



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

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## E5P Steering Group Meeting

30 April 2013

Mr Magnus Rystedt, Managing Director of the Nordic Environment Finance Corporation (NEFCO) chaired the fifth meeting of the E5P Steering Group in Helsinki, Finland this spring. Ukraine alongside the EBRD, EIB, NIB, NEFCO and the WB participated in the Steering Group as members. The European Union, USA, Armenia, Czech Republic, Estonia, Georgia, Finland, Latvia, Lithuania, Moldova, Norway, Poland, Romania and Sweden attended the meeting as observers.



Chair Magnus Rystedt (third from left)

Photo: Patrick Rastenberger (NEFCO)

The Steering Group is the driving force of the E5P partnership. It is responsible for preparing and developing projects that will be put forward for approval to the Assembly of Contributors which is the main decision-making body for E5P. To date the Assembly has approved nine projects, all in the municipal sector in Ukraine, with a total grant allocation of over €31.1 million and total investment costs of over €161 million.

The EBRD, NEFCO and EIB as the Implementing Agencies of E5P presented ten new project proposals. The scope of the projects ranged from investments in combined heat and power plants,



From left: Ukrainian Delegation, Olga Romanyk, Commissioner, National Commission of the State Public Utilities Regulation and Olena Kucherenko, Director at the Ministry of Economic Development and Trade.

Photo: Patrick Rastenberger (NEFCO)

to increased energy efficiency measures to modernized district heating systems that will give consumers the ability to control their heat supply and meter their usage of energy. In addition, Ukraine informed the Group of two new potential heat supply investments in Poltava and Oleksandriya. The Ukrainian Ministry of Economy advised that they had received over 55 new applications for E5P funding.

*This wide range of potential projects highlights the growing interest for the E5P initiative in Ukraine and confirms the excellent potential of the E5P partnership as a whole.*

All the project proposals by the IFIs were approved in principle pending some additional information to be confirmed by feasibility studies. Two projects namely DemoUkraine 2 and Zaporizhzhya Energy Efficiency won approval to be presented at the Assembly of Contributors. Following the success of the first phase of DemoUkraine, NEFCO proposed to expand the project to ten additional municipalities which requires a further E5P grant of €0.4 million.





The EBRD proposed to re-approve the district heating project in Zaporizhzhya based on a new scaled down investment. The loan funded component has been reduced but the E5P element which will finance demand side measures with the introduction of individual heating substations remains unchanged.

While reviewing the status of the nine approved projects, the IFIs emphasized the problem with obtaining municipal guarantees. Without these, the IFIs loans are not effective and the project implementation cannot commence. The E5P partners urged Ukraine to seek ways to speed up the approval process by the relevant Ministries.



(from left) David Lezhava, Deputy Minister of Finance of Georgia and Tigran Melkonyan, Ministry of Energy, Armenia.  
Photo: Patrick Rastenberger (NEFCO)

## Largest E5P Grant yet to transform district heating in Lviv



From left: Mr Stepan Pakizh, General Director Lviv Teplenergo, Mr Andriy Sadovyy, City Mayor of Lviv, Mr Jean Patrick Marquet, EBRD Director Municipal & Environmental Infrastructure, and Mr Anders Lund, E5P Manager.

On 12 June 2013 the E5P provided a grant of up to €10 million to the western Ukrainian City of Lviv. This is the fifth and the largest E5P Grant Agreement signed to date.

The financing package totaling €34.3 million also consists of an EBRD loan of up to €20 million, local contribution of €3 million and technical assistance of €1.3 million financed by Sweden. The funds will be provided to Lvivteplenergo, a municipal district heating

company owned by the City of Lviv, to modernize and rehabilitate the existing district heating infrastructure in the city.

The signing ceremony organized by the City Council of Lviv attracted good media coverage and high level participation from the City Administration and representatives of the E5P contributors. The Mayor of Lviv, Mr Andriy Sadovyy, expressed his thanks to the Partnership for the much needed assistance and the government

of Sweden for providing the important technical assistance funds needed to prepare and implement the project.

The E5P investment grant has been allocated entirely for demand side measures and will finance the supply of Individual Heating Substations to allow residents to save energy by controlling their heat supply.





The EBRD loan will finance the installation of individual heating substations, the rehabilitation and modernization of heat distribution networks, the installation of natural gas fired mini-combined heat and power plants, the replacement of obsolete main transmission pipelines and the installation of necessary monitoring systems. It is expected that upon completion of the project almost half of Lviv's population of 760,000 will benefit from better quality and

environmentally friendly heat and hot water services.

By implementing this project the municipality will reduce its consumption of natural gas by an estimated 6.9 million cubic meters, electricity by 2,900 MWh and water by 15,900 cubic meters per year. CO2 emissions will also be reduced by almost 80 thousand tonnes per year through more efficient utilisation of fuel.

The municipal guarantee has already been approved by the Ministry of Finance and the Cabinet of Ministers of Ukraine so that the project implementation can commence shortly without delays.

Watch the signing ceremony here:

<http://www.youtube.com/watch?v=hxWq-r54V9w&feature=youtu.be>

## EU Sustainable Energy Week launched in style in Zhytomyr

June concluded with the much-anticipated EU Sustainable Energy Week. E5P held a well-attended information seminar in Zhytomyr in Ukraine on 25 June, having also been involved in an official opening of the event the previous day and an earlier press conference.

Sustainable Energy Week is an EU initiative that started in 2006 and is designed to spread best practices, inspire new ideas and build alliances from the bottom up, to help all citizens move towards the efficient use of clean energy, and to help Europe reach its energy goals. Events are held across Europe and this was the third year in which Ukraine participated.

