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Policy dialogue programmes on energy efficiency in transition countries – How to make it a success?

Overview on the presentation

- Review of different policy dialogue approaches in transition countries with the aim to put together a **common framework**
- Overview on the **experience gathered by EBRD** over many years with respect to policy dialogue programmes in the field of energy efficiency
- Deriving **general principles and key success** factors which are specifically relevant for energy efficiency policy dialogue programmes

Policy dialogue and International Financial Institutions



- **IFIs have introduced policy dialogue programme as complementary activity in addition to financing investments**
 - Investments (and financing) require attractive framework conditions
 - Policy dialogue addresses barriers to investments through the introduction of suitable policy instruments
- **Policy dialogue programmes cover various policy fields**
 - Economic aid, social policy, health policy, research policy etc.
 - Energy and resource efficiency become more and more important



General attempts to define policy dialogue

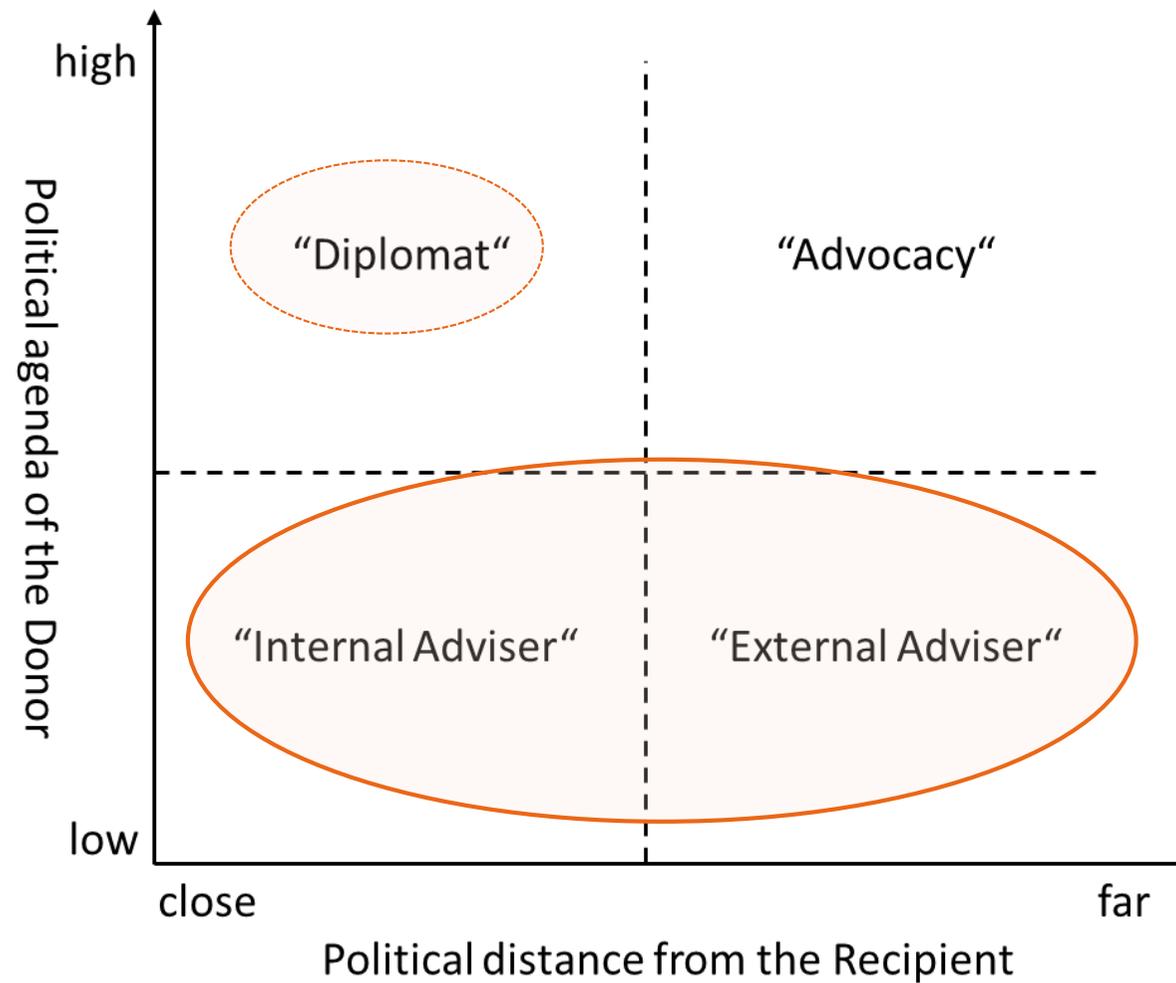
“[...] a mechanism to incorporate the interchange of ideas and information whereby either viewpoints or both can change to bridge the initial differences between the two. [...] the aid recipient comes to view the policy advice as genuinely in the interest of its own economic progress [...]” (USAID, 1982).

