



USAID
FROM THE AMERICAN PEOPLE

**MUNICIPAL ENERGY
REFORM IN UKRAINE**

MUNICIPAL ENERGY REFORM PROJECT (MERP)

FIFTH QUARTERLY REPORT

OCTOBER 1, 2014 – DECEMBER 31, 2014



January 2015

This document was produced for review by the United States Agency for International Development (USAID). It was prepared by the Municipal Energy Reform Project in Ukraine implemented by International Resources Group for USAID/Ukraine.

Key to cover photos:

<p>MERP DCOP Andriy Mitskan participates in the Round Table on Energy Efficiency organized by Dnipropetrovsk Oblast Council</p>	<p>MERP expert from EnEffect Zdravko Genchev presents the political acceptance steps for SEAP to the first group of MERP partner cities</p>	<p>MERP COP Bil Tucker, here with Chairman Demchyshyn, coached five newly appointed Commissioners of the National Energy and Communal Services Regulatory Commission</p>
<p>MERP PR Manager Vira Illiash and MERP expert Kadriia Safiulina give certificate to a participant of training for journalists in Ivano-Frankivsk.</p>	<p>MERP COP Bil Tucker and GOU officials cut the ribbon to open the National Communal Services Congress organized by MinRegion</p>	<p>MERP DCOP Andriy Mitskan, with head of Condominium "Luchany" and head of Lutsk EE Department at Lutsk Sustainable Energy Days</p>
<p>MERP DCOP Andriy Mitskan participates in the presentation of Draft SEAP to the city authorities and City Advisory Committees in Zaporizhzhia</p>	<p>MERP COP Bil Tucker with partners give presentation at the sixth coaching session for the new National Energy and Communal Services Regulatory Commission</p>	<p>MERP PR Manager Vira Illiash communicates with journalists during the workshop organized by USAID Dialogue project and implemented by Association of Ukrainian Cities</p>

MUNICIPAL ENERGY REFORM PROJECT (MERP)

FIFTH QUARTERLY REPORT

OCTOBER 1, 2014 – DECEMBER 31, 2014

CLEAN ENERGY IDIQ: AID-OAA-I-13-00015

Contract: AID-I21-TO-13-00006

January 2015

DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

ACRONYMS	i
BACKGROUND	1
A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS	2
B. DELIVERABLES	10
C. DETAILED DESCRIPTION OF PROGRESS/ACCOMPLISHMENTS DURING THE REPORTING PERIOD	16
c.1 Project Team	16
c.2 Environmental Compliance Report	16
c.3 Detailed assessment and analysis of progress made on each of the tasks and milestones	17
ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT	21
ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS	25
ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION.....	27
ACTIVITY 4: ENHANCE CAPACITY FOR THE GOU IN LOW EMISSION DEVELOPMENT STRATEGIES (EC LEDS).....	31
c.4 Performance indicators	32
D. SCHEDULES	45
E. PROBLEMS	46
F. PLANS	47
ATTACHMENT I	52

ACRONYMS

AUC	Association of Ukrainian Cities
CA	Condominium Association
CE	Clean Energy
CEE	Central and Eastern Europe
CHP	Combined Heat and Power
COM	Cabinet of Ministers of Ukraine
DCA	Development Credit Authority
DH	District Heating
DIR	Data and Information Request
DTEK	Donbass Energy and Fuel Company
EAB	Energy Audit of Building
EBRD	European Bank for Reconstruction and Development
EC-LEDS	Enhanced Capability-Low Emissions Development Strategies
EE	Energy Efficiency
EPC	Energy Performance Contracting
ESCO	Energy Service Company
ESIB	Energy Saving Initiative in the Building Sector in Eastern Europe and Central Asia
ESP	Energy Service Provider
EU	European Union
EWG	Expert Working Group
E5P	Eastern Europe Energy Efficiency and Environment Partnership
GCC	Global Climate Change
GDA	Global Development Alliance
GHG	Greenhouse Gas
GIZ	German Bilateral Aid Agency
GOU	Government of Ukraine
HOA	Home Owner Association

HOAC	Home Owner Advisory Center
IBSER	Institute for Budgetary and Socio-Economic Research
IEA	International Energy Agency
IFC	International Finance Corporation
IFI	International Financial Institution
IRG	International Resources Group
IRR	Internal Rate of Return
IT	Information Technology
LEDS	Low Emissions Development Strategies
MEP	Municipal Energy Plan
MEDT	Ministry of Economic Development and Trade
MEIS	Municipal Energy Information System
MH	Municipal Heating
MERP	Municipal Energy Reform Project
MinRegion	Ministry of Regional Development, Construction, Housing and Communal Services
MOU	Memorandum of Understanding
MSP	Ministry of Social Policy
NAER	National Agency of Ukraine on Ensuring Efficient Energy Resources Management
NCCSMR	National Commission on Communal Services Market Regulation (see NCSRC)
NCSRC	National Communal Services Regulatory Commission
NECSRC	National Energy and Communal Services Regulatory Commission
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organization
NMHS	National Municipal Heating Strategy
NIB	Nordic Investment Bank
NIISK	Ukrainian State Research Institute of Building Structures
NPV	Net Present Value
PC	Price Cap
PIU	Project Implementation Unit
PMP	Performance Monitoring Plan
PO	Purchase Order

PPP	Public-Private Partnership
PSA	Public Service Announcement
RAB	Regulatory Asset Base
RC	Revenue Cap
REDS	Resource Efficiency Development Strategies
ROR	Rate of Return Regulation
RFA	Request for Application
SAEE	State Agency for Energy Efficiency
SDC	Swiss Agency for Development and Cooperation
SEAP	Sustainable Energy Action Plan
SIDA	Swedish International Development Cooperation Agency
SOW	Scope of Work
SSC	State Statistics Committee
TF	Task Force
TOR	Terms of Reference
TOT	Training of Trainers
UAH	Ukrainian Hrivna (currency)
UKEEP	Ukraine Energy Efficiency Program
UNDP	United Nations Development Program
UNFCCC	United Nation Framework Convention for Climate Change
USAID	United States Agency for International Development
VR	Verkhovna Rada (legislature)
WB	World Bank

BACKGROUND

The United States Agency for International Development (USAID) Mission for Ukraine, Moldova, and Belarus, Office of Economic Growth supports the implementation of the **Municipal Energy Reform Project (MERP, the Project) in Ukraine** as described in the Statement of Work and further detailed in International Resources Group's (IRG) Technical Proposal, and subsequent modifications.

The primary purpose of the USAID MERP is to enhance Ukraine's energy security. Increased end-use energy efficiency (EE) combined with increased production of clean energy (CE) in large towns and cities will reduce the consumption of conventional energy in Ukraine while cutting greenhouse gas emissions, energy expenditures, and imports. The Project has four main tasks:

- Improve CE Regulatory and Legislative Enabling Environment;
- Promote Investment in Clean Energy Technologies and Applications;
- Strengthen Capacity Building and Dissemination; and
- Enhance Capacity for the GOU in Low Emission Development Strategies.

The GOU is engaged in reforming the municipal energy sector and addressing challenges identified in the GOU Program of Economic Reforms for 2020, with an emphasis on CE/EE through price signals and improving the competitiveness and reliability of municipal services. Ukraine's energy policies are shifting to domestic resources and strengthening the energy market framework to EU standards. Adoption and full implementation of Energy Community Treaty and GCC Convention provisions could provide Ukraine with a competitive, transparent, and predictable market framework to attract investment, and underpin CE and EE improvements in the energy sector.

The Project focuses on introduction of energy efficiency and clean energy in cities by assisting municipalities with planning, preparing, and financing clean energy projects; introduction of energy management systems; supporting implementation of development of DCA loan guarantees; supporting mechanisms that mobilize private sector investment (i.e. ESCOs); and preparing sustainable energy public awareness plans.

This Quarterly Report is submitted in accordance with the Contract requirements and covers the project period from October 1, 2014 through December 31, 2014. It serves as a tool for evaluating the Project's progress and achievements and provides a summary of Project activities, accomplishments, issues, and problems encountered in implementing the activities set by the Project Work Plan. It also weighs the accomplishments in the context of indicators, set by the Monitoring and Evaluation Plan. This Quarterly Report #5 summarizes activities from the Project start until the end of the fifth Project quarter.

A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS

General Accomplishments:

During this quarter, Eastern Ukraine experienced continued extreme socio-political disruption in two Eastern oblasts. The Parliamentary elections on October 26 resulted in election of a majority of members espousing progressive, reform, pro-EU positions, but no party gained a majority. A coalition was formed, which followed by appointing a Prime Minister and Cabinet. During this quarter, the Rada approved a new Government of Ukraine (GOU). Mr Gennadiy Zubko was appointed First Vice Prime Minister and Minister of Regional Development, Construction, Housing and Communal Services. Mr Igor Shevchenko was appointed the Minister of Environment. Mr Volodymyr Demchyshyn, former Chairman of the National Energy and Communal Services Regulatory Commission, was appointed the Minister of Energy.

Despite significant restructuring of GOU agencies and increased GOU attention to the war with Russia in Eastern Ukraine, MERP made very good progress in accomplishment of the Work Plan for Year 2.

The overall objective of the MERP is to enhance Ukraine's energy security. Increased end-use energy efficiency combined with increased production of clean energy in large towns and cities should reduce the consumption of conventional energy (i.e., imported natural gas from Russia), while cutting greenhouse gas emissions as well as energy expenditures and imports.

During the reporting period, MERP continued to progress in general accordance with the Draft Work Plan for Year Two that was submitted to USAID at the end of August 2014. The Project regularly reported to USAID on achievement of Project milestones. On the technical side, the Project made good progress in four main activities: (i) improve the clean energy regulatory and legislative enabling environment; (ii) promote investment in clean energy technologies and applications; (iii) capacity building and dissemination; and (iv) enhance capacity for the GOU in Low Emission Development Strategies (EC-LEDS).

Coordination with USG and USAID

At the request of USAID, MERP management and district heating experts from MERP participated in a meeting with the USG Crises Advisory Team, led by William Bryan from DOE, on preparation of a National Energy Contingency Plan for the GOU. It was the first meeting, after almost a month in country, of the USG Crises Advisory Team with district heating experts in Ukraine. MERP management presented the current situation in the district heating sector of Ukraine based on the previous four-year long MHR Project, energy audits and project work on SEAPs in partner cities. MERP district heating experts provided detailed information on how district heating systems function covering production, transportation, distribution, fuel switching, and other sources for home space heating. MERP experts responded to numerous questions on existing fuel and capacity reserves (or their absence) and opportunities for contingency actions of the GOU to mitigate risks of cut-off of natural gas or lack of electricity supply (due to lack of coal). The USG Crises Advisory Team and USAID expressed their appreciation for the information received from MERP experts that may be part of DH recommendations in the GOU National Energy Contingency Plan.

At the request of USAID, MERP met with Virginia Mewborn, Director of Disaster Operations and Logistics of the American Red Cross, to brief her on the MERP information campaign on Energy Efficiency and Alternative Energy Resources. Ms Mewborn informed MERP that the Red Cross is working on developing and implementing an information campaign related to fire safety and carbon monoxide awareness among Ukrainian citizens. The necessity for such a campaign is associated with the potential usage of appliances that burn carbon-based fuels in residential and private buildings due to a possible deficiency of district heat during the cold season. Parties identified that their outreach efforts could be complementary and agreed to cooperate by exchanging information materials and distributing them among their audiences.

National Level Assistance:

During the reporting period MERP continued assistance to the GOU Working Groups on preparation of key pieces of CE and EE legislation.