The opening ceremony, held in Gagarin Park in Zhytomyr, featured everything from bicycle challenges to biofuel motor rallies, movies and music, press tours and presentations. It included the City of Sun, an exhibition of energy efficient technologies and activities that showcased solar power. All activities aimed to promote responsible energy consumption and were aimed at being interactive events for all ages.

The city of Zhytomyr, a major transport hub in northern Ukraine near Kiev, was a good choice to host an opening ceremony with E5P having recently approved a project to improve the city's district heating system and currently considering another project to fund energy efficiency measures in 20 municipally owned buildings, primarily day-care centres, schools and hospitals.



Speaking at the opening ceremony Walter Tretton, Head of the Energy, Environment and Transport Section of the EU Delegation to Ukraine, said: *“European Sustainable Energy Week is celebrated for the third time in Ukraine, and it is very encouraging for us to see the active participation of Ukraine in this event. It shows that Ukraine is waking up to the enormous potential of the ‘hidden fuel’ of energy saving. Questions how to save water, how to save gas and electricity, how to cut your bills, are important for every citizen.”*

### A successful seminar

On 25 June, the day after the opening ceremony, E5P organised a lively information seminar attended by around 140 people and entitled,

*‘How to unlock the energy efficiency potential in Ukrainian municipalities.’* The Ukrainian participants included municipal companies, government officials from several cities and oblasts in Ukraine, representatives from the Ukrainian Ministries, State Agencies and the Municipal Sector Tariff Regulator.

On behalf of the donors, the opening statements were made by the European Union as the largest contributor to E5P and by Sweden as the initiator of the Partnership. These were followed by a combination of presentations and discussions on various topics connected to EU Sustainable Energy Week.



Presentations were made by Magnus Rystedt, Managing Director of NEFCO; Liliya Chernyavska, Head of EIB Ukraine; Jane Karanda, Principal Adviser at EBRD; Svyatoslav Pavlyuk, a Key Expert of the “Covenant of Mayors – East” Initiative; and Petra Widmer, Deputy Director of the Swiss Cooperation Office. There was also guidance from Victorija Kolosova of the Ukrainian Ministry of Finance on how to apply for Municipal Guarantees, a statement from the Ministry of Regions

and a presentation from Anders Lund on using E5P as a financing tool.

The seminar also asked representatives from the cities of Zhytomyr, Cherkassy and Vinnitsia to share practical experiences, discussed regulatory challenges within district heating with Linda Werther from the Energy Market Inspectorate in Sweden and held a discussion on ESCO structures.

For more information see the European Union press release:

[http://eeas.europa.eu/delegations/ukraine/press\\_corner/all\\_news/news/2013/2013\\_06\\_27\\_4\\_en.htm](http://eeas.europa.eu/delegations/ukraine/press_corner/all_news/news/2013/2013_06_27_4_en.htm)



## Update on E5P expansion to other Eastern Partnership countries

As requested by the Assembly of Contributors, the EBRD as the Fund Manager of E5P has been working to facilitate the expansion of the Partnership to the other Eastern Partnership countries of Moldova, Georgia, Armenia and Azerbaijan.

The success of the expansion depends on securing adequate donor funds, contributions from the four expansion countries and establishing a good project pipeline by the E5P implementing agencies.

The preparations and discussions with the new and existing contributors are progressing well. To date, the EBRD has received commitment letters from Moldova, Georgia and Armenia stating their willingness to contribute and join the Fund. A mission to Azerbaijan is planned for this summer.

Several contributors including Sweden, Norway, Germany, Romania, Poland, Czech Republic, Lithuania and the USA have indicated their interest to pledge funds. With the money already pledged

by the European Union, it is anticipated that E5P will raise about € 20-25 million per expansion country.

A pledging conference is planned in early autumn following further contacts with the potential contributors.

Projects in brief	Agency	Total cost MEUR	Loan MEUR	E5P Grant MEUR	Status
1. Mykolaiev Vodokanal Water/Wastewater Rehabilitation	EIB	40	15.54	5.11	On-going
2. Zhytomyr District Heating Rehabilitation	EBRD	16	10	5	Under implementation
3. DemoUkraina Programme for 10 Municipal District Heating Utilities	NEFCO	14.5	4	0.5	Under implementation
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	18.6	13	5	Under preparation
7. Lviv District Heating Rehabilitation	EBRD	31	21	10	Under preparation
8. Energy Efficiency in Public Buildings through ESCOs	EBRD	22.5	20	2.5	Under preparation
9. Technical Assistance to the Regulator Tariff Commission	EBRD/WB	1.65	-	1.65	Under preparation
<b>TOTAL MEUR</b>		<b>161.45</b>	<b>95.54</b>	<b>32.25</b>	

Contributions to E5P	Pledged	Paid in cash
European Union	40,000,000	40,000,000
Denmark	5,000,000	2,689,871
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	5,897,915	5,897,915
Poland	915,106	915,106
Sweden	24,000,000	23,178,510
Ukraine	10,000,000	4,000,000
USA	5,325,000	3,431,706
<b>TOTAL in EURO</b>	<b>93,433,825</b>	<b>81,814,912</b>

## Calendar

September 2013 | Pledging Conference for the expansion of E5P

October 2013 | Sixth Steering Group Meeting

28 November 2013 | Eastern Partnership Summit Vilnius, Lithuania

5 December 2013 | 3<sup>rd</sup> E5P Assembly of Contributors London, UK

*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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