



World Bank: Support to Sustainable Energy in the Europe and Central Asia Region

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MODALITIES FOR AND RECENT EXAMPLES OF WORLD BANK SUPPORT FOR SUSTAINABLE ENERGY

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Modalities to Support Sustainable Energy – the Tools in the Tool Box

- Development Policy Loans
- Policy support through analytical work and advisory services
- Programmatic Loans and Specific Investment Loans
- Grants from WB-administered Trust Funds (e.g. GEF)
- Partial credit and risk guarantees
- IFC instruments - working with sub-national government or the private sector
- Carbon Finance / Green Investment Schemes
- Technical Assistance

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Recent Examples on World Bank Support to Sustainable Energy

- Loans for EE in public buildings in Serbia, Montenegro and Belarus
- EE/RE credit line in Turkey including support from the Clean Technology Fund
- Adaptable Program Loan to support regional market integration in South East Europe
- Support to establish ESCOs in Croatia and Poland (loan and GEF grant)
- GEF grant for sustainable energy in FYR Macedonia
- GEF grant to support EE in buildings in Poland
- Establishment of EE Funds (BEEF in Bulgaria, FREE in Romania)
- Loan and GEF grant support to RE and EE in Armenia

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Efforts to Scale Up the Impact on Climate Change Mitigation

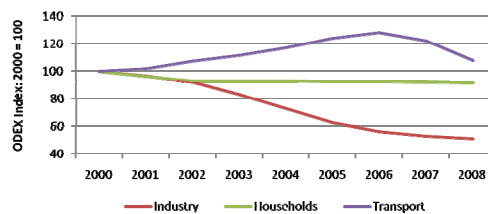
- Preparation of Development Policy Loan to address Low Emissions Agenda in Poland
- Programmatic support under the new Carbon Partnership Facility being prepared in several countries
- Preparation of Loan and GEF grant for EE in Russia combining capacity development, TA and lending
- Preparation of EE lending in Ukraine
- Low Carbon Path to Growth and Green Economy studies
- Support programs for EE in residential buildings
- Strategic Use of Trust Fund resources to target climate change mitigation

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Why EE in Residential Buildings is Important – the Case of Bulgaria

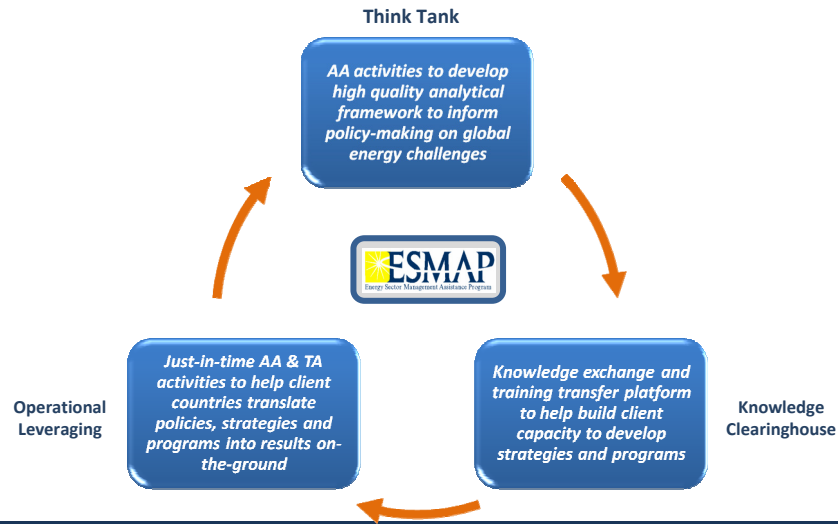
- The Residential Buildings sector in Bulgaria:
 - A quarter of the country's total energy consumption used to heat the **3.8 million** private dwellings
 - ❖ **65%** are situated in large apartment blocks in **~80,000** multifamily buildings
 - ❖ **2.5** times higher energy demand than if built with current technical standards
- Despite the huge potential, no progress on EE in households so far ...