MERP experts participated in several MinRegion Working Group meetings on progress of key energy efficiency legislation. The meetings were chaired by Deputy Minister Bilousov and were attended by about 30 participants representing donor projects and their legal experts, and industry professionals and their associations. Participants discussed problems in clearing energy efficiency legislation (i.e. Draft Law on EE in Buildings, legal package on ESCO, etc.) in the GOU Ministries. It was agreed that MinRegion will review the wording of the draft legislation packages with assistance of donors and will re-submit them to the newly appointed Cabinet of Ministers/Rada. MERP legal experts contributed to the review process and provided recommendations to MinRegion on improvements of the Draft Law on EE in Buildings and the ESCO legal package.

MERP experts provided assistance to Rada Committees to finalize draft laws on HOAs, housing management, and housing and communal services. Project experts met with the Rada Committees and agreed to support the following draft legislation: draft Law “On Peculiarities of the Right of Ownership in a Apartment Buildings”; and draft Law “On Changes in Certain Legal Acts of Ukraine Governing Provision of Communal Services” to eliminate the negative effects of Law No. 1198.

At the end of December 2014, MERP and other donors’ (EBRD, EU Delegation, IFC, WB) assistance on CE and EE legislation resulted in significant progress. Five draft laws on EE and CE were registered in the Rada.

During the reporting period, MERP signed an MOU with the new National Energy and Communal Services Regulatory Commission. MERP provided six coaching seminars to Commissioners and staff of this new National Regulatory Commission. Chair Volodymyr Demchyshyn, Commissioners Andriy Gerus, Yuliya Kovaliv and Volodymyr Ievdokimov, and staff members participated in these ‘coaching’ sessions developed specifically for the new Commissioners. The presentations, “Basics of Utility Regulation”, “Identifying Real Costs of Utility Companies”, and “Problems with Utility Accounting and Reporting” focused on key regulatory principles, independence of regulation, concepts and strategies common to utility regulation, and outstanding issues related to separate accounting for licensed activities (unbundled accounting). MERP tariff and regulatory experts provided detailed information on regulatory methodologies. The Commissioners expressed high appreciation of MERP coaching and requested more of these coaching sessions.

MERP continued assistance to the Ministry of Social Policy on improving social protection of low-income consumers. In October, MERP held the last of eight regional training seminars, for local staff of the Ministry of Social Policy, on enforcement of new social subsidies for “tariff increase” reimbursement. MERP experts provided guidelines and recommendations on enforcement of new social subsidies mechanisms. The seminar was held in Rivne for Ministry staffs of Volyn, Rivne, and Ternopil oblasts. It focused on: 1) main provisions and specific issues regarding reimbursement of additional expenses

relative to payment of utility bills under increased prices and tariffs for services; 2) social housing norms and social norms of consumption of housing and communal services; 3) changes in the procedure governing subsidies granted for payment of housing and communal services; and 4) related software. Sixty-eight representatives of municipal and rayon social assistance authorities attended the seminar. In total, more than 700 regional employees of the Ministry were trained in this series of seminars.

MERP assisted GOU in conducting a comprehensive public information campaign on energy savings. The Project contributed to development of the GOU Public Information Plan on Energy Savings, implemented by the CabMin PR Group. MERP cooperated with MinRegion and SAEE on organization of a number of national conferences, exhibitions and round tables on energy efficiency and alternative energy that supported the GOU in developing and implementing a national public information campaign on energy efficiency.

- MERP supported the National Communal Services Congress organized by MinRegion. About 200 participants representing GOU ministries and agencies, IFIs and donors, cities, communal services utilities, service providers and manufacturers of energy efficient equipment, professional associations and NGOs attended this event. Project COP Bil Tucker participated in the opening ceremony with GOU officials (Mr Savchuk, Head of the SAEE; Mr Mohnik, Minister of Environment; Mr Kistion, First Deputy Minister of MinRegion) and provided welcoming remarks on issues related to reforms in the energy efficiency (EE) sector. In addition, MERP experts participated in several workshops and panel discussions on end-use energy efficiency in the communal sector, presented new EE funding financial mechanisms (DCA and ESCO), as well as discussed regulatory changes needed to succeed with municipal energy reform.
- Provided support for the SAEE National Forum on Energy Efficiency. About 100 participants representing cities, utilities, IFIs and donors, local investors, engineering companies, local ESCOs, manufacturers, professional associations and NGOs participated in this event. SAEE Chair Sergiy Savchuk presented GOU policy aimed at supporting energy efficiency and substitution of imported Russian gas. MERP DCOP Andriy Mitskan participated in a panel discussion on sustainable energy planning and presented Project activities in the partner cities related to SEAPs and municipal energy management. MERP also participated in several round table discussions on municipal energy management systems, policy and regulatory issues, financial options and outreach campaign.
- Provided support for the SAEE National Forum “Independent Heat Energy”. USAID COR Andriy Nesterenko joined others in opening the exhibition and forum. About 120 participants representing GOU agencies, cities, utilities, professional associations, private sector manufacturers and consulting companies attended the event. The MERP DCOP presented financial solutions for energy efficiency and clean energy projects. Participants discussed different aspects of preparation and implementation of renewable and alternative energy projects.

Capacity Building:

During the reporting period, MERP organized two capacity building seminars for MinRegion and its central PIU. Twenty people representing Central MinRegion PIU of WB Projects, International Department, Department of Price Setting, Economy and Contractual Relations, Department of Implementation and Monitoring of Priority Construction Facilities, and others, attended the events. MERP experts from JurEnergio presented the following topics on legal and regulatory aspects of international projects: functions of PIUs in international infrastructure projects supported by IFIs; and procedures for evaluation of beneficiary’s financial state and determination of ability for servicing loans provided by IFIs.

MERP conducted several training seminars for local NGOs, as a part of capacity building activities. Project experts organized a training seminar on municipal energy planning and municipal energy policy for four local NGOs. Project experts from EnEffect presented EU methodology on municipal energy planning for 30 local professionals. The training workshop was a part of MERP Capacity Building activity for local energy efficiency and clean energy NGOs to prepare them for USAID direct awards. A second training, “Technical Aspects of Energy Efficiency”, covered energy audits of buildings, energy standards, energy management (ISO 50001) and monitoring and verification of energy savings. The second training was attended by 14 representatives of local NGOs. The third training, “Financing Mechanisms for EE Projects”, covered PPPs, judicial and economic aspects of ESCO/EPC implementation. This training was attended by 15 representatives of local NGOs.

To support local capacity of NGOs, MERP management submitted to USAID COR a request for approval of NGO Grantees selection. The request was based on the evaluation of the applications submitted in response to RFA MERP-02-14. USAID COR provided approval for selection of three local NGOs for grants. The Project finalized negotiations and signed grant agreements with the selected local NGOs (Association "Energy Efficient Cities of Ukraine", "Association of Energy Engineers of Ukraine", and "Renewable Energy Agency").

LEDS-REDS Activities:

MERP continued communication with the Ministry of Economic Development and Trade (MEDT) on MOU implementation and Draft Work Plan agreement.

MERP provided support to the GOU for the in-country International Expert Review of the “6th National Communication on Climate Change of Ukraine” and “First Biennial Report” in accordance with UNFCCC requirements. The state body in charge of developing and submitting this Communication is the State Environmental Investment Agency (SEIA). MERP has been providing on-going support for the preparation of this Communication and supported the review and update process of the “First Biennial Report”. The “6th National Communication on Climate Change of Ukraine” is an official report of the GOU on all activities, policies and regulations related to climate change and is prepared every four years. The Deputy Minister of Ecology and Natural Resources publicly expressed his appreciation and gratitude for MERP support activities during the official announcements of the results of the International Expert Review.

MERP supported a meeting between Vice Minister of Foreign Affairs, Ms Zerkal, and State Environmental Investment Agency representatives on preparation for an annual UNFCCC official inter-governmental negotiation event on climate change in Lima, Peru, December 1-12, 2014 (Lima UNFCCC 21st Conference of Parties serving as a Meeting of the Parties). The official State position on the second commitment period of Kyoto Protocol, potential elements of a new 2015 climate agreement and LEDS as an integral part of preparation for a new climate agreement, were discussed in detail along with interrelations between EU-Ukraine Association Agreement provisions on climate change and UNFCCC international process and commitments. Vice Minister Zerkal confirmed her commitments to support climate change issues in the state agenda on national and international levels. State preparation process of nationally determined contributions for new 2015 climate agreement between now and August 2015 was also discussed and the key roles of LEDS scenarios and macro-economic modeling tools were highlighted.

MERP and the Institute of Economy and Forecasts (IEF) of the Academy of Science of Ukraine organized the first training seminar for state officials on a LEDS analytical tool, “TIMES-Ukraine - Model for Macroeconomic State Strategy Planning and Governance”. Over 30 participants from the Ministry of Economy, Ministry of Environment, MinRegion, Ministry of Energy, SAEE, SEIA, and State Statistics, as well as expert and public community representatives, participated in the training. The

major goal of this training was to introduce the energy-ecological model TIMES-Ukraine to state officials and to present core elements, functions and properties of the internationally applied model TIMES/MARKAL. Proactive participation of state officials in an afternoon brainstorming session on strategic planning in the energy sector and low emissions strategy reconfirmed the strong Ukrainian interest and the need for internationally proven modeling tools such as TIMES-Ukraine.

Municipal Assistance:

During the reporting period, MERP finalized its assistance to the First Group of partner cities on Sustainable Energy Action Planning (SEAP). MERP organized and held the third training seminar on SEAP for the First Group of partner cities: Chernihiv, Dnipropetrovsk, Kherson, Ivano-Frankivsk, Vinnytsia, and Zaporizhzhia. In addition, Kramatorsk and Kyiv participated in the training seminar. MERP experts from EnEffect presented the steps needed for political acceptance of SEAPs by local administrations and the EU Commission. MERP Regional Training Centers and energy auditors reported on the CO₂ emission reduction targets of the partner cities. Each partner city presented its draft SEAP with targets and emission mitigation projects/measures. Two SEAPs, Vinnytsia and Ivano-Frankivsk, were approved by their local city administrations.

In December, MERP management visited a number of partner cities to participate in the presentations of Draft SEAPs to the City Advisory Committees and local administrations. Draft SEAPs were developed by the cities with support of MERP subcontractors under the guidelines and quality control of EnEffect. Draft SEAPs are based on data of MERP energy auditors and data from city energy managers. SEAPs establish ambitious targets for the partner cities (for example Zaporizhzhia 30% CO₂ emission reduction by 2030 and for Kherson 37% emission reduction by 2030). The documents provide baseline analyses but also propose development scenarios (i.e. investment programs) to achieve the proposed targets. Draft SEAPs were discussed and received high marks from the City Advisory Committees. Each meeting of a City Advisory Committee was attended by about 25 persons, representing members of local City Council, management of municipal utilities, local engineering companies, and NGOs. It is expected that the SEAPs will be approved by the City Councils in January 2015.

MERP organized several workshops on establishment of municipal energy management systems based on DSTU ISO 50001 for seven partner cities. Based on this standard, MERP experts prepared the guide “Energy Management Systems: Requirements with Guidance for Use” and presented the systematic process of developing municipal energy management structures in the cities. Twenty-five representatives of Dnipropetrovsk, Ivano-Frankivsk, Kherson, Chernihiv, Vinnytsia, Kramatorsk, and Zaporizhzhia took part in the workshops. Project experts from Regional Training Centers Arnica-Center and OptimEnerg presented materials on functionalities of three levels of a municipal energy management system, their structure, analytic tools and information materials on energy management of buildings and municipal utilities, energy monitoring and analysis.

MERP management submitted to USAID COR the Selection Memo for the Second Group of Partner Cities. The selection was based on assessments conducted in the partner cities and consultations with IFIs on their financing priorities. The USAID COR approved selection of eight partner cities for the Second Group: Kyiv, Khmelnytskyi, Lutsk, Rivne, Sumy, Ternopil, Pavlohrad, and Kryvyi Rih. Based on USAID approval, MERP will inform partner cities about start-up of assistance on SEAPs and municipal energy management. MERP will select local RTCs to provide capacity building training and assistance on SEAPs.