“Policy dialogue is defined as organised deliberation between two or more actors on the allocation of values that is likely to result in new policies or modification of existing ones” (UNRISD, 1997)

“Policy dialogue is a process of communicating and negotiating values in a landscape of power and imbalances” (AusAID, 2011)

- **process of dialogue**
- **result of the dialogue**
- **negotiating values**
- **interests of aid recipients and aid donors**

Four types of policy dialogue



source: AusAID, 2011, based on Haldenwang and Alker, 2009

EBRD & policy dialogue - background

- **EBRD & ‘Transition’**
 - A country in transition should exhibit 6 qualities: “competitive, inclusive, well-governed, ‘green’, resilient, integrated”
- **How does energy efficiency contribute to ‘transition’?**
 - Contributes to 3 transition qualities: Competitiveness, Green, Resilience
- **Typical starting conditions for energy efficiency policy in transition countries:**
 - Poor energy efficiency-related benchmarks
 - High energy efficiency potential
 - Lack of energy efficiency policy instruments
 - Weak institutions/capacity
 - Other political priorities (e.g. poverty abatement)
 - Frequently even suspicion of the usefulness of energy efficiency

EBRD & policy dialogue – rationale and experience



- **Why EBRD does energy efficiency policy dialogue?**
 - To remove barriers and transform markets
 - Help to establish markets for energy efficiency investments

- **Examples of policy dialogue**
 1. Ukraine EPBD transposition
 2. Kazakhstan industrial energy efficiency (RESET)
 3. Western Balkans REEP

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Ukraine Energy Performance in Buildings Directive Transposition (2010 – 2017)



OBJECTIVE

Ukraine lacks a legislative and regulatory framework for energy efficiency measures in residential buildings. This project aims to support MinRegion transpose EPBD to help build a market for EE investments.

ACTIVITIES AND RESULTS (ON-GOING)

- Raising awareness of energy efficiency in buildings through capacity building and the maintenance of a website www.teplydim.com.ua (funding now ceased for this site). This site received over 500 visits per month.
- Roadmap developed to achieve improved energy efficiency in the residential sector (2013).
- Five regulations approved and in force from the 13 required for EPBD transposition (2014).
- EPBD law approved in 1st reading in Rada (04/2017)
- Software developed for MEPS, EPC and Energy Passports (2016-2017).
- Active participation in regular donor coordination meetings on buildings EE policy.

TARGETED GET OUTCOMES

- Estimated energy efficiency market potential over the next 5 years is approx. 11.5 million MWh/year (9% of total energy consumption), representing a cumulative present value of about 2.64 billion UAH (€ 230 million) in savings.
- Improving the energy performance of buildings will positively influence energy security concerns and the local economy.

INVESTMENT OUTCOMES

- Clear policy framework needed for effective implementation of €75 million Ukraine Residential Energy Efficiency Financing Facility (IQ energy).



Kazakhstan industrial energy efficiency (completed 2015)



OBJECTIVE

Resource Efficiency Transformation Programme (ResET) ResET was designed to remove key barriers to best international technologies and practices in the area of resource efficiency. It consisted of technical assistance coupled with a facility blending EBRD conventional lending with funding provided by the GEF as an investment incentive using Kazakhstan Sustainable Energy Financing Facility (KAZSEFF)

ACTIVITIES AND RESULTS

- Benchmarked energy usage of 35 products in Kazakhstan's industrial sector incorporated into Order no. 394 of Ministry of Investments and Development, 2015.
- Training materials and training workshops for State Energy Supervision Inspectors and Akimat officials regarding the scope of their roles in implementing the Energy Saving and Energy Efficiency Law ("ES & EE Law").
- Proposed amendments to four regulations issued under the ES & EE Law, incorporated into Orders no. 409 "EE requirement for technological process equipment, including electrical equipment" (MID) 2015, and no. 400 "On approval of energy audit rules."
- A proposed industrial energy audit methodology, gap assessment of the Energy Audit Regulations and proposed Amendments to the Energy Auditors Accreditation Rules.

