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DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Recommendations on the In-Depth Energy Efficiency Reviews of Estonia and Turkey

[The Energy Charter Conference at its 11th Meeting held on 17-18 December 2002 welcomed the reports on the In-Depth Energy Efficiency Reviews of Estonia and Turkey, contained in document 226, and endorsed the recommendations to the Estonian and Turkish governments contained therein (Annex).]

Keywords: In-depth Review of Energy Efficiency Policies and Programmes, PEEREA, Recommendations, Estonia, Turkey

Recommendations on the In-Depth Energy Efficiency Reviews of Estonia and Turkey

**as adopted by the Energy Charter Conference
at its 11th Meeting held on 17-18 December 2002**

RECOMMENDATIONS - ESTONIA

Based on the findings of the Review Team and the assessment of progress the following recommendations are provided for the Government of Estonia:

General recommendations

The Government should promote market liberalisation and increased competition throughout the energy sector while ensuring that new opportunities for improving energy efficiency are identified and captured.

Regional opportunities for cooperation, trade and power exchange with the other Baltic countries should be identified and exploited with a view to increasing overall efficiency of the energy cycle and reducing environmental impact of local oil shale-based power production.

Energy efficiency legislation, policies and strategies

Planned legislation for electricity, natural gas and liquid fuels should contain provisions relating to energy efficiency improvements, and energy market participants should be empowered to implement such measures, both on the supply side and the demand side.

The national target of limiting the growth of energy consumption to half the growth of GDP should be transposed into quantified sectoral targets which should be monitored rigorously.

The Government should define a Long-term Energy Efficiency Strategy which reflects the policy objectives of reducing energy intensity, improving security of energy supply and mitigating environmental impacts.

The Government should improve interministerial coordination, with a view to capitalising on the efforts which have already been taken to integrate energy efficiency into various economic policies, and hence better exploiting the benefits which would result from energy efficiency improvements.

Energy prices and markets

The Government should continue energy price reform with a view to providing the optimal signal for investments in energy efficiency and better reflection of environmental costs.

The Government should review the role of the Energy Market Inspectorate and strengthen its capacity and operational independence, with a view to achieving a liberalised and effective energy market.

Institutional framework

The Government should establish an energy efficiency implementation unit or organisation with its own budget and management, with a clear mandate and well-defined responsibilities.

The Government should encourage professional associations, consumers associations, housing cooperatives and NGOs to play a more active role in the promotion and implementation of energy efficiency measures.

The Government should make better use of the expertise developed in the Regional Energy Centres in building institutional capacity for promoting and implementing energy efficiency measures at county and municipal levels.

Energy efficiency funding and fiscal policy

The Government should commit to providing long-term funding for a national energy efficiency programme, rather than relying mainly on bilateral and multilateral financing.

The Government should stimulate the involvement of Estonian energy efficiency stakeholders in multilateral and bilateral programmes by making appropriate co-financing available to successful project proposals.

The Government should capitalise on the over-subscribed applications for energy efficiency funding for projects identified by the counties by making substantial additional funding available, either from budgetary funds or by creating a revolving fund for this purpose.

The Government should promote financial and fiscal instruments to encourage the use of energy efficient technologies and energy auditing as well as to stimulate the development of Energy Service Companies.

The Government should design a financial scheme to support energy efficiency in municipalities based on measurable benefits of the energy efficiency projects.

Implementation of specific programmes and instruments

The Government should capitalise on the opportunity presented by bilateral projects to train energy managers and energy auditors to create a national energy audit system.

The Government should analyse the possibility of establishing specific voluntary agreements with industry with a view to reducing energy intensity in the manufacturing sector.

The Long-term Development Plan for Public Transport, which is currently under development, should include concrete proposals for improving energy efficiency of both individual vehicles and the overall park of vehicles.

The Government should continuously monitor the growing number of private vehicles and the subsequent need for building appropriate infrastructure; in this context, policy measures such as the removal of the registration fee for private cars and the continuing reduction of the level of subsidy for public transport may be reviewed.

The Government should develop specific programmes for improving energy efficiency in the buildings sector; a first step could be a programme dedicated to public buildings.

The Government should develop and implement minimum thermal insulation and heating efficiency standards for new buildings.

The Government should improve the collection of energy data and statistics and build and disseminate energy efficiency indicators to allow effective monitoring of energy efficiency improvements in the various sectors of the economy.

Demand-side management and district heating

The Government should establish the necessary regulation and legislation in order to secure better individual metering of energy consumption with a view to improving the efficient consumption of heat and hot water.

As long as Eesti Energia remains as a vertically integrated utility with a dominant position on the energy market, the Government and the Energy Market Inspectorate should request it to develop specific energy efficiency demand-side management programmes.

The Government should strengthen its policy for promoting small scale cogeneration and all district heating cogeneration by empowering the Energy Market Inspectorate to create a specific tariff mechanism which guarantees a market for power sold to the grid.

Energy efficiency and environmental policies

Programmes and instruments promoted by the Ministry of Environment should better incorporate energy efficiency considerations, both at the stage of policy design and implementation.

The Government should establish guidelines for the Environmental Investment Centre to allow financing of demand-side energy efficiency projects that will lead to reductions in energy consumption and therefore in greenhouse gas emissions.

Information and awareness building

The Government should set up a programme to build awareness of energy efficiency opportunities for end-use energy sectors.

The Government should support the development of education programmes which cover the rational use of energy and its link to climate change, both in schools and in higher educational institutions.