During the reporting period, MERP continued promotion of end-use energy efficiency in residential buildings. The Project participated in the "5th National HOA Forum" in Lviv. About 200 participants representing HOAs, their associations, HOA Resource Centers, GOU and local government officials, international projects, and commercial banks attended the event. The participants discussed HOA legal and regulatory frameworks, operational issues, end-use energy efficiency, the role of Resource Centers,

and commercial financing. MERP presented financial mechanisms for end-use energy efficiency with specific focus on commercial lending by Bank Lviv (USAID partner for DCA). MERP met with several commercial banks interested in providing financing to HOAs: METABank and Oschadbank.

MERP conducted a workshop for Regional HOA Resource Centers to discuss their expansion into Clean Energy Resource Centers. The workshop was attended by 41 participants, including representatives of 15 HOA Resource Centers of Lutsk, Zaporizhzhia, Kamyanets-Podilskyi, Khmelnytskyi, Kherson, Vinnytsia, Kramatorsk, Dnipropetrovsk, and Lviv; commercial banks (Bank Lviv, Ukgazbank, METABank); associations of equipment and materials producers; representatives of MinRegion and representatives of SAEE. Participants discussed the role of CE Resource Centers in implementation of residential energy efficiency and renewable energy projects, partnerships between the CE Centers and associations of materials and equipment producers, as well as organizational and legal issues related to expanding the scope of functions of HOA Advisory Centers to cover clean energy projects. Based on the discussions, it was agreed to: (i) finalize the Concept for expanding the scope of functions of HOA Resource Centers to include Clean Energy; (ii) select three pilot HOA Resource Centers for expanding to Clean Energy Centers.

Based on a USAID request to assist Kyiv City and KyivEnergo on preparation of HOA residential buildings for the winter, MERP organized training seminars for 20 HOAs in Kyiv. Project experts presented methodology for conducting energy scanning of buildings to identify priority measures that need improvements to ensure comfortable temperature and reduce energy losses in the residential buildings. Experts from KyivEnergo and DTEK provided information on technical requirements and a checklist on readiness of residential buildings for winter. Representatives of HOAs expressed high appreciation on recommendations received.

Targeted Public Information Campaign:

During the reporting period, MERP conducted targeted public information campaigns in the partner cities. In cooperation with private sector (JWT, Burisma, and KyivEnergo) and local NGOs, MERP developed new PSAs and information materials on clean energy and energy efficiency. MERP supported organization of Sustainable Energy Days in Lutsk, Kryvyi Rih, Lviv, Dnipropetrovsk, and Ivano-Frankivsk.

MERP team conducted trainings for journalists from its seven pilot cities, such as Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Kiev, Vinnytsia and Zaporizhzhia. During trainings, that combined presentations and interactive discussions, MERP team covered topics related to Energy Balance of Ukraine, Energy Efficiency (EE) in Buildings, Alternative Energy (AE) Resources, Development and Realization of SEAPs, Outreach work to change mentality of Ukrainians towards EE, Why Tariffs Go Up, among others. A total of 117 representatives of local media outlets including regional TV and radio channels attended the trainings. The trainings were organized in cooperation with Center for Ukraine's Reform in Education (CURE), and Burisma Company, which is the sponsor of contest for journalists on best analytical material related to the themes of EE and AE. The contest was announced on December 1, 2014 and will last through March 30, 2015.

Investment Attraction:

MERP prepared investment grade energy audits of 10 public buildings in Ivano-Frankivsk. The energy audit report was submitted for review to the city authorities and NEFCO investment officers. It is expected that these investment grade energy audits will lead to a USD 1.5 million NEFCO loan to the city of Ivano-Frankivsk to support energy efficiency measures in public buildings that are defined in the city's SEAP.

MERP provided assistance to the partner cities on establishment of local PIUs and preparation of technical specifications for the WB EE project in district heating in the total amount of USD 338

million. The Project coordinated its activities and support for implementation of an energy efficiency loan to district heating utilities with WB Project Manager Yadviga Semikolenova and Energy Specialist Elina Hokkanen. MERP and WB discussed the scope of MERP assistance to the local PIUs in the cities of Kherson and Vinnytsia. It was agreed that Project experts will conduct a detailed engineering assessment of the district heating boiler houses recommended for modernization. Based on these technical assessments, MERP will assist Kherson district heating utility to prepare technical specifications for detailed design and tendering. For Vinnytsia, at the request of the city, WB technical consultants will review the proposed investment program and will make amendments to include substituting local biofuels for currently used natural gas.

MERP initiated discussion with the city administration of Chernihiv on preparation of EBRD loan of USD 9 million for a municipal trolley project and NEFCO loan of USD 5 million for public buildings. At a meeting with the city administration Mayor Sokolov described city priorities in finalizing SEAP, establishing municipal energy management system, attracting IFIs investments in energy efficiency, and considering ESCO opportunities in thermo-modernization of buildings. MERP DCOP and city energy managers visited a number of public buildings pre-selected for NEFCO investments and discussed the 'Concept of the Trolley Modernization Project' recently developed by the Project experts for EBRD loan. Project experts will assist the city in preparing pre-feasibility for both the public building project and the municipal trolley project.

MERP supported EBRD in organization of an ESCO Round Table for representatives of eight cities (six of them MERP partner cities). EBRD legal experts presented legal and regulatory barriers for ESCO business in Ukraine and informed participants about joint EBRD/USAID efforts on amending this unfavorable legal environment: Budget Code, Law on Public Procurement, and law on Energy Efficiency. EBRD bankers Peter Hobson and Denis Gayovoy presented EBRD financial facilities able to provide funds to municipal and private ESCOs in Ukraine, once the legal framework is favorably revised. Interested cities will identify ESCO/EPC opportunities and will inform EBRD and USAID about needed support.

MERP continued assistance to Bank Lviv on its energy efficiency DCA. Project experts organized regular meetings with Bank Lviv to monitor DCA utilization. As of the end of the reporting period, Bank Lviv has issued six loans for energy efficiency under DCA for the total amount of EURO 700,000 and UAH 4,680,000. To support USAID efforts in new DCA, MERP conducted an assessment of local commercial banks. The assessment report was submitted to USAID.

Advanced Donor Coordination:

MERP conducted several trainings on an Advanced E-Based Donor Coordination System for EBRD, GIZ, IFC, and their projects focused on energy efficiency and renewable energy. Each of the training workshops was attended by eight to ten people. Participants expressed high interest in the E-Based Donor Coordination system and proposed to start its use as soon as possible to share key legal documents, energy plans, energy audits and assessments, as well as PR tools on energy efficiency and clean energy. MERP participated in a number of donor coordination meetings related to energy efficiency:

- Met with the WB infrastructure team to launch the TRACE energy planning tool in Ukraine.
- Participated in a donor coordination meeting initiated by the WB to discuss municipal energy efficiency topics. GIZ and IFC participated in the meeting. Participants discussed progress of reforms at both national and local levels.

- MERP management and subcontractor ARNIKA participated in the WB kick-off meeting with MinRegion PIU and 10 district heating utilities to launch a new WB loan facility on EE in the heating sector.
- MERP management held a donor coordination meeting with GIZ on the legal and regulatory framework of municipal energy reform. MERP informed GIZ about current progress of key draft laws such as Draft Law on Energy Efficiency in Buildings, Draft Laws on ESCOs, Draft Law on Metering, Draft Law on Ownership in HOA Buildings, and others.
- Participated in the UNDP Inception Workshop on Bio-energy Projects. More than 70 participants representing GOU agencies, professional associations, private sector investors, and manufacturers of bio-fuel equipment attended the event.

B. DELIVERABLES

Fifth Quarter deliverables of the MER Project were provided to USAID on CD and include the following items:

#	Activity	Month	Title of Report	Language
1	Activity 1	October	Comments to the draft Regulation on the State Agency for Energy Efficiency and Energy Saving of Ukraine	English, Ukrainian
2	Activity 1	October	Reference on Decree of the President of Ukraine #715/2014 dated September 10, 2014 On adoption of Regulation on the National Commission for State Regulation in field of Energy and Communal Services	English, Ukrainian
3	Activity 1	October	Reference on draft laws of Ukraine On state regulation in field of energy and communal services and On the National Commission for State Regulation in field of Energy and Communal Services registered in Verkhovna Rada of Ukraine	English, Ukrainian
4	Activity 1	October	Reference on the draft laws aimed at introduction of energy service agreements in Ukraine improved by the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine as a result of the review at the Governmental Committee of the Cabinet of Ministers of Ukraine	English, Ukrainian
5	Activity 1	October	Reference upon results of participation of experts of LLC Law firm JurEnergConsulting in the work meeting on issues of improvement of draft laws aimed at introduction of energy service agreements in Ukraine that was held on 26.09.2014 in the Ministry of Regional Development, Construction and Housing and Communal Services	English, Ukrainian
6	Activity 1	October	The Decision of the Civil Society Council under the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine #3/3 dated October 8, 2014 regarding the draft Law of Ukraine On energy performance of buildings	English, Ukrainian
7	Activity 1	October	Comments to the Decision of the Civil Society Council under the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine #3/3 dated October 8, 2014 regarding the draft Law of Ukraine On energy performance of buildings	English, Ukrainian
8	Activity 1	November	Reference on draft law of Ukraine On state regulation in energy sector	English, Ukrainian
9	Activity 1	November	Proposals for discussion on improvement of normative- legal regulation in field of keeping a register and promulgation of information under rent/concession	English, Ukrainian

			agreements of objects in field of heat supply, water supply and sanitation	
10	Activity 1	November	Presentation “Requirements of the EU legislation in field of energy performance of buildings and the problems of their implementation in Ukraine” at the VI International investment business forum on energy efficiency and renewable energy	English, Ukrainian
11	Activity 1	November	Comments of JurEnergConsulting to the Law of Ukraine “On Commercial Metering in Heat Supply, District Water Supply and Sewage, Providing of Communal Services Sectors”	English, Ukrainian
12	Activity 1	December	Comparative table on amendments to the Order of the Ministry of Regional Development, Construction and Housing and Communal Services of Ukraine dated 14.02.2012 #53 “On adoption of procedure of conduction of notifying registration of concluded rent or concession agreements on objects of centralized water, heat supply, and sanitation that are in communal ownership”	English, Ukrainian
13	Activity 1	December	Reference on conduction of trainings on increasing of institutional capacity for specialists of Minregion and Central PIU under the Ministry	English, Ukrainian
14	Activity 1	December	Presentation of I. Zapatrina, an expert of JurEnergConsulting at the meeting with members of the National Commission for Regulation of Energy and Communal Services on December 5, 2014	English, Ukrainian
15	Activity 1	December	Comments to expert conclusion of the Ministry of Justice of Ukraine dated November 3, 2014 to the draft Law of Ukraine “On energy performance of buildings”	English, Ukrainian
16	Activity 1	December	Reference on draft laws aimed at introduction of energy service agreements in Ukraine, improved by the Ministry of regional development, construction and housing and communal services (redaction as of 23.11.2014)	English, Ukrainian
17	Activity 1	December	Proposals on amendments to draft law of Ukraine “On state regulation in energy sector”	English, Ukrainian
18	Activity 1	December	Comments on the draft of the GOU Decree “On changes in the Procedure governing the use of the national budget funds earmarked for energy efficiency improvements through cheaper loans” (prepared by SAEE)	Ukrainian
19	Activity 1	December	Success story on natural gas consumption norms for population	English, Ukrainian
20	Activity 1	November	Success story on social norms	English, Ukrainian