TARGETED GET OUTCOMES

- Created enabling environment for EE investments in conjunction with adoption of a number of EE policies
- Alignment with the best international practices and inclusion of relevant standards in the energy efficiency legislation adopted by Kazakh government
- Enhanced capacity of local experts to assess resource efficient opportunities and develop projects as a result of conducted training

INVESTMENT OUTCOMES

- USD 6 million available to support resource efficiency investments in Kazakhstan through FINTECC. 3 investment projects have been signed and one project is in the pipeline.
- Supports KAZSEFF USD 75 million financing facility.



Western Balkans Regional Energy Efficiency Programme (REEP) (2013- ongoing)

OBJECTIVE

Many countries in the Western Balkans lack legislative and regulatory frameworks to incentives building EE investments. This programme supports EPBD transposition, supporting EBRD finance facilities.

ACTIVITIES AND RESULTS (ON-GOING)

REEP (first phase), in close cooperation with Energy Community Secretariat (ECS), submitted 27 deliverables, including:

- **Adopted Energy Efficiency in Buildings Laws** for Kosovo and Albania.
- **EPBD implementation support** to Albania, Bosnia and Herzegovina (FBiH and RS), Croatia, Former Yugoslav Republic of Macedonia, Kosovo and Serbia.
- **Support for the development of public energy efficiency procurement policies**, guidelines and codes in Montenegro and Serbia.
- **Support for the development** of utility energy efficiency obligation (EEO) schemes in Croatia and Montenegro.

REEP+ (second phase) will continue these efforts (now excluding Croatia), particularly in the residential sector.

TARGETED GET OUTCOMES

- The energy intensity of the six Western Balkans' countries (Albania, Bosnia & Herzegovina, Kosovo, FYR Macedonia, Montenegro, Serbia) is around three times higher than the average for the EU. This project helps reduce this intensity.

