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# **USAID ENERGY EFFICIENCY AND THE NEED FOR ESCOS/EPC IN EUROPE & EURASIA**

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## ENERGY EFFICIENCY: WHY IT MATTERS

- Energy costs are increasing, leaving less money for buying other items.
- Energy costs can be reduced 20-40% through cost-effective projects.
  - Improve affordability of utility bills, enabling broader sector reforms.
  - Improve industrial competitiveness
  - Improving the quality of public services
    - schools and hospitals can buy more text books and medicine;
    - school attendance increases;
    - hospitals have lower re-infection rates;
    - streets are safer.
- Improve comfort
- Environmental benefits including lowering emissions of greenhouse gases and other harmful pollutants.
- Cross cutting benefits with other USAID priorities: DG, Local Governance, Health, Education



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## RELEVANCE/IMPORTANCE OF EE IN EUROPE & EURASIA

- E&E energy intensity 3-5x more than West
  - Household affordability problems
  - Limits quality of municipal services
  - Hampers industrial competitiveness
  - Climate change implications
- Cost-effective savings potential
  - Residential: 20-40% low cost; 40-60% comprehensive
  - Municipal and industrial: 20-40% savings; <1 to 5 year paybacks.
    - District heating significant savings potential, formidable institutional barriers
  - Mitigates increasing fuel cost and tariff reforms
  - Indirect benefits: comfort, health, education, safety, job creation
- Inadequacies in energy tariff levels and structures, and poor collection rates, limit the environment for EE investments.
- Tariff rationalization requires attention to energy social safety nets.



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## **RELEVANCE OF GCC/EE TO USAID**

- Sustain economic growth, reduce poverty, enhance energy security, protect the environment while reducing carbon emissions.
- Strengthen the foundation for cooperation that will lead to successful negotiation of a new GCC treaty for the period beyond 2012.



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## **USAID PRINCIPLES GUIDING CLEAN ENERGY PROGRAMS**

- Implement guidance from U.S. Congress and Obama Administration to address global warming by promoting energy efficiency, clean energy, renewable energy.
- Support Energy Community contracting parties and observer countries.
- Build capacity and sustainable institutions among governments and other organizations.
- Create sustainable framework for systemic change.
- Create framework to overcome barriers to private investment, financing, and delivery of services.
- Coordinate with related activities by donors and IFIs.



## RESULTS: USAID-FUNDED ENERGY EFFICIENCY PROJECTS

<b>TYPE (#)</b>	<b>COUNTRIES</b>	<b>COST RANGE (\$000's)</b>	<b>AVERAGE PAYBACK</b>
Hospitals (16)	Bulg., Serbia, Lith., Cz.	\$40 - \$380	2.9
Schools (18)	Serbia, Bulg., Skopje, Ukr., Cz., Pol., Hung	\$1.8 - \$127	3.1
Apartment Buildings (5)	Albania, Ukr., Pol., Slovakia	\$3.6 - \$163	3.5
Street Lighting (20)	Serbia, Bulg., Pol.	\$5 - \$450	3.9
Mun. Bldgs. (6)	Serbia, Bulg.	\$83 - \$362	3.1
Sr. Center (2)	Serbia, Skopje	\$5 - \$173	2.0

## **BARRIERS TO FINANCING ENERGY EFFICIENCY**

- Low tariffs; bills not based on consumption or cost-of-service
- Lack of awareness\*
- Lack of homeowner/condominium associations\*
- Budget constraints\*
- Lack of well prepared project proposals\*
- High collateral requirements\*
- Perceived risk/lack of familiarity by banks\*
- Relatively small projects\*

\*The good news: ESCOs offer a potential solution to most of these!



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## TARGETED TA IS NEEDED FOR ESCOs TO TAKE ROOT

- Legal framework
- Model contracts
- Awareness raising and training
  - Banks
  - Municipalities
  - Ministries owning relevant buildings (Health, Education, etc.)
- Reform of public sector budgeting
  - Allow retention of savings
  - Change funding formulas (# students, # hospital beds, etc.)





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