21	Activity 1	October	Report on results of the workshop “Discussion of unified methodological approaches to accounting by licensed and unlicensed type of activity, with consideration of sector-specific features of licensees in the heating sector” October 2-3, 2014, Lviv	Ukrainian
22	Activity 1	October	Progress report on assistance and capacity building support to the Commission to develop standardized accounting and reporting procedures and forms and facilitate their use by utilities (including the Report " Analysis of reports which heating companies submit to the National Commission from the perspective of comparing these reports' indicators with accounting data"	Ukrainian
23	Activity 1	October	Recommendations on the choice of methods (combination of methods) and parameters that have to be used for conducting benchmarking. Working paper	Ukrainian
24	Activity 1	December	Methods for clustering and comparative assessment of utilities performance: benchmarking report on water and wastewater sector	Ukrainian
25	Activity 1	October	Analysis of the summary of the draft law “On peculiarities of the right of ownership in a multi-family residential building” (reg. #4463a) prepared by Chief Scientific and Expert Department of Verkhovna Rada of Ukraine	Ukrainian
26	Activity 1	December	Report on preparation of a model contract for provision of the district heating service to a homeowners association as a collective customer	Ukrainian
27	Activity 1	October	Methodological Materials “Recommendations on organization of the multilevel system of monitoring and evaluation of utility services quality”	Ukrainian
28	Activity 1	December	Methods for clustering and comparative assessment of utilities performance: benchmarking report on water and wastewater sector, Annex	Ukrainian
29	Activity 1	December	Draft Law of Ukraine “On peculiarities of procurement of energy services”	Ukrainian
30	Activity 1	November	Report on the Results of Stimulation and Use of Energy from Renewable Sources	English, Ukrainian
31	Activity 2	December	Project Proposal Manual (1 st Draft)	Ukrainian
32	Activity 2	December	Monitoring memorandum on the use of Development Credit Authority Loan Guarantee by Bank LVIV in 2014	English
33	Activity 2	November	Assessment of the willingness of the local banks to use Development Credit Authority Loan Guarantee	English
34	Activity 2	December	Catalog of Investment Proposals of Chernihiv (draft)	Ukrainian
35	Activity 2	December	Catalog of Investment Proposals of Vinnytsia (draft)	Ukrainian
36	Activity 2	December	Investment Strategy of the SEAP of Chernihiv	Ukrainian

37	Activity 2	December	Report on the working meeting with representatives of Condominium Advisory Centers "Expanding the scope of functions of Condominium Advisory Centers to Clean Energy Projects" on December 8-9 in Kyiv	English, Ukrainian
38	Activity 2	December	Fact sheet on participation of Chernihiv in technical assistance projects	Ukrainian
39	Activity 2	December	Fact sheet on participation of Dnipropetrovsk in technical assistance projects	Ukrainian
40	Activity 2	December	Fact sheet on participation of Ivano-Frankivsk in technical assistance projects	Ukrainian
41	Activity 2	December	Fact sheet on participation of Kherson in technical assistance projects	Ukrainian
42	Activity 2	December	Fact sheet on participation of Vinnytsia in technical assistance projects	Ukrainian
43	Activity 2	December	Fact sheet on participation of Zaporizhzhia in technical assistance projects	Ukrainian
44	Activity 2	December	Report on the workshops for media "Media about energy efficiency and alternative sources of energy" conducted in MERP pilot cities during the period of October – December 2014	Ukrainian
45	Activity 2	October	Report on the public opinion survey on energy efficiency and clean energy conducted in the framework of the USAID Municipal Energy Reform in Ukraine Project	Ukrainian
46	Activity 2	November	Report on the training seminar in Vinnitsa on energy management	Ukrainian
47	Activity 2	November	The concept of the project "Strengthening public electric transport the Chernihiv city"	Ukrainian
48	Activity 2	November	Pre-feasibility justification of the project "Creating energy industry based on municipal wastewater treatment plants for district heating in Vinnitsa"	Ukrainian
49	Activity 2	November	Presentation to journalists at the workshop in Chernigiv November 4, 2014 on the theme: "The energy balance of our country - how to live?"	Ukrainian
50	Activity 2	December	Report on the training seminar in Ivano-Frankivsk: "Improving municipal energy management system of Ivano-Frankivsk"	Ukrainian
51	Activity 2	December	Report on the training seminar in Chernigiv: "Improving municipal energy management system of Chernigiv"	Ukrainian
52	Activity 2	December	Workshops presentations	Ukrainian
53	Activity 2	December	Draft resolution on improvement energy management system of Ivano-Frankivsk	Ukrainian

54	Activity 2	December	The feasibility study of the Project "The improving the efficiency of public transport of Chernihiv"	Ukrainian
55	Activity 2	November	Sustainable Energy Action Plan of Zaporizhzhya	Ukrainian
56	Activity 2	December	Sustainable Energy Action Plan of Kramatorsk	Ukrainian
57	Activity 2	November	Sustainable Energy Action Plan of Kherson	Ukrainian
58	Activity 2	November	Sustainable Energy Action Plan of Ivano-Frankivsk	Ukrainian
59	Activity 2	November	Sustainable Energy Action Plan of Chernigiv	Ukrainian
60	Activity 2	November	Presentation "WB Guidelines on Selection of Consultants"	Ukrainian
61	Activity 2	November	Presentation "Procurement of goods, works and non-consulting services under IBRD Loans and IDA Credits by World Bank Borrowers"	Ukrainian
62	Activity 2	December	Interim Report on boiler energy audit of Khersonteploenergo	Ukrainian
63	Activity 2	December	Brochure on Alternative Energy	Ukrainian
64	Activity 2	October	Energy Saving Tips on electricity bills	Ukrainian
65	Activity 2	December	Report on Media Trainings in Vinnytsja, Dnipropetrovsk, Zaporizhzhya, Ivano-Frankivsk, Kyiv, Kherson, Chernigiv regions.	Ukrainian
66	Activity 2	October	Memo on Advanced E-based Donor ECoordination Information System	English
67	Activity 3	December	Presentation Energy management system based on standards serie ISO 50001	Ukrainian
68	Activity 3	December	Measurement and verification of energy savings	Ukrainian
69	Activity 3	December	Methods of energy audit in buildings ISO B.2.2 B-XXX: 201X	Ukrainian
70	Activity 3	October	Information on training seminar for local NGOs: Introduction to Municipal energy planning.	Ukrainian
71	Activity 4	October	Report on Analysis of the current environmental taxation framework and analysis of state and local budgets on the use of environmental tax	Ukrainian
72	Activity 4	October	Analysis of certain provisions of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand in the context of climate policy and implementation in Ukraine	Ukrainian
73	Activity 4	October	Presentation Analysis of certain provisions of the Association Agreement between Ukraine, on the one hand, and the European Union, the European Atomic Energy Community and their Member States, on the other hand in the context of climate policy and implementation in Ukraine	Ukrainian

74	Activity 4	November	Development and implementation of modelling calculations for GHG emissions and energy sector development – baseline and alternative scenarios of GHG emissions/LEDS	Ukrainian
75	Activity 4	November	Presentation Improving National Greenhouse Gas Inventory Systems of Ukraine	Ukrainian
76	Activity 4	November	Agenda on seminar “Using energy-ecological model TIMES-Ukraine and macroeconomic general equilibrium model in the state strategic planning and management”	Ukrainian
77	Activity 4	December	Review of general provisions of handbook for conducting technology needs assessment for climate change	Ukrainian
78	Activity 4	November	Memo on Ukraine EC-LEDS Curriculum and Training Program Outline	English
79	Activity 4	November	Memo on Recommendations for a Ukraine EC-LEDS Action Plan	English
80	Activity 4	December	Memo on Low Emissions Development Strategies (LEDS) Planning and Analysis Database Recommendations	English
81	Activity 4	November	Improving TIMES-Ukraine for LEDS: Methodology for adding non-energy GHG emissions accounting	English
82	Activity 4	November	Regulation on the monitoring and reporting of greenhouse gas emissions pursuant to the Directive 2003/87/EC of the European Parliament and of the Council	Ukrainian
83	Activity 4	December	Memo Accomplishment of MERP Milestone 4.1.1 “6th National Climate Change Communication Report”	English

C. DETAILED DESCRIPTION OF PROGRESS/ACCOMPLISHMENTS DURING THE REPORTING PERIOD

C.1 PROJECT TEAM

During the reporting period, the MER Project worked in close cooperation with the key project stakeholders, the Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion), Verkhovna Rada Committees, National Energy and Communal Services Regulatory Commission and members of the donor community.

The Project continues VAT exemption regular monthly reporting to the Tax Authorities in Ukraine.

The Project staff totals 15 employees.

C.2 ENVIRONMENTAL COMPLIANCE REPORT

The MERP team continues to take actions to conform to USAID environmental regulations, 22 Code of Federal Regulations (CFR) 216. MERP incorporated environmental mitigation measures as a standard component of program management. The MERP team assessed and developed a plan to meet USAID and Ukrainian environmental requirements through mitigating, and monitoring environmental risks. Our team experts do not anticipate having any significant adverse environmental impacts from Project Activities. This is confirmed by IEE recommendation of “Categorical Exclusion” for most Project Tasks and Activities. “Negative Determination with Conditions” was defined for Tasks 1.2, 1.6, 2.2, 2.4, and 2.5. of MERP. The team assessed the possible environmental risks for these tasks and started implementing measures recommended by the IEE (4.3.1-4.3.4). MERP submitted to USAID the MERP Environmental Compliance Report, based on TO Contract ANNEX 1 – Initial Environmental Examination. The Report includes the following items: Environmental Legislation Requirements; Environmental Determination; Mitigation Measures Plan; Monitoring Plan.

The conclusions of the report are that the USAID MERP is in compliance with Ukrainian and Contract requirements on all implemented activities, and the Mitigation Measures Plan and Monitoring Plan are up to date and compliant with all requirements.

C.3 DETAILED ASSESSMENT AND ANALYSIS OF PROGRESS MADE ON EACH OF THE TASKS AND MILESTONES

As per USAID request, MERP prepared and received USAID approval for a revised Table of Milestones for Work Plan Year 2.

TABLE OF MILESTONES – DRAFT WORK PLAN YEAR 2

MX.X: - Completed; **MX.X** – under completion

November 30, 2014	M 2.1.1 Second Group cities agreed with donors and approved by USAID
	M 3.1.1 At least two grants awarded to local NGOs
	M 3.1.2 Comprehensive NGO training provided according to Capacity Building Plans
December 30, 2014	M 1.6.1 New regulatory reporting taught to utilities
	M 2.2.2 SEAPs of the first group of cities submitted to the city authorities
	M 2.3.1 Local capacity built on Municipal Energy Management
	M 4.1.1 6th National Climate Change Communication Report.
January 30, 2015	M 1.6.2 10 utilities trained to properly implement accounting rules
February 28, 2015	M 1.4.1 Coordination with WB, GOU and other donors on social protection is functioning
	M 1.7.1 Capacity of MinRegion improved
March 30, 2015	M 1.4.2 New system of social subsidies to low-income consumers operational
	M 1.6.3 New regulatory benchmarking system developed
April 30, 2015	M 2.4.2 New DCA on energy efficiency and renewable energy started
	M 2.6.2 Key PSAs on municipal EE and RE developed
	M 4.1.4 LEDS/REDS analytical tools applied by two GOU agencies
May 30, 2015	M 2.2.5 SEAPs' data collected
	M 2.3.2 Energy Management Systems established in partner cities
June 30, 2015	M 2.2.3 IFIs financing attracted in the first group of cities
	M 2.6.3 Cooperation established with national and regional mass media, local HOAs and municipal press offices
	M 3.1.3 NGO certification of eligibility conducted
	M 4.1.3 Road Map developed and LCP Directive focal point appointed
July 30, 2015	M 1.1.2 Improved donor coordination to support key legal and regulatory changes in municipal energy sector
	M 1.2.1 Two new energy standards developed

	M 1.7.2 Capacity of NECSRC and its regional offices improved
	M 2.2.4 Institutional basis and capacity built for SEAPs in second group of cities
	M 4.1.2 TNA Report and TNA Brief Manual
August 30, 2015	M 1.1.3 Key municipal EE and RE legislation developed and approved by the Rada
	M 1.2.2 New standards approved
	M 1.3.1 Quality of Services enacted by NECSRC
	M 2.5.1 ESCO/EPC prepared for municipal end-use energy efficiency
	M 2.5.2 Bio-fuel PPPs initiated
	M 2.6.1 PR coordination established and operational
	M 2.6.4 Public events organized to support SEAPs and investments in municipal EE and RE
	M 4.2.2 Road Map on Implementation of Municipal Energy Efficient and Clean Energy Projects.
	M 4.3.1 LEDS database is up and running
September 30, 2015	M 1.1.1 Implementation started of GOU National Action Plans on EE and RE
	M 1.3.2 Basis for RAB incentive tariff regulation established
	M 1.4.3 Transparency of social subsidies to low-income consumers improved
	M 2.2.6 SEAPs prepared and discussed with local communities
	M 2.2.7 Preparation of bankable projects started for second group of cities
	M 2.4.1 DCA with Bank Lviv is well functioning
	M 3.1.4 NGO Capacity Building Report developed
	M 4.1.5 Draft LEDS Development and Implementation KPI
	M 4.2.1 Interagency Commission on UNFCCC Provisions Implementation activity enhanced.

