



EU contribution in brief

EU support leveraging loans



102 m€ (1) 520 m€
50 m€ (2) 240 m€



Energy savings¹
1.6 TWh per year

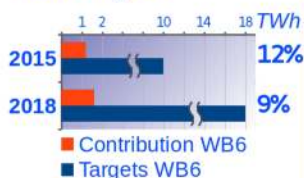
4 months of Albania electricity consumption



Emissions savings¹
1 Mn T CO₂ per year

more than one year of Montenegro car fleet emissions

Contribution to WB6 targets



36 new green banks in WB6

Energy Efficiency: Greening the Connectivity Agenda

Overview

The Western Balkans have an energy efficiency potential unrivalled in Europe. Tapping it brings not only direct economic benefits but also addresses energy security and import dependency concerns. Raising awareness of the benefits of energy efficiency and encouraging reform to support investment in energy efficiency and renewable energy are essential to harvest this potential. The Western Balkans have committed to adopt the EU Acquis in the sector and transposition is on its way.

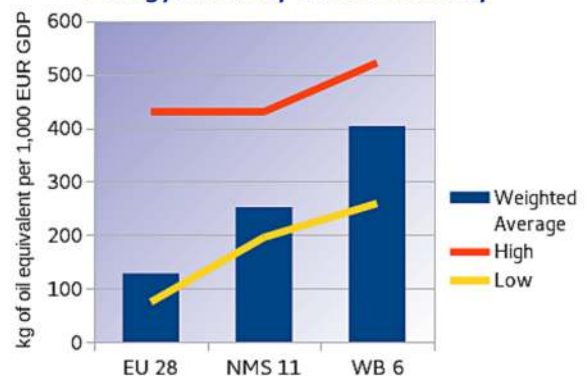
However a proper legal framework is only part of the story. The European Commission, international financial institutions and donors all contributed to the development of the regional energy efficiency sector with sizeable results already. Much more remains to be done to attain EU energy efficiency standards, and the European Commission is increasing its commitment to the sector with additional pledges in 2016 of a total of €50 million to GGF and REEP, two successful regional initiatives it previously helped creating. This pledge will be leveraged into approximately €240 million of new funding for lending to energy efficiency and renewable energy projects. This pledge is in addition to the €100 million contributed by the EC towards Energy Efficiency in accession countries over 2007-2013.

The case for energy efficiency in the Western Balkans

Like other transition economies, WB6 countries emerged from the socialist era with **energy intensive economies** compared to the Western European ones. Significant progress was made over the past 15 years with energy intensity declining by an estimated 20 to 25% but the WB6 remain 3 times and 1.6 times more energy intensive than the EU28 and new member states from CEE (NMS 11) respectively.

Various IEA and World Bank estimates point to **potential savings** in the WB6 of up to 10% in the Transport sector, **10-35%** for **Households**, **35-40%** in the **Public sector**, 10-30% in Services and 5-25% in Industry and Commerce. In monetary terms, public buildings and households alone could yield savings valued at €805 million by 2020 according to the Energy Community.

Energy intensity of the economy



Delivering such savings would have a significant impact on trade balances and public and household budgets; **enhancing energy security**, protecting against necessary energy tariffs adjustments and **contributing to economic growth**.

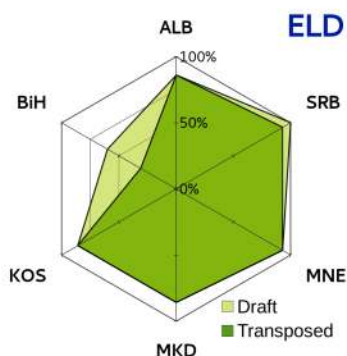
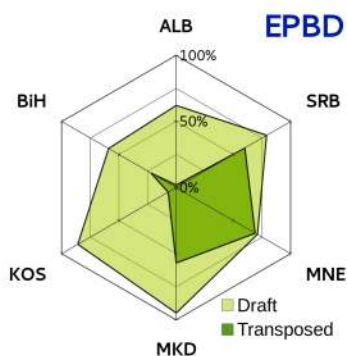
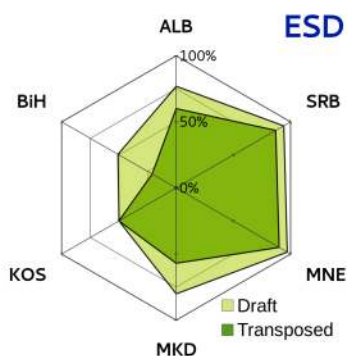
(1) WB6, Croatia, Turkey (2007 — 2015)

