>(b) The Terms of Reference (TOR) for the NPIs and local teams for the ICT applications and use of project software are developed.</p> <p>(c) The database for the network of energy managers is developed and fully operational.</p> <p>(d) The project web blog is developed and uploaded on a web server (www.feei.info). Information and data related to the project and its participants is entered in the blog.</p> <p>(e) The concept for the project regional website and national web pages has been developed. The design and structure of the website has been approved and the website is under development.</p> <p>(f) The Energy Efficiency 21 programme web site (www.ee-21.net) has been updated and continues to be maintained.</p> <p>(g) The concept of an electronic tool on identification and development of investment projects and preparation of business plans has been developed.</p>	<p>blog, proposals for the website design and development, design of project logo and header.</p> <p>(b) The major project software included CO2 emissions reduction calculation software, investment project development and online communication software.</p> <p>(c) The database is available at the following web address: www.database.feei.info/</p> <p>(d) Web blog is a temporary substitution for the project website and will be replaced by fully operational website in early March 2010. After the introduction of a fully functional website, the blog will continue its operations as a platform for discussions and exchange of information among project participants.</p> <p>(e) The expected date for the launch of the fully operational website is early March 2010.</p> <p>(f) This website has been updated with new sections and information about FEEI project and its web blog, relevant news, reports and presentations from the major project events.</p> <p>(g) The electronic tool will be available online and will consist of the three main elements: general requirements to the projects to be financed by the Investment Fund, detailed manual on business planning and CO2 emissions calculation software.</p>
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<p>(h) The proposal for software platform for online communication among project participants and online trainings on project development, finance and business planning is developed.</p> <p>(i) The project promotional flyer in English and Russian, the first issue of the project newsletter and a promotional video film have been developed and distributed.</p> <p>(j) Memoranda of Understanding (MoUs) have been fully implemented between UNECE and the NPIs in the following participating countries: Bulgaria, Republic of Moldova, Russian Federation and Ukraine. The MoUs with the other project countries are under implementation.</p> <p>(k) The MoU for a grant with NPI in Bosnia and Herzegovina has been signed and is under implementation.</p> <p>(l) Additional several MoUs with participating countries will be signed for national website maintenance and preparation of the investment projects pipeline.</p>	<p>(h) The WebEx Meeting Center software was selected for online communication. The general trainings concept combines on-line and off-line training methods.</p> <p>(i) These promotional materials were disseminated among project participants during the 14th session of Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation (7-9 October 2009) and are published on the project web blog.</p> <p>(j) In the framework of these MoUs the NPIs provided energy efficiency related national data and information to be placed on the project website.</p> <p>(k) This MoU was signed in December 2009.</p> <p>(l) The MoUs for preparation of the investment projects pipeline will be signed with those countries where sufficient expertise and experience for preparation of bankable projects was demonstrated.</p>
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OBJECTIVE TWO: Institutional strengthening and strengthening energy efficiency and renewable energy policies