During the fifth Project Quarter, the following milestones were met:

- M 2.1.1 Second group cities agreed with donors and approved by USAID;
- M 3.1.1 At least two grants awarded to local NGOs;
- M 3.1.2 Comprehensive training provided according to Capacity Building Plans;
- M 2.2.2 SEAPs of the first group of cities submitted to the city authorities;
- M 4.1.1 6th National Climate Change Communication Report

ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT

TASK 1.1: DEVELOPING ENABLING LEGISLATIVE AND POLICY ENVIRONMENT

During the reporting period, MERP experts participated in several MinRegion Working Group meetings on development of key energy efficiency legislation. The meetings were chaired by Deputy Minister Bilousov and were attended by about 30 participants representing donor projects and their legal experts, and industry professionals and their associations. Participants discussed problems in clearing energy efficiency legislation (i.e. Draft Law on EE in Buildings, legal package on ESCO, etc.) in the GOU Ministries. MERP and other donors' (EBRD, EU Delegation, IFC, WB) provided assistance on CE and EE legislation that resulted in five draft laws being registered in the Rada:

- Rada Deputy Dombrovskiy registered Draft Law “On ESCO”, (#1532) in the Rada. In general, the Draft Law is based on USAID and EBRD concept (wording), but has several discrepancies related to evaluation of energy savings and organization of procurement processes. MERP continues to work with the Rada on the problem areas.
- Cabinet of Ministers submitted to the Rada the Draft Law “On Energy Efficiency in Buildings”, (#1566). In general, the Draft Law is based on USAID and EU Delegation concept (wording), but has some discrepancies related to the procedure for energy certification of buildings and accreditation of energy professionals for such certification, and GOU budget support instruments needed for its implementation. MERP experts will assist Rada Committees with improvement and approval of this Draft Law.
- Cabinet of Ministers submitted to the Rada the Draft Law “On Peculiarities of the Right of Ownership in a Multi-family Residential Building”, (#1565). In general, the Draft Law is based on USAID and IFC wording. MERP experts will support its consideration by the Rada Committees.
- Cabinet of Ministers of Ukraine submitted to the Rada the Draft Law “On Housing and Communal services”, (# 1581). MERP experts are in the process of conducting analysis of the Draft Law and its relevance to the donors' recommendations.
- A group of Rada Deputies registered Draft Law “On Changes to Certain Legislative Acts of Ukraine”, (#1621). The Draft Law is based on MERP expert's recommendations to eliminate the negative effect and legal discrepancies of the recently approved Law No. 1198.

MERP experts made proposals and recommendations to MinRegion and the GOU Committee of Reforms on the Draft Law on Commercial Metering. The updated version of the draft law was sent to Deputy Minister Bilousov.

Project experts were instrumental in developing sub-laws and regulations on HOAs and housing management needed to support end-use energy efficiency. Project experts provided assistance to MinRegion and SAEE on preparation of by-laws, including:

- Preparation of the draft model contract for provision of district heating service to an HOA as a collective consumer;
- Analysis of the model contract for provision of housing management services in a multi-family residential building;
- Comments to the draft GOU Decree “On Changes in the Procedure Governing the Use of the National Budget Funds Earmarked for Energy Efficiency Improvements”; and
- Assistance on preparation of the list of priority normative and legal acts to improve operations of HOAs and increase residential energy efficiency.

During the reporting period, MERP significantly improved relations with SAEE. MERP discussed with SAEE areas of cooperation such as development of energy efficiency and renewable energy standards, assistance on National Action Planning on Energy Efficiency and Renewable Energy (i.e. preparation of National Communication), preparation of Budgetary Program of Supporting EE and RE, and capacity building and public information campaign on energy efficiency. A new MOU and Work Plan were signed with SAEE to support these areas of cooperation.

TASK 1.2: SUPPORTING ENERGY EFFICIENCY STANDARDS

During the reporting period, MERP provided assistance to MinRegion and SAEE in the development of energy standards based on international requirements and EU Energy Norms. MERP agreed with SAEE to provide assistance on development of a Ukrainian National Standard identical to ISO 50002 “Energy Audit”.

MERP worked with representatives of Minregion on development of the Ukrainian National Standard on Energy Audit of Buildings. MERP experts assisted the Minregion in organizing public discussion of the Draft DSTU B V.2.2-XXX:201X “Methods for Energy Audits of Buildings”. The developed standard reflects the main requirements of the European standard EN 16247-2 “Energy Audit of Buildings” considering the recent development of Ukrainian National Methodology of Energy Use in Buildings, and documentation of energy performance and energy ratings. MERP subcontractor SRIBC received positive feedback and recommendations for improving the draft standard. It is expected, that during the next quarter SRIBC and ENSI will finalize the standard and MERP will submit it to Minregion for approval.

MERP and MinRegion agreed on development of three new energy standards during CY2015: Guide to Estimations of Thermal Performance of Translucent Building Envelopes; Standard on Heating Systems in Buildings and Calculation Method of the Project Heat Load; and Standard on Thermal Characteristics of Hinged Facades and Calculation of Heat Transfer.

TASK 1.3: IMPROVING TARIFF SETTING

During this reporting period, MERP signed an MOU with the new National Energy and Communal Services Regulatory Commission and defined new areas of cooperation such as:

- Introducing best international practices in Commission’s operations and improving its institutional capacity.
- Improving independence and transparency of the Regulatory Commission.
- Improving the system of tariff regulation, in particular, based on the principles of incentive regulation.
- Establishment of a benchmarking system enabling a comprehensive analysis of Commission's licensee data.
- Establishment of system of control and monitoring of quality of communal services and improving the tools for gathering information about the consumption and level of satisfaction with the quality of public utilities.
- Creating an institutional framework for stimulating energy saving in the public utilities sector.

MERP provided assistance to the National Regulatory Commission on implementation of a new regulatory accounting and reporting system. Project experts conducted a workshop on “Unified Methodological Approaches to Accounting by Licensed Type of Activity in the Heating Sector”. The workshop was attended by 44 representatives (accountants and staff of planning and economic departments) who are in charge of preparation of regulatory reports for heating utilities from 14 cities. The workshop was focused on the analysis of reports that licensees submit to the National Regulator to compare the indicators stipulated by Decree #202 with accounting records of utilities. Participants discussed specific issues regarding the Tariff Setting Procedure that affects the accounting and reporting system of licensees operating in the heating sector. MERP experts presented methodological approaches to income records by licensed/unlicensed type of activities in the heating sector.

MERP experts developed proposals on amendments to the draft law of Ukraine “On state regulation in energy sector”. The draft law is aimed at increasing independence of the National Regulatory Commission.

Project experts continued assistance to the National Regulatory Commission on development of a service quality monitoring methodology to ensure national coverage with standardized approaches for data gathering and processing. MERP experts prepared the report “Recommendations on organization of the multilevel system of monitoring and evaluation of utility services quality”. The report provides recommendations for

different levels: the local level (utilities and self-governments); regional level; and national level. Different levels mean different monitoring tasks, different systems of indicators, and different sources of information. The monitoring data at the level of a utility will help solving current operational issues, and at the national level will inform national and local authorities about the quality of utility services provided to consumers.

Based on the Concept of Service Quality Monitoring, MERP experts developed the Methodology for assessing the quality of utility services and the impact of the policy (including tariff and social) in the communal services sector. Project experts started development of a system of indicators for service quality monitoring and evaluation. The indicators are relevant for different levels (utilities, local governments, National Regulator) and different types of communal services.

TASK 1.4: IMPROVING SOCIAL SAFETY NET POLICIES

During the reporting period, MERP continued assistance to the GOU with optimization and enforcement of new mechanisms of social assistance for consumers of housing and utility services through targeted “means tested” subsidies.

In October, MERP held the last of eight regional training seminars for local staff of the Ministry of Social Policy on enforcement of new social subsidies for “tariff increase” reimbursement. MERP experts provided guidelines and recommendations on enforcement of new social subsidies mechanisms. The seminar was held in Rivne for Ministry staffs of Volyn, Rivne, and Ternopil oblasts. It focused on: 1) main provisions and specific issues regarding reimbursement of additional expenses relative to payment of utility bills under increased prices and tariffs for services; 2) social housing norms and social norms of consumption of housing and communal services; 3) changes in the procedure governing subsidies granted for payment of housing and communal services; and 4) related software. Sixty-eight representatives of municipal and rayon social assistance authorities attended the seminar. In total, more than 700 regional employees of the Ministry were trained in this series of seminars.

MERP social experts participated in the several working group meetings of the Ministry of Social Policy chaired by Minister Rozenko and Deputy Minister Shevchenko. MERP experts provided recommendations and estimations on evolution of budget expenditures for subsidies in 2015 taking into account introduction of social norms for each type of communal services and the increased number of households receiving subsidies. MERP experts also suggested reduction of the number of persons entitled to privileges and assessed evolution of the budget expenditures incurred with the provision of privileges in 2015. The results of analysis and forecasts were submitted to MinRegion and the Ministry of Social Policy.

MERP social experts developed proposals on improvement of social housing norms and norms of consumption of housing and utility services. MERP social experts assisted MinRegion on preparation of an explanatory letter on social norms for district heating services. GOU Decree #409 does not include these norms. Changes will be made to Decree #409 that will help to alleviate problems with the application of social norms. Heating norms shall include district heating services; time-based social norms shall be introduced for electricity consumption (if metering is available); and, adjustment coefficients shall be introduced to calculate consumption of heat, electric energy, natural gas, and other fuels for heating of residential buildings.

On MinRegion request, MERP social experts prepared proposals and clarifications on the "Rules on Provision of District Heating, Centralized Cold Water and Hot Water Supply, and Wastewater Services" (GOU Decree #630 dated July 21, 2005). MinRegion's request and amendment of GOU Decree #630 are related to enforcement of recently adopted new social norms for consumption of housing and communal services.

MERP established close cooperation with World Bank Senior Social Protection Specialist Katerina Petrina. The coordination was focused on: the number of applications for subsidies and compensations; specific features about application of social norms; the way the changes in the housing subsidies program affect the compensation program; and social and economic effect of the new social norms. Regular meetings were conducted with MinRegion and the Ministry of Social Policy to continue monitoring efficiency and coverage of the social subsidies system.