(2) GGF, REEP Plus (2016)

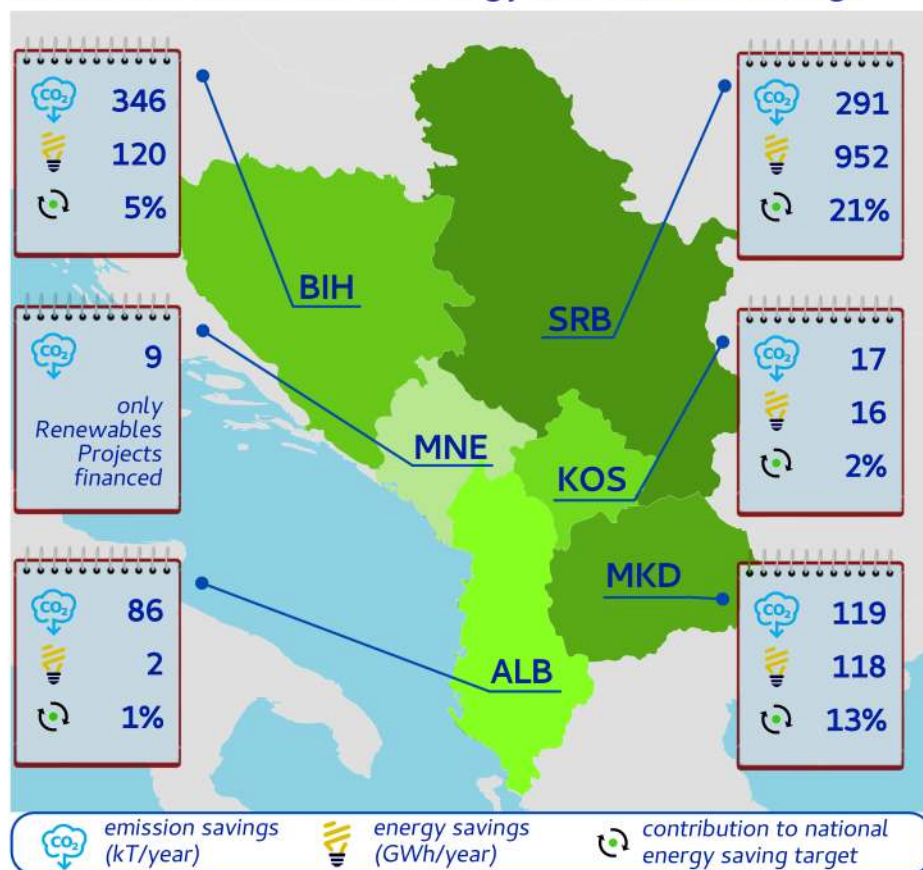
Savings potential



Transposition status



WB6: EU contribution to energy and emission savings



Regulatory framework: moving toward full Acquis implementation

WB6 countries are members of the Energy Community, which works on extending the EU internal energy market to South East Europe. In 2009, the Energy Community recognised the importance of energy efficiency and decided to incorporate the relevant EU directives into its legal framework:

- Energy Efficiency (**EED** - 2012/27/EU, superseding the **ESD** - 2006/32/EC);
- Energy Performance of Buildings (**EPBD** - 2010/31/EU); and
- Energy Labelling of Products (**ELD** - 2010/30/EU).

The **EED** seeks to reduce energy consumption by 20% by 2020 with final consumption capped at 30 Mtoe for WB6 countries, with further energy efficiency improvements after 2020. It calls for legally binding measures to step up efforts to use energy more efficiently at all stages of the energy chain, from production to consumption.