<p>(a) In accordance with the contract and Project Implementation Plan, Pöyry Energy Consulting AG submitted eleven monthly and four status reports.</p>	<p>(a) The third status report submitted by Pöyry Energy Consulting AG is to be approved by the Project Management Unit. The fourth status report should include Final Report on Regional Analysis of Policy Reforms to Promote EE and RE Investments and is</p>
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<p>(b) The first draft of the Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments was prepared and submitted for comments to the NPIs, Monitoring and Evaluation Adviser, Senior Policy Adviser in October 2009.</p> <p>(c) During the reporting period the interviews with NPIs and National Coordinators to discuss National Energy Policy Information, current findings of regional analysis and future countries' policy developments were conducted in the following countries:</p> <ul style="list-style-type: none"> - Albania (15-17 July 2009); - Belarus (22-24 July 2009); - Russian Federation (20-21 July 2009); <p>(d) Seminar on Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments was organized in Geneva on 7-8 October 2009.</p> <p>(e) Workshop on Case Studies on Overcoming Barriers to Investments into Energy Efficiency and Renewable Energy Projects through Policy Reforms was held in Kiev on 10-11 November 2009.</p> <p>(f) Several MoUs between NPIs and UNECE were fully implemented, the rest of MoUs are under</p>	<p>expected to be submitted by 15 February 2010.</p> <p>(b) Comments received from the project participants were consolidated and submitted to the Pöyry Energy Consulting AG for consideration and incorporation, where appropriate, into the final version of the Report.</p> <p>(c) Eleven missions to the participating countries were conducted in the period of April-July 2009. Mission to Romania did not take place as Romania temporarily suspended its participation in the project.</p> <p>(d) The seminar was organized for policy makers from the countries participating in the project. The seminar was organized in the framework of the 14th session of the Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation.</p> <p>(e) The workshop outlined results of case studies delivered by the project participating countries and Pöyry Energy Consulting AG in the following areas: promotion of investments, improvement of tariff policy, application of equipment standards and labeling, energy efficiency improvement through installation of cogeneration units, biofuel usage and awareness raising on energy efficiency.</p> <p>(f) Under these MoUs the NPIs prepared and presented national case studies on overcoming barriers to</p>
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<p>implementation (see Objective One (j) and (l)).</p> <p>(g) The MoU for a grant to the French Environment and Energy Management Agency (ADEME) for provision of advisory services on energy policy to UNECE secretariat and the participating countries was implemented.</p>	<p>financing EE and RE projects in their countries at the Workshop (see Objective Two (e)).</p> <p>(g) In the framework of this MoU ADEME conducted research and analysis of various sources of energy related data and information; made contribution to the preparation of the Investor Interest and Capacity Building Needs report and the Regional Analysis of Policy Reforms. The terminal report under the MoU is expected in February 2010.</p>
<p>OBJECTIVE THREE: Promoting opportunities for banks and commercial companies to invest and support for the initiative to create an investment fund</p>	
<p>(a) In accordance with the Contract and the Project Implementation Plan, Conning Asset Management Limited submitted the first (May 2009) and the second (January 2010) monthly progress reports.</p> <p>(b) A draft Principal Terms of the Investment Fund describing main definitions and terms relevant to the Investment Fund has been developed.</p> <p>(c) A draft of the Initial Investment and Policy Guidelines (IPG) has been prepared to provide description of the investment fund and its objectives and outline the eligibility criteria for the projects to be selected and financed by the Fund.</p> <p>(d) A draft of the Financing Facility Agreement (FFA) is elaborated to support the launch of an energy efficiency</p>	<p>(a) The draft deliverables have to be finalized and submitted by Conning Asset Management Limited together with the first status report. The first payment to the contractor will be made after the submission of the status report and its approval by the Project Management Unit. Draft deliverables will be circulated to project advisers for comments.</p> <p>(b) These terms include, <i>inter alia</i>, definitions of investment manager, introduction to the sponsor commitments, co-investment process, investment period, transaction and relevant fees.</p> <p>(c) The draft IPG is prepared in English and Russian languages. The IPG will be used in investment, divestment and other operational activities of the Fund.</p> <p>(d) The draft FFA will further be finalized and available on the website as a project tool to be used by the National</p>

<p>(EE) and renewable energy (RE) fund, which aims to provide mezzanine and equity financing to RE and EE projects in the participating countries.</p> <p>(e) A draft of Limited Partnership Agreement (LPA) has been developed to define conditions of agreement between the investor(s), committing money to be invested in the fund, and the investor manager.</p> <p>(f) A draft of the Private Placement Memorandum (PPM) is prepared to provide information describing the fund and is addressed to the potential investors. The PPM includes summary data, investment opportunity, operation of the fund, investment strategy, information about investment manager, summary of principal terms, potential conflicts of interest, certain investment and tax considerations.</p> <p>(g) A draft of the Confidentiality Agreement is elaborated to secure the process of potential investment into a Euro-denominated public-private Eastern European energy fund.</p> <p>(h) The draft Fund introductory letters to potential investors and the National Participating Institutions (NPIs) have been prepared.</p> <p>(i) Memorandum of Understanding (MoU) with UNEP/DTIE is in its final stage of negotiations.</p> <p>(j) The Investor Interest and Capacity Building Needs Report is published in English and Russian.</p>	<p>Participating Institutions and other stakeholders in the project countries and beyond.</p> <p>(e) The LPA is based on a generic format but will become a tailor-made agreement. The exact terms and provisions of LPA will require two-party negotiations and will be concluded in each specific case by the parties.</p> <p>(f) The PPM is usually restricted to a group of investors who are deemed to be capable of understanding the risks involved in investing into energy efficiency and renewable energy projects. Thus, information presented in there has to be accurate and not misleading.</p> <p>(g) The Confidentiality Agreement specifies obligations for the potential investors not to disclose commercial, financial, marketing and other information as well as documentation supplied or received in relation to the potential investment.</p> <p>(h) The draft letters will be finalized by the Project Management Unit and sent to potential investors and to the NPIs respectively.</p> <p>(i) The draft of the MoU is currently reviewed by the legal office at the UNEP/DTIE.</p> <p>(j) The Report is being disseminated among project participants, including NPIs, project supporting institutions and other stakeholders.</p>
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Evaluation of the current status of project implementation