TASK 1.5: REGULATORY INFORMATION SYSTEM DEVELOPMENT

Assistance on this task was postponed due to the USAID decision to not proceed forward with the G2G component and grant for the hardware of the Regulatory Information System Development.

TASK 1.6: DEVELOPING UTILITY BENCHMARKING

During the reporting period, MERP reviewed its scope of assistance to the National Regulatory Commission on benchmarking. The revision is due to the appointment of new management of the National Regulatory Commission. MERP experts conducted a number of working meetings and consultations with the National Commission to discuss the priority tasks for benchmarking assistance. The priority areas were identified as follows:

- preparation of proposals regarding changes to reporting forms and clarification of relevant instructions;
- development of methodological recommendations / rules regarding accounting by licensed type of activity;
- testing the proposed approaches at pilot utilities;
- training the Regulator's staff and representatives of pilot utilities in accounting and reporting by licensed type of activity.

Based on these priorities, MERP provided assistance to NECSRC to improve methodological recommendations on accounting and reporting by the licensees. The project experts developed standardized accounting and reporting procedures and forms and facilitated their use by utilities. The project experts prepared a Report that includes (i) results of analysis of reporting forms, which are filled out by licensees and submitted to the National Commission, from the perspective of compliance of the data in these reports with accounting data, (ii) presentations, (iii) examples, (iv) diagrams. MERP organized a specialized workshop "Unified methodological approaches to accounting by licensed type of activity, with consideration of sector-specific issues relative licensees". Participants discussed outstanding issues (problems) relative accounting and reporting by licensed type of activity. Project experts provided clarifications and answers to the utilities' questions.

MERP experts conducted data analysis applying different methods of economic analysis (clustering licensees in the water and wastewater sector), performance analysis in the water and wastewater sector. On December 5, the results of the clustering exercise were presented to Commissioners A. Gerus and V. Yevdokimov and staff of the National Commission. MERP prepared and submitted the Report "Methods for clustering and comparative assessment of utilities performance: benchmarking report on water and wastewater sector" to NECSRC.

TASK 1.7: CAPACITY BUILDING

During the reporting period, MERP provided capacity building to MinRegion and the National Energy and Communal Services Regulatory Commission.

MERP organized two capacity building seminars for MinRegion and its central PIU. Twenty people representing Central MinRegion PIU of WB Projects, International Department, Department of Price Setting, Economy and Contractual Relations, Department of Implementation and Monitoring of Priority Construction Facilities, and others, attended the events. MERP experts from JurEnergO presented the following topics on legal and regulatory aspects of international projects: functions of PIUs in international infrastructure projects supported by IFIs; and procedures for evaluation of beneficiary's financial state and determination of ability for servicing loans provided by IFIs.

MERP provided six coaching seminars to Commissioners and staff of the new National Regulatory Commission. The Chairman and several Commissioners along with several staff members participated in most of these coaching sessions developed specifically for the new Commissioners. The presentations, "Basics of Utility Regulation", "Identifying Real Costs of Utility Companies", and "Problems with Utility Accounting and Reporting" focused on key regulatory principles, independence of regulation, concepts and strategies common to utility regulation, and outstanding issues related to separate accounting for licensed activities (unbundled accounting). In addition, MERP tariff and regulatory experts provided detailed presentations on regulatory methodologies and benchmarking. The Commissioners expressed high appreciation of MERP coaching and requested more of these coaching sessions.

ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS

TASK 2.1: DEVELOPING COOPERATION STRATEGIES

MERP conducted several trainings on an Advanced E-Based Donor Coordination System for EBRD, GIZ, IFC, and their projects focused on energy efficiency and renewable energy. Each of the training workshops was attended by eight to ten people. Participants expressed high interest in the E-Based Donor Coordination system and proposed to start its use as soon as possible to share key legal documents, energy plans, energy audits and assessments, as well as PR tools on energy efficiency and clean energy. MERP participated in a number of donor coordination meetings related to energy efficiency:

- MERP met with the WB infrastructure team to launch the TRACE energy planning tool in Ukraine. Ms Tamara Sulukhia, WB Sector Manager, chaired the meeting and presented the TRACE assessment and planning project for three cities: Kyiv, Ternopil, and Kamyranets-Podilskyi. About 20 representatives of the cities and WB consultants participated. MERP presented its SEAP process for Kyiv and Ternopil that will start in December 2014 and suggested establishing joint City Advisory and Coordination Committees to avoid redundancy and ensure synergy of efforts. Deputy Mayor of Kyiv Mr Pantelev agreed with this proposal. MERP and WB teams agreed to share data request sheets and results of assessment/energy scanning.
- MERP participated in a donor coordination meeting initiated by the WB to discuss municipal energy efficiency topics. GIZ and IFC participated in the meeting. Participants discussed progress of reforms at both national and local levels. GIZ and USAID MERP presented their activities in the partner cities. MERP informed participants about the status of legal and regulatory reforms. Donors concurred with MERP concerns about lack of progress in approval of key legislations on energy efficiency such as Draft Law on HOAs, Draft Law on Energy Efficiency in Buildings, Draft Law on Metering, and package of ESCO legislations. It was agreed to strongly consider developing a coordinated request to the GOU about needs to speed up approval of key energy efficiency legislation.
- MERP management held a donor coordination meeting with GIZ on the legal and regulatory framework of municipal energy reform. MERP informed GIZ about current progress of key draft laws such as Draft Law on Energy Efficiency in Buildings, Draft Laws on ESCOs, Draft Law on Metering, Draft Law on Ownership in HOA Buildings, and others. GIZ expressed its concern on recent stalling of GOU progress in support of the draft laws, and expressed its willingness to join donor efforts in supporting changes of the legal and regulatory environment needed for municipal energy reforms.
- MERP participated in the UNDP Inception Workshop on Bio-energy Projects. More than 70 participants representing GOU agencies, professional associations, private sector investors, and manufacturers of bio-fuel equipment attended the event. UNDP experts presented findings of the report on “Development and Commercialization of Bioenergy Technologies in the Municipal Sector of Ukraine”. Participants discussed practical aspects of implementation of bioenergy projects in the cities. MERP experts discussed opportunities of bio-fuel projects in MERP partner cities with participants.

TASK 2.2: ASSISTING MUNICIPALITIES WITH PLANNING, PREPARING AND FINANCING OF CLEAN ENERGY PROJECTS

During the reporting period, MERP made good progress on development and improvement of SEAPs for the First Group of partner cities.

Capacity building and development of SEAPs

MERP organized and held the third of three training seminars on SEAP for the First Group of partner cities: Chernihiv, Dnipropetrovsk, Kherson, Ivano-Frankivsk, Vinnytsia, and Zaporizhzhia. In addition, Kramatorsk and Kyiv participated in the training seminar. MERP experts from EnEffect presented the steps needed for political acceptance of SEAPs by local administrations and the EU Commission. MERP Regional Training Centers and energy auditors reported on the CO₂ emission reduction targets of the partner cities. Each partner city presented its draft SEAP with targets and emission mitigation projects/measures. Two SEAPs, Vinnytsia and Ivano-Frankivsk, were approved by their local administrations. The partner cities received

homework to finalize their draft SEAPs with investment programs to prepare them for political approval by the end of December 2014.

MERP participated in the presentation of Draft Sustainable Energy Action Plans (SEAPs) to the city authorities and City Advisory Committees in the partner cities. Draft SEAPs were developed by the cities with support of MERP subcontractors (Regional Training Centers) under the guidelines and quality control of EnEffect. Draft SEAPs are based on data of MERP energy auditors and data from city energy managers. SEAPs establish ambitious targets for the partner cities (for example in Zaporizhzhia 30% CO₂ emission reduction by 2030 and in Kherson 37% CO₂ emission reduction by 2030). The documents provide baseline analyses but also propose development scenarios (i.e. investment programs) to achieve the proposed targets. Draft SEAPs were discussed and received high marks from the City Advisory Committees. Each Advisory Committee meeting was attended by about 25 people representing members of the local City Council, management of municipal utilities, local engineering companies, and NGOs.

During the reporting period, MERP conducted selection of the Second Group of partner cities, which were approved by USAID: Kyiv, Khmelnytskyi, Lutsk, Rivne, Sumy, Ternopil, Pavlohrad, and Kryvyi Rih. MERP will begin capacity building and assistance to these cities on Strategic Energy Action Planning (SEAPs) in January.

Assistance to PIUs for WB DH Energy Efficiency Project

MERP strongly cooperated with the WB on energy efficiency in the partner cities. MERP participated in the WB kick-off meeting with MinRegion PIU and 10 district heating utilities to launch a new WB loan facility on EE in the heating sector. WB Sector Manager Tamara Sulukhia and WB Program Manager Yadviga Semikolenova informed participants about start-up of the loan project of 338 million USD that became effective at the end of October 2014, once all sub-loan agreements are signed by the GOU, Regulator, and utilities. WB procurement and financial specialists presented bank procedures and requirements for reporting and organization of the procurement process. MERP experts described the role of local PIUs and planned MERP support for local PIUs on capacity building, preparation of technical specifications and tender procedures.

Based on the agreed scope of assistance, MERP supported local PIU of WB District Heating energy efficiency project in Kherson. The project experts from OptimEnergo conducted detailed energy audits of boiler houses suggested by the WB investment program to specify key technical parameters of new installations and equipment. The project experts reviewed Central Heating Units and their interconnection with the heating network and buildings to better specify technical design parameters. Collected data from the detailed energy audit will be a basis for technical specifications needed at the design and procurement phases. In addition, project experts conducted a training seminar for staff of the local PIU covering the topic of "Selection of consultants and procurement of goods, works, and non-consulting services in accordance with WB Procurement Guidelines".

Assistance to HOAs and Resource Centers

MERP supported end-use energy efficiency in residential sector. MERP participated in the "5th National HOA Forum" in Lviv. About 200 participants representing HOAs, their associations, Resource Centers, GOU and local government officials, international projects, and commercial banks attended the event. The participants discussed HOA legal and regulatory frameworks, operational issues, end-use energy efficiency, the role of Resource Centers, and commercial financing. MERP presented financial mechanisms for end-use energy efficiency with specific focus on commercial lending by Bank Lviv (USAID partner for DCA). MERP met with several commercial banks interested in providing financing to HOAs: METABank and Oschadbank.

MERP conducted a workshop for Regional HOA Resource Centers to discuss their expansion into Clean Energy (CE) Resource Centers. The workshop was attended by 41 participants, including representatives of 15 HOA Advisory Centers of Lutsk, Zaporizhzhia, Kamyanytsya-Podilskyi, Khmelnytsky, Kherson, Vinnytsia, Kramatorsk, Dnipropetrovsk, and Lviv; commercial banks (Bank Lviv, Ukrzazbank, METABank); associations of equipment and materials producers; representatives of MinRegion and representatives of SAE. Participants discussed the role of CE Resource Centers in implementation of residential energy efficiency and renewable energy projects, partnerships between the CE Centers and associations of materials and equipment producers, as well as organizational and legal issues related to expanding the scope of functions of HOA Advisory Centers to cover clean energy projects. Based on the discussions, it was agreed to: (i) finalize the Concept for expanding the scope of functions of HOA Advisory Centers to include Clean Energy; (ii) select three pilot HOA Resource Centers for expanding to Clean Energy Centers.

Initiation of investment projects

During the reporting period, MERP started investment attraction in the partner cities. Responding to a request of the city of Lutsk, MERP experts met with NEFCO on preparation of investment projects in public buildings of Lutsk. NEFCO confirmed its readiness to finance energy efficiency measures in 6-8 public buildings of Lutsk (UAH 6.5 million loan to Lutsk, for a period of up to 7 years). NEFCO and MERP discussed project assistance on preparation of investment grade energy audits of these buildings and preparation of a Business Plan in accordance with the NEFCO template.