INVESTMENT OUTCOMES

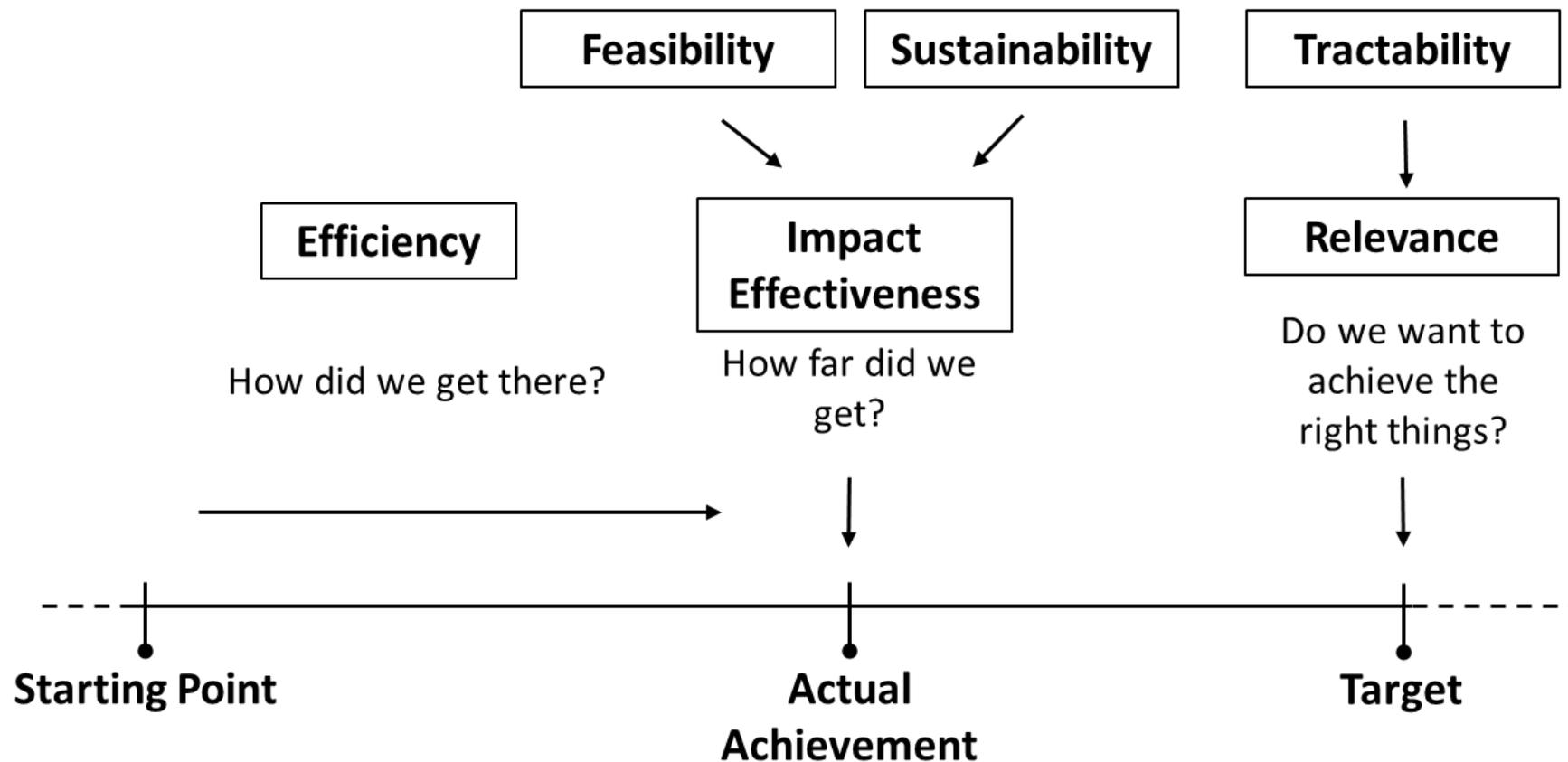
- Supports Western Balkans Credit Lines (€177m), financing for RES through WeBSEDF (€80m), and direct lending for municipalities (€20m). It also supports EBRDs 25m EUR investment in the Green for Growth Fund.



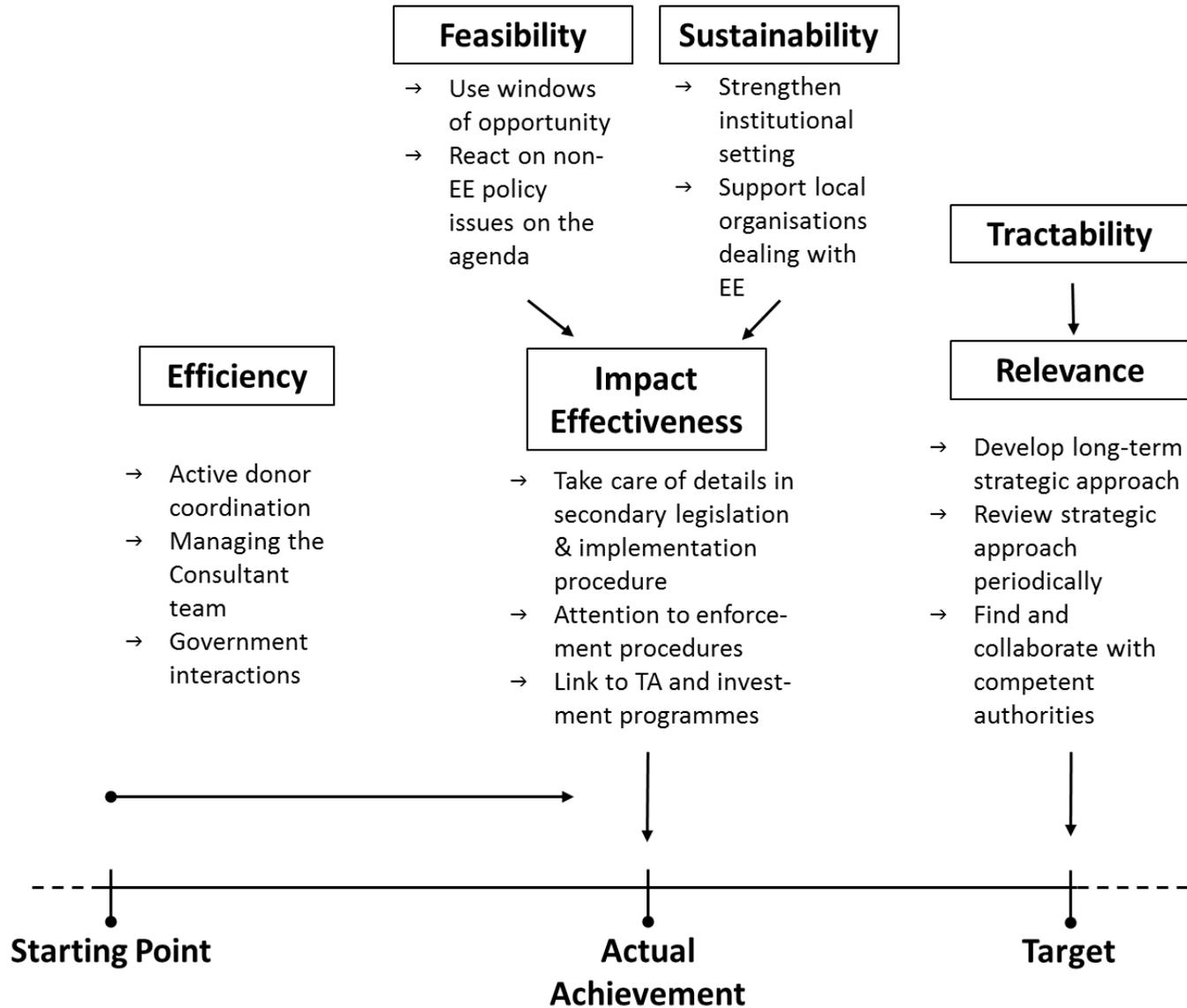
Evaluation of EE policy dialogue programmes