The evaluation of the current status of project implementation in 2009 was made by Mr. Glen Skovholt, Monitoring and Evaluation Adviser for the United Nations Foundation (UNF). This evaluation underlined the significant progress made in the course of 2009, emphasized importance of the conducted Seminar on Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments and the Workshop on Case Studies on Overcoming Barriers to Investments into Energy Efficiency and Renewable Energy Projects through Policy Reforms, provided comments on the preparation of the Regional Analysis of Policy Reforms to Promote Energy Efficiency and Renewable Energy Investments, the work of the Investment Fund Designer and progress in development of a project regional website and Internet communications.

Communicating results:

During the course of 2009 the project has been presented at several international seminars, workshops and conferences, including:

- First UNECE Workshop on the Energy Efficiency in Housing (Sofia, April 2009);
- Conference on Strengthening Energy Security in the OSCE Area (Bratislava, July 2009);
- International Forum on Effective Use and Distribution of Gas (Moscow, October 2009);
- Second International Conference “Energy of the XXI century: economy, policy, ecology” (Saint-Petersburg, October 2009);
- Regional Conference on Financing Energy Efficiency and Renewable Energy Projects (Skopje, November 2009);
- International Forum on Energy Efficient Housing (Vienna, November 2009);
- Europe’s Networking Conference for Energy Service and Energy Management Professionals (Berlin, November 2009)
- OSCE Expert Workshop on Security of Energy Infrastructure in Eastern Europe (Minsk, December 2009).

Valuable contacts have been established during these events and led to continuous cooperation with other international organizations.

The results of the project implementation were also presented at the following UNECE meetings in Geneva:

- Ad Hoc Group of Experts on Energy Efficiency Investments for Climate Change Mitigation at its 13th (March 2009) and 14th (October 2009) sessions;
- Steering Committee of the Energy Efficiency 21 Project at its 20th session (June 2009);
- International Round Table “Uzbekistan and Europe: Opportunities and Prospects for Expansion of Economic Partnership (October 2009);
- Timber Committee at its 67th session (October 2009).
- Committee on Sustainable Energy at its 18th session (November 2008).

Forthcoming Annual Work Plan:

The Work Plan for the Third Year of Project Operations (2010) is attached. It provides an overview of major objectives, planned activities and outputs, work methods, role of each project participant as well as budget and timing.

Electronically attached documents:

Please find attached the following documents:

- Work Plan for the Third Year of Project Operations (2010);
- Preliminary Report of the Monitoring and Evaluation Adviser on Financing Energy Efficiency Investments for Climate Change Mitigation Project for the Second Year of Project Operations (2009);
- The first edition of the Project Newsletter;
- Project flyer.

The publication on Investor Interest and Capacity Building Needs is available online at the UNECE SED website:

- English version: http://www.unece.org/energy/se/pdfs/eneff/eneff_pub/InvInt_CapBuilNeeds_ese32_e.pdf
- Russian version: http://www.unece.org/energy/se/pdfs/eneff/eneff_pub/InvInt_CapBuilNeeds_ese32_r.pdf

Project Manager

Name: Oleg Dzioubinski

Date: 16 February 2010

Signature: _____



Chief of Sustainable Energy Section, SED UNECE

Name: Alexandre Chachine

Date: 16 February 2010

Signature: _____