MERP made a site visit to Chernihiv to discuss preparation of EBRD loan of 9 million USD in municipal trolley project and NEFCO loan of 5 million USD in public buildings. At the meeting with city administration, Mayor Sokolov described city priorities in finalizing SEAP, establishing municipal energy management system, attracting IFIs investments in energy efficiency, and considering ESCO opportunities in thermo modernization of buildings. MERP DCOP and city energy managers visited a number of public buildings pre-selected for NEFCO investments and discussed the Concept of the Trolley Modernization Project recently developed by the project experts for EBRD loan. MERP assisted the city in finalizing its SEAP by the end of the calendar year and will support a public discussion and approval process. Project experts will assist the city in preparing pre-feasibility for both the public building project and the municipal trolley project.

MERP finalized the investment grade energy audits of 10 public buildings in Ivano-Frankivsk. The energy audit report was submitted for review to the city authorities and NEFCO investment officers. It is expected that these investment grade energy audits will lead to a 1.5 million USD NEFCO loan to the city of Ivano-Frankivsk to support energy efficiency measures in public buildings that are defined in the city's SEAP.

New assistance to the city of Kyiv

Based on a USAID request to assist Kyiv City and KyivEnergo on preparation of HOA residential buildings for the winter, MERP organized training seminars for 20 HOAs in Kyiv. Project experts presented methodology for conducting energy scanning of buildings to identify priority measures that need immediate improvements to ensure comfortable housing temperatures and reduce energy losses in the residential buildings. Experts from KyivEnergo provided information on technical requirements and a checklist on readiness of residential buildings for winter. Representatives of HOAs expressed high appreciation on recommendations received.

TASK 2.3: INTRODUCTION OF ENERGY MANAGEMENT SYSTEMS

MERP continued assistance to the partner cities on introduction of the municipal energy management system. Based on the approved standard on energy management (ISO 50001), MERP experts finalized, printed and distributed to the partner cities the Manual "Key issues and requirements of developing energy management structures in the cities". In addition to this, an educational course with presentations was developed. During the reporting period, MERP experts provided introductory trainings for municipalities on establishing municipal energy management systems in the cities. MERP experts together with the cities authorities discussed and prepared draft resolutions for establishing or reorganizing of the municipal energy management systems.

MERP organized the workshop "Energy Management Systems: Requirements with Guidance for Use", on establishment of municipal energy management systems based on DSTU ISO 50001, for seven partner cities. Based on this standard, MERP experts presented the systematic process of developing municipal energy management structures in the cities. Twenty-five representatives of Dnipropetrovsk, Ivano-Frankivsk, Kherson, Chernihiv, Vinnytsia, Kramatorsk, and Zaporizhzhia took part in the workshop. Project experts from Arnica-Center and OptimEnergo presented materials on functionalities of three levels of a municipal energy management system, their structure, analytic tools and information materials on energy management of buildings and municipal utilities, energy monitoring and analysis.

TASK 2.4: DEVELOPMENT CREDIT AUTHORITY LOAN GUARANTEE

MERP continued assistance to Bank Lviv on energy efficiency DCA. Project experts organized regular meetings with Bank Lviv to monitor DCA utilization. By the end of the reporting period, Bank Lviv had issued six loans for energy efficiency under DCA for the total amount of EURO 700,000 and UAH 4,680,000. To support USAID efforts in new DCA, MERP conducted an assessment of local commercial

banks. Three local commercial banks expressed interest in DCA: Bank Pivdenniy, Bank Concord, and METABank. The assessment report was submitted to USAID.

TASK 2.5: SUPPORT MECHANISMS THAT MOBILIZE PRIVATE SECTOR INVESTMENTS

MERP experts from ANTIKA and IBSER met with Kyiv ESCO KP GVP to discuss the draft report on implementation of ESCO/EPC project in public buildings of Kyiv. MERP experts informed Mr Kozlenko, Director of Kyiv ESCO KP GVP, about deviation of the current model ‘as implemented’, from the Project experts’ original proposal. Participants discussed problems and solutions needed to support implementation of ESCO/EPC in Kyiv.

TASK 2.6: PREPARATION OF SUSTAINABLE ENERGY PUBLIC AWARENESS PLAN AND DEVELOPMENT OF RELATED MATERIALS

During the reporting period the MERP Communication team worked closely with JWT Advertising to develop its outdoor advertisement as part of a GDA agreement. A number of meetings were held and continued correspondence took place to develop creative materials that cover three major directions of MERP outreach campaign:

- Importance to insulate building as a whole and not just separate apartments.
- Importance to switch to alternative energy resources to decrease Ukraine’s energy dependence.
- Importance for everyone to contribute to the energy independence of Ukraine; stay energy-smart during this winter.

The creative design of billboards was completed in December. These outdoor advertisements will be placed in MERP partner cities to increase public awareness and support MERP outreach efforts on the above mentioned topics.

MERP provided PSA materials to pilot cities administrations, Regional Consulting Centers and Regional Offices of the Association of Ukrainian Cities and Communities in order to target outreach. About 6500 copies of ten-tips brochures on how to conserve energy in multi-apartment building, and 4000 copies of brochure “Why tariffs go up?” and about 25,000 posters on EE in household were distributed during this quarter via different distribution channels:

- Kyiv city administration
- Dnipropetrovsk Oblast Council and City Administration
- Ivano-Frankivsk City Administration
- Zaporizhzhia City Administration
- Vinnytsia City Administration
- Chernihiv City Administration
- Kherson City administration
- Lutsk OSBB Center
- OPORA regional network centers
- KyivEnergo
- Naftogas Ukraine

In addition, the MERP team produced co-branded materials with Dnipropetrovsk Oblast Council, Kyiv city administration and KyivEnergo enterprise. Among co-branded materials are: “10-tips brochure”, “Why tariffs go up?” brochure, A3 format poster on EE tips in household (water, electricity and gas); bill boards, metro light posters and video PSAs.

Cooperation with Dnipropetrovsk Oblast City Council resulted in printing and distribution of over 100 bill board posters and city lights (developed by MERP) in Dnipropetrovsk and its oblast as well as distribution of over 2000 “10-tips brochures” on the streets of Dnipropetrovsk by so called energy smart agents. The models of these materials were provided by MERP, while their printing and distribution was financed by Dnipropetrovsk partners.

Social partnerships, established with private investors and local partners, such as Burisma oil and gas company and KyivEnergo, resulted in co-financing of printing and distribution of MERP outreach materials. This cooperation resulted in printing of 25,000 posters (low cost EE tips in multi-apartment buildings developed by MERP) financed by Burisma and distributed in Kyiv residential buildings by Kyiv City

Administration. Utility bill inserts with information on EE methods and description of compensation mechanism (developed by MERP team) were printed by KyivEnergo and distributed to over 600,000 customers. In addition, using MERP outreach materials, KyivEnergo developed graphics that were placed on their web site to educate customers about energy saving solutions. These graphics were also reposted by USAID on the agency's FB page.

To educate citizens of Ukrainian cities about alternative energy resources and their benefits, the MERP team developed a brochure, which names such resources, features energy production processes, describes benefits and peculiarities of energy resources usage, and explains what type of resources are available and most applicable in Ukraine. This brochure will be distributed in MERP partner cities through the outreach campaign on EE/AE.

During the reporting period, MERP organized targeted public outreach events for local NGOs, interested associations and the general public that included municipal Energy Efficiency Day, contests on best practices and conservation tips. MERP experts actively participated in a series of round table discussions and call-in TV shows, as well as exhibitions, conferences and workshops, organized by municipal and national stakeholders.

MERP participated in the workshop "Moving Forward Toward Ukraine's Energy Independence" Project. The workshop was organized by the World Bank and was attended by over 30 representatives of national and international organizations and agencies. The objective of the workshop was to inform and discuss the communication strategy of Ukraine for supporting gas and heating tariffs reform and also to identify audiences and develop messages for the campaign on social safety net. During the workshop, the results of the World Bank studies on these subjects were presented and discussed. The workshop was chaired by Qimiao Fan, the World Bank Country Director for Ukraine, Belarus and Moldova. During the workshop the MERP PR Manager led one of the working group sessions and presented proposed concept and messages for a nation-wide outreach campaign related to tariff reform, including subsidies compensation mechanism to support low-income residents.

During the reporting period, the MERP team conducted a series of trainings for 117 journalists from Chernihiv, Dnipropetrovsk, Kherson, Kyiv, Ivano-Frankivsk, Vinnytsia, and Zaporizhzhia. During these trainings, that combined presentations and interactive discussions, MERP covered topics related to Energy Balance of Ukraine, Energy Efficiency (EE) in Buildings, Alternative Energy (AE) Resources, Development and Realization of Sustainable Energy Action Plans (SEAPs), Outreach work to broaden the viewpoint and understanding of Ukrainians towards EE, and Why Tariffs Go Up, among others. Trainings were organized in cooperation with the Center for Ukraine's Reform in Education (CURE), and Burisma company, which is the sponsor of a contest for journalists on best analytical material related to the themes of Energy Efficiency and Renewable Energy. Burisma was engaged in the MERP public information campaign at the recommendation of USAID. The contest was launched on December 1, 2014 and will last through March 30, 2015. The announcement about the contest, condition and application form were distributed through websites and social media pages, including those of USAID, MDI, CURE, Burisma, AUC and information agencies, among others.

In addition, the MERP team participated in a workshop for journalists, organized by USAID Dialogue project, implemented by Association of Ukrainian Cities. Over 60 media representatives from all over Ukraine attended the event. During the workshop, MERP informed the media regarding major project activities in partner-cities, including those related to outreach work on energy efficiency and alternative energy, and distributed over 300 copies of outreach materials featuring low-cost methods of energy efficiency, and explaining reasons for tariff increases in Ukraine. In addition, MERP made a presentation demonstrating energy losses in buildings and explaining effective insulation and conservation measures.

ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION

TASK 3.1: PREPARATION OF A LOCAL NON-GOVERNMENTAL ORGANIZATION FOR A DIRECT AWARD FROM USAID

Call for applications (RFA) for grants

The work plan for the MER Project envisions provision of grants to local NGOs to implement the projects, which contribute to the achievement of the MER project results. The request for applications (RFA) was

prepared in September 2014. In accordance with the MER Project Grant Manual, it was approved by USAID COTR.

The RFA was issued in Ukrainian language on October 10, 2014. The closing date of the RFA was set to October 29, 2014. The overall funding limit under the RFA was set to 4,300,000 UAH with the maximum individual grant amount of 1,300,000 UAH.

To ensure information dissemination, relevant advertisement was placed in the Kyiv Post newspaper on October 10, 2014. The RFA was distributed to 13 local organizations, which had expressed their interest to participate in the competition. On October 17, 2014 the project conducted an informational meeting to support local NGOs in preparing applications for funding. Eight representatives attended the meeting from three local NGOs.

Seven applications were received in response to RFA #4008-RFA-0001 and five of them were found eligible. The evaluation was conducted by the MER Project Grant Committee, which included four voting members, against the following evaluation criteria:

- The relevance of the project and concept and their compliance with the activities and priorities of MERP
- Proposed technical approach, including: Implementation of the proposed project; Organizational capacity development and sustainable organizational development
- Key personnel qualifications and experience;
- Proposed project management approach and work plan;
- Project effectiveness.