The **EPBD** sets minimum energy performance requirements for new and existing buildings. The **ELD** establishes a legal framework for labelling and providing consumer information on energy consumption for energy-related products.

Transposition of these directives however remains work in progress in the region and no country has yet reached full compliance. Progress is essential to ensure that the region's energy efficiency potential is duly harvested. The EC, the Energy Community Secretariat, the WBIF, IFIs and bilateral donors are providing technical assistance to beneficiary countries to facilitate compliance.

Policy implementation: main regional finance facilities



Green for Growth Fund (GGF)



GGF is the **first specialist fund focussing on Energy Efficiency (EE) and Renewable Energy (RE)** in the Balkans, Turkey and the Eastern Neighbourhood region. It provides refinancing and technical assistance to local financial institutions lending to enterprises and individuals undertaking energy efficiency investments.

GGF is a revolving fund structured as **public private partnership**. It was initiated in December 2009 by KfW and the EIB. The EC contributed **€49.5 million** in risk capital and **€13.8 million** for technical assistance so far. It pledged a **further €20 million** in capital in 2016.

GGF raises funds through instruments offering **varied risk/return profiles**. The EU subscribed to the highest risk instruments and increased the attractiveness of GGF to institutional and private investors. The fund is thus able to offer **more and cheaper funding** to local banks, ultimately **benefiting project promoters** such as **SMEs, municipalities and households**.



Regional Energy Efficiency Programme (REEP)



REEP is a 2013 initiative blending **policy support** to WB6 governments and technical assistance, **funding and incentives** for banks and borrowers' incentives from 10 to 35% of loans depending on sector and retrofit scale.

Policy support activities aim at **facilitating investment** and focus on **EPBD implementation, utility policies**, and EE-specific **public procurement** – including ESCOs.

Financing activities include a **€92 million credit facility to local banks** for on-lending to smaller energy efficiency and renewable energy projects in the public and private sectors and a **€50 million direct financing** facility targeting larger projects.

REEP's public and private sectors focus is unique. REEP is now working with the EC on **REEP Plus**, targeting the residential sector. The EC contribution so far is **€20 million** and a further **€30 million** pledged for REEP Plus.



“Not only has the new refrigeration equipment halved out electricity bills, but it also means we can offer more fruit and vegetables at off-season prices, which is great for our profit margin”



The Thimi family lives in a small Albanian village where they have been growing vegetables and fruits on 2.5 hectares of land since 2003. The produce is sold at local markets where prices reflect the seasonality, lower during harvest and peaking in winter.

In order to ride the seasonality, the Thimi family decided to invest in new larger efficient cold storage allowing them to keep more produce for

longer thanks to new technology. They can now store produce for four months longer than previously and use the extra capacity to store other farmers' produce to generate additional income.

The investment allowed them to halve energy consumption and save more than €1 000 per year in running costs, while broadening their business opportunities.

BENEFITS

- Reduction of energy consumption for cooling
- Enhanced produce life
- Increased sale prices and margins

SAVINGS

- 16,134 kWh/year or 54%
- In excess of €1,000/year



Smederevo is a Serbian city on the right bank of Danube, 45 km downstream from Belgrade, with a population of 100 000. The Municipality owns an 18 000 m² building used by an electric and electronic car parts manufacturer for production and administrative purposes. The building is gas-heated and electricity-chilled.

The Municipality decided to invest 1.2 million EUR in the building in order to meet modern thermal

insulation requirements and to upgrade the building's energy efficiency performance. Main measures implemented included insulation of the building envelope, of external walls, of the floor and of the roof.

The investment allowed annual energy savings in excess of €120 000 and a 60% reduction in CO₂ emissions. The investment is self-financing with a payback period just under 10 years.

BENEFITS

- Reduction of energy use for heating and cooling
- 60% emissions reductions
- Increased all year-round comfort

SAVINGS

- 2 273 MWh/year and 465 tons CO₂
- In excess of €120 000/year