- **Very limited evaluation work on EE policy dialogue programmes has been done so far**
 - Attribution problem: difficulty to determine the links between policy influencing activities and outputs in terms policy changes;
 - Policy dialogue is frequently confronted with “moving targets”.
 - Policy changes occur over a long period of time - does not fit to measurement in the usual project and evaluation cycles
- **Internal evaluation study on the EBRD on the EE policy dialogue programme in Ukraine**
 - evaluation of process rather than of results

Elements of a framework for EE policy dialogue



Critical success factors (overview)



Critical success factors in detail (1)

1. Apply a strategic approach

- Bundle of coherent targets instead of isolated targets
- Long-term planning of policy dialogue activities – at least 3-4 years
- Initial analysis phase / interim evaluation to check need for adjustment

2. Take care of implementation on the ground

- Focus on secondary legislation and enforcement procedures

3. Link policy dialogue to technical assistance and investment programmes

- immediate implementation of investments as soon as improvements of policy framework occurs

Critical success factors in detail (2)

4. Improve the organisational anchoring of energy efficiency

- Policy dialogue often underestimates importance of institutional strengthening, but crucial for sustainability of the action
- Probably all transition countries suffer from weakness of organisation dealing with EE
- Identification of competent authority for EE policy field
- Closely collaborate with local EE advocates

5. Place energy efficiency into a broader context of supporting factors

- Making use of “windows of opportunity” in order to improve the feasibility of EE policies
- Taking into account other driving policy factors

Critical success factors in detail (3)

4. Actively manage the policy dialogue programmes

- Energy policy dialogue programmes are very complex
- Active management by the leading IFI is required
 - IFI-government coordination
 - Inter-ministerial interactions
 - Managing the consulting team
 - Donor coordination

5. Hold a dialogue on equal terms

- Improve the “negotiation capital” of recipient, even if this brings forward decisions that differ from the donor’s advice
- Using good practice examples as useful points of reference, but being careful with direct transfer
- Mutual learning experience

Conclusions / Points for discussion

- Transition countries – namely EBRD countries of operation – offer **very challenging framework conditions** for EE policy

BUT

- There exist positive examples how countries have successfully managed the first steps of EE policy – with help of donor financed projects
- Generic framework helps to **design, implement and evaluate** policy dialogue programmes in a coherent way
- Based on practice experience, **seven critical success factors** have been identified – did we forget important factors?

Contact



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