ENERGY SECTOR MANAGEMENT SUPPORT PROGRAM (ESMAP)



ESMAP Functions



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ESMAP's Four Components Programs, Initiatives, & Partnerships



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Recent ESMAP-Funded Activities in the ECA Region

- **Armenia:** Demand Side Management Tools
- **Belarus:** Establishing Regulatory Framework for Renewable Energy
- **Bosnia:** Vrbas River Basin Hydro
- **Bulgaria:** Building up Regulatory Capacity for Renewable Energy
- **Hungary:** Smart Metering
- **Serbia:** Low Carbon Energy Path
- **Turkey:** Wind Integration
- **Uzbekistan:** Energy Efficiency for Industrial Enterprises
- Western Balkans: Energy Efficiency Study

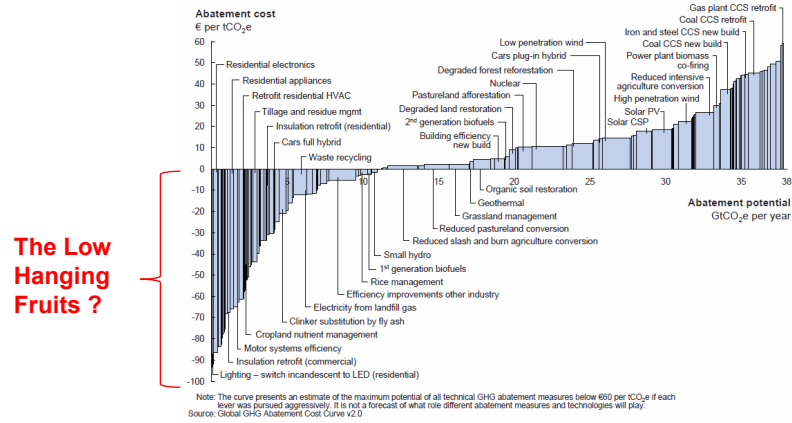


HOW CAN WE SCALE UP ENERGY EFFICIENCY?



The Promise of the EE Market

Global GHG abatement cost curve beyond business-as-usual – 2030



Source: McKinsey & Company



Energy Efficiency - the Low Hanging Fruits and Why We Find Them Hard to Pick

- However, only modest progress is being made in converting this potential into actual savings
- EE has high transaction costs – especially for smaller projects
- EE projects can be institutionally complex and it can be tricky to align costs and benefits
- Money flows to where there is least resistance i.e. to Megawatts rather than Negawatts
- Ignorance about the true cost of EE leads to misallocation of resources and insufficient barrier removal
- Consumer price subsidies are poison for EE



Lessons Learned

- Subsidies often dominate and condition the market for EE
- Local FIs will need extensive training and hand-holding before they will be able to lend for EE and develop a project pipeline
- EE funds can help kick-start EE market and get local FIs involved
- Public procurement regulations can be serious impediments for ESCO operations
- ESCO projects in public buildings often need substantial “co-financing” because pay-back times are too long
- Some market segments, e.g. hospitals, may need guarantees before EE investments are feasible but in general guarantee schemes are rarely the right tool
- Implementation capacity is often the main barrier



In Conclusion

- Technology on its own will not get the job done. Focus needs to shift from **technology** costs to **delivery** costs
- Availability of finance is rarely the major barrier for EE so credit lines will not help much by themselves. Necessary to move from “available” to “accessible” finance
- **Government can play a key role by focusing on legal/regulatory framework and enabling policies**
- EE policy must be underpinned by an effective enabling framework
- Increased reliance on regulatory measures to achieve EE targets
- EE standards and codes will not work without efficient enforcement
- Mandatory Building Energy Efficiency Codes have proven effective in overcoming market barriers when they are simple, easy to control and resources are put into enforcement



Thank You

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