RECOMMENDATIONS - TURKEY

General

The Government should, in parallel with securing sufficient energy supplies, increase the attention it gives to demand side in order to provide for a decoupling between the growth of energy demand and GDP; more attention should be paid to improving energy efficiency as this will help to ameliorate security of supply issues.

The Government should consider revisiting its energy demand projections taking into account in a more aggressive manner potential energy efficiency increase and the impact of liberalisation of the energy market.

The Government should seek to mobilise the forces of society (for example, voluntary organisations, NGOs, Vakifs¹, etc) to promote energy efficiency.

Energy efficiency legislation, policies and programmes

The Government should aim to enact its draft energy efficiency law as soon as possible, taking into account ongoing efforts and gained experiences in the fields of energy efficiency and harmonisation with EU legislation and regulations. Also, the law should seek to enhance coordination between the various ministries and institutions in the area of energy efficiency and related environmental aspects.

The Government's strategy for improving energy efficiency throughout all sectors of the economy should wherever possible include specific targets. Measurement of performance against targets will enable the Government to gauge the cost and effectiveness of its policies.

Energy efficiency policies should be monitored and evaluated both from the perspective of the economic gain and their environmental impact.

Environmental considerations should play a continuously growing role when the government examines various supply alternatives, notably relating to the fuel choice and the use of renewables.

Energy prices and markets

Price differentiation favouring energy efficiency improvement should be promoted by the Government for all energy carriers (e. g. thresholds for gas consumption should be introduced following the example of the electricity tariffs).

In pursuance with the provisions of the Electricity and Gas Market Laws, every effort should be made to eliminate, as quickly as possible, any remaining cross subsidies.

Before the market becomes fully competitive, the Government should ensure that the generators do not overestimate the production costs. In particular, in the course of licensing and privatisation of energy companies, the government should ensure that stranded costs are not overvalued and that privatised companies are not able to reap abusive margins on their generation costs.

The Government is encouraged to continue its efforts to implement incentives and penalties that aim to eliminate non-payment of energy bills. Difficult social situations should be addressed through targeted social aid.

¹ Vakifs are community-based charity-type organisations that dispense various social services and seem to enjoy widespread support and respect in the population.

The Energy Markets Regulator should ensure transmission tariff transparency according to the provisions of the electricity market law. This should enable transmission inefficiencies to be identified and addressed.

Institutions and intermediate organisations

Building on the positive steps taken so far, the Government should strengthen the role and improve the legal status, standing and organisation of the National Energy Conservation Centre.

The Government should consider strengthening the role and capabilities of municipalities in promoting energy efficiency among end users.

Governmental bodies should be encouraged to play a more proactive role in implementing new proposals and translating their technical expertise into concrete measures and legislative acts.

The Government should support the establishment of local energy efficiency centres/agencies to promote energy efficiency improvements and increase awareness at local and regional level.

The Government should be cognisant of the fact that in the process of market liberalisation it is likely that there will be a need to refocus its responsibilities from the supply side to the energy conservation and environmental protection activities.

Specific programmes and instruments

The Government should make use of voluntary agreements, notably in industry.

The Government should take specific measures to encourage energy efficiency improvements in the residential sector; such measures may include preferential interest loans, direct financing or tax reductions for final consumers. The energy efficiency industry should be encouraged to play a greater role in realising this objective.

Following up on the surveys and monitoring of energy use in public buildings, binding measures for improving energy efficiency should be implemented.

Energy efficiency should become a guiding principle in the development of transport policy.

The Government should consider extending its obligation on large industries to have an energy manager onto small and medium size enterprises, large public and governmental buildings.

The Government should expand energy-auditing policy beyond the current group of companies to include smaller companies and buildings.

The Government should introduce energy efficiency benchmarking in all economic sectors, including factories, buildings and commercial.

The Government should further strengthen its existing information, awareness and training programmes.

Individual metering should be introduced as much as possible, both for energy supply and consumption; the Government should consider initiating a special programme and funding for this purpose.

Renewable energy sources and cogeneration

The Government should ensure that during and after the transition to a liberalised market the development of renewable energy technologies and cogeneration is properly maintained.

For new thermal power plants the Government should encourage the investors to consider cogeneration as a favoured option if it is technically and economically feasible. Whenever appropriate, investors should be encouraged to explore sites that have an existing heat demand.

The Government should promote geothermal energy for district heating and electricity generation and, where appropriate, ensure that the expansion of geothermal grid can benefit at reasonable cost from the infrastructure work that will be undertaken during the installation of the gas distribution system.

Financing energy efficiency

In order to enhance state financing of energy efficiency, the Government should consider including energy efficiency investments as a stand-alone category deserving investment incentive certificates.

The Government should analyse the merits of establishing an energy efficiency financing scheme, which may be facilitated by the future reduction in energy prices that is expected to result from liberalisation of the energy markets.

The Government should encourage the use of innovative energy efficiency financing schemes like third party financing and facilitate the operation of energy service companies.

The Government should consider allocating a proportion of the environmental levies, fines and penalties that it collects to finance improvements in energy efficiency on both supply and demand side.

Data collection and statistics

Governmental efforts to collect data and develop indicators relevant to energy efficiency should be pursued. This data should be increasingly be used to formulating, refining and implementing energy policy.

Environmental policies

The Government's initiatives for tackling Climate Change issues are commendable and welcome. Following the ratification process of the UNFCCC, the Government should also consider additional steps to make use of flexible mechanisms.