As a result of the evaluation, the following Grant Applications/Projects received the highest scores and were recommended for funding:

Recipient's Name	Grant Title	Duration of Grant
Public Union "Association of Energy Engineers of Ukraine"	"Implementation of Independent Certification System for Energy Management Specialists"	10 calendar months
Voluntary Association of Local Governments "Energy Efficient Cities of Ukraine"	"Practical Model of Local Government Capacity Building for Efficient Energy Management"	12 calendar months
Non-government organization "Renewable Energy Agency" (REA)	Promotion of Natural Gas Substitution with Biomass in Heat Energy Production	10 calendar months

The evaluation report in support of this recommendation was prepared on November 25, 2014 and USAID COR approved selection results on December 4, 2014.

The negotiations for the above stated projects were completed and draft grant agreements finalized. It is expected that grant agreements for the above stated project will be signed in January 2014.

Conduct technical skills and capacity improvement

In accordance with NGOs' capacity building plans the MER Project conducted several trainings during October – December 2014. In particular these included:

- **Introduction to Municipal Energy Planning**, including: functions of municipalities and municipal energy planning process, municipal energy information system, capacity building and partners, energy data, baseline determination, financial framework, calculation of financial parameters, selection/prioritization of projects, MEP composition and implementation, communication strategy,

monitoring and evaluation of MEP. The training session took place on October 22-23, 2014 and was attended by 22 representatives from local NGOs.

- **Technical Aspects of Energy Efficiency**, including: energy audits of buildings, energy management (ISO 50001) and monitoring and verification of energy savings. The training session took place on December 23, 2014 and was attended by 15 representatives from local NGOs.
- **Financing mechanisms for EE projects**, including: PPPs, ESCO/EPC implementation and economic aspects. The training session took place on December 25, 2014 and was attended by 12 representatives from local NGOs.

During the reporting period, the project experts conducted regular monitoring of NGOs' progress against parameters stated in the Capacity Building Plans and monitoring score cards. In particular, this included review of documentation developed by the NGOs and regular meetings/communications with NGOs' management and responsible personnel.

TASK 3.2: FACILITATING GOVERNMENT-TO-GOVERNMENT ASSISTANCE: PREPARING GOU INSTITUTION(S) OR LOCAL GOVERNMENT(S) FROM A DIRECT AWARD FROM USAID

The project was informed by USAID that G2G Task 3.2 activities should be put on hold until further notice from USAID. During the reporting period, MERP did not have any activities on this task.

ACTIVITY 4: ENHANCE CAPACITY FOR THE GOU IN LOW EMISSION DEVELOPMENT STRATEGIES (EC LEDS)

TASK 4.1: STRENGTHENING INSTITUTIONAL CAPACITY IN PLANNING LEDS-REDS

Established working relations with LEDS-related state bodies

During the reporting period, MERP provided assistance to the Ministry of Economic Development and Trade (MEDT) in order to accomplish EC LEDS MOU between USAID and the Ministry. MERP continued discussions on the Draft Work Plan but there was no further development and no official feedback from the Ministry during the reporting period.

Based on Cabinet of Ministers Decree 442, SEIA Liquidation Commission was established in late October 2014 and the process of functions transfer to the Ministry of Ecology and Natural Resources was initiated. Both liquidation and functions transfer processes slowed down or/and limited the work of SEIA State Working Group on elements of State Climate Policy till 2020 and MRV regulatory acts.

During the reporting period, MERP continued limited cooperation with State Environment Investment Agency of Ukraine under Cooperation Work Plan provisions on climate change legislation, including MRV regulatory acts, National GHG Inventory System improvements and "6th National Communication on Climate Change" and introduction of analytical modeling tool TIMES-Ukraine.

MERP initiated cooperation with the Ministry of Environment and Natural Resources and prepared a draft Cooperation MOU that was sent to the Ministry's technical and legal staff for review. The core elements of support activities from MERP have been revisited after appointment of a new Minister of Environment and Natural Resources, Mr Igor Shevchenko. The new area of potential cooperation identified by the Ministry is the introduction and application of TIMES-Ukraine analytical model for preparation, development, presentation and review process of Intended Nationally Determined Contributions under UNFCCC requirements, based on latest Conference of the Parties 20 decision made in Lima, Peru in December 2014. This new element of cooperation between the Ministry and MERP is also important for proper low emission climate strategic planning on Ministry of GOU levels.

National GHG Inventory System Enhancement

National GHG Inventory Enhancement Plan was developed in close coordination between SEIA and IEEC and is in the process of implementation by National GHG Inventory Center and MERP experts with the view of preparation process for annual National Inventory Report submission of 2015. The official National Inventory Report 2015 Preparation Plan has been developed based on recommendations outlined in the Enhancement Plan and support of MERP experts. Preparation of annual National Inventory Report is a complex process of collecting, classifying, managing and archiving data based on the IPCC 2006 latest

requirements. This is the first required year of reporting based on IPCC 2006 requirements and the National Inventory Report submission 2015 preparation process will need more support of the expert community and even more efforts, skills and knowledge from National GHG Inventory Center staff. MERP is committed to provide on-going support on preparation of the National Inventory Report and keeps cooperating with state officials at technical working level.

The 6th National Communication on Climate Change and First Biennial Report international in-country review by ERT took place in October 2014 and MERP staff along with experts and sub-contractors provided technical support during preparation and the five day complex review process of Ukraine national and regional climate and crosscutting policy and measures, including forecasting and projections within the First Biennial Reporting. This was the first in-country review by international Expert Review Team (ERT) during the first commitment period of Kyoto Protocol. One of the key questions of ERT team of regional climate policy was the role of Covenant of Mayors initiative in the cities of Ukraine, and why this activity is not reflected in 6th National Communication.

The National Inventory Report for 1990-2012 has been found in compliance with UNFCCC reporting requirements after all issues raised by international Expert Review Team (ERT) in a so called “Saturday Paper” was addressed and amendments to GHG emission factors were made based on ERT recommendations. MERP experts provided technical support and advice for Energy and Transport Sector part of the revised report. This report was the final report of Ukraine for the first commitment period of the Kyoto Protocol and is very important for further participation and reporting of Ukraine in international climate regime.

TIMES-Ukraine Analytical and Modeling Support

During the reporting period, MERP and its subcontractors IEF and DWG continued updating and populating the TIMES-Ukraine model with baseline and alternative scenarios of Ukrainian energy sector development to 2050, as well as estimation of greenhouse gas (GHG) emissions for each scenario and their combinations. The TIMES-Ukraine model is a convenient and reliable tool for research of the long-term dynamics of GHG emissions that occur during the extraction, transformation, use and consumption of energy resources, as well as assessment of potential and priority guidelines for their reduction. In addition, this model has flexible modeling system and can be relatively easy improved or extended.

To estimate the GHG reduction potential from GHG emissions reduction measures, MERP subcontractor IEF applied an approach that compares reference and alternative scenarios of energy sector development. In the process of reference scenario identification sector-specific features (including current technological structure, internal reserves, energy import sources etc.) and current regulatory framework were considered. Reference scenario of energy sector development differs from the Business As Usual scenario, which is often used in this type of study, in that it assumes changes (improvements) in the economy’s technological structure, but with a certain tolerance. This is conditioned upon the fact that even in the absence of clearly defined and effective state policy, there will be moderate evolution of the Ukrainian energy sector due to external influence. IEF conducted its work in close cooperation with DWG, leading US subcontractor on the TIMES-Ukraine model.

Alternative scenarios were based on GHG reduction-oriented policies, including targeted utilization of renewable energy sources and final energy consumption reduction, carbon tax increase and expansion of national resource portfolio through intensive production of shale gas. These scenarios are designed to bring the Ukrainian energy sector to its low carbon development limit. Under the moderate economic growth in Ukraine (within the baseline scenario annual GDP growth rate is 2.8%) and without GHG emissions reduction policy, per capita GHG emissions and energy consumption could increase by more than 50% by 2050. GHG emissions in 2050 could be almost a third higher than in 2012. At the same time, fuel costs in Ukrainian energy sector could increase by 27%. This is contrary to global trends and further worsens the current situation of the Ukrainian energy sector, and energy and economic security.

MERP organized the first joint training for state officials on “TIMES-Ukraine Model for macroeconomic state strategy planning and governance” with the Institute of Economy and Forecasts (IEF) of Academy of Science of Ukraine, in November 2014. This training was the first in the LEDS Training Module for state officials. Over 30 participants from the Ministry of Economic Development and Trade, Ministry of Ecology

and Natural Resources, Ministry of Regional Development, Construction, Housing and Communal Services, Ministry of Energy and Coal Industry, State Agency for Energy Efficiency, State Environmental Investment Agency, State Statistics and expert, science and public community representatives, participated in the training. The major goal of this first training was to introduce the energy-ecological model TIMES-Ukraine to state officials and to present core elements, functions and properties of the internationally applied model TIMES/MARKAL. Proactive participation of state officials in brainstorming in a session on strategic planning in the energy sector and low emissions strategy reconfirmed the strong interest and need for internationally proven modeling tools such as TIMES-Ukraine.

TASK 4.2: IMPLEMENTING LEDS-REDS THROUGH SUPPORT IN DEVELOPING AND INTRODUCING CLEAN ENERGY TECHNOLOGIES AND ENERGY SERVICES

Inter-Agency Coordination

During the reporting period, MERP facilitated a meeting between representatives of SEIA and Ministry of Foreign Affairs on UNFCCC core elements of new climate global agreement and future of Kyoto Protocol in specific Ukrainian circumstances. These were discussed in the context of implementation of EU-Ukraine Association Agreement provisions on climate change and upcoming UNFCCC 20th Conference of the Parties in Lima, Peru.

Donors LEDS Coordination in Legislation Support

During the reporting period, MERP performed the legal analysis and prepared Legal Analytical Memo on elements of State Climate Policy in Ukraine based on existing legislation and requirements and provisions of EU-Ukraine Association Agreement.

LEDS Advanced E-Coordination Donors Platform has been populated and training courses are drafted for core donors and projects. Cooperation with EU-funded project ClimaEast on national climate change legislation and MRV regulatory framework was established during the reporting period.

Draft MRV Regulatory Framework developed by MERP was presented for the broad business community during series of trainings conducted under preparation for EU-Ukraine association agreement implementation by DTEK.

Supporting EE and RE technologies

MERP progressed with the MEDT on development of the first low emission and climate assessment internationally recognized mechanism - Technology Needs Assessment (TNA). First TNA Manual was developed by MERP subcontractor Institute of Ecology and Energy Conservation (IEEC) along with TNA for Iron and Steel Sector in Ukraine. “TNA Manual Introduction for Ukraine” and “TNA for Ukrainian Iron and Steel Sector” brochures will be published upon agreement with MEDT. These will be the first TNA work published in Ukrainian and for Ukraine. TNA is considered by UNFCCC as one of the first and most important steps on low emission pathways, as it allows assessing and identifying climate resilient and low emission technologies for country specific circumstances. The TNA process is widely used in developing countries and is supported by international donors and funds.

TASK 4.3: DEVELOPING A UNIFORM DATABASE ON LEDS-REDS AND EXCHANGING EXPERIENCES AND BEST PRACTICES WITH OTHER COUNTRIES PARTICIPATING IN EC-LEDS

LEDS-Ukraine database establishment work continued during the reporting period. MERP subcontractor CCS provided input on key elements and functions of this database. The key steps in LEDS database organization are:

- Baseline Development
- Policy Options Identification
- Policy Screening and Prioritization
- Direct/Indirect Impact Assessment

LEDS database will be a Ukrainian web portal with available tools, data and information on LEDS process, goals and objectives and will serve broad stakeholders and state officials.

C.4 PERFORMANCE INDICATORS

The M&E Plan was prepared and submitted to USAID COR for review and approval. The Plan was approved by USAID in April 2014.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Project Purpose: Enhanced Energy Security														
0.1	Energy Intensity (context indicator)	Units: Tons of oil equivalent/per thousand of USD Sources: GOU (State Statistics Committee, Ministry of Economy, SAEE); World Bank; IEA Reports	Annually ¹	0.69 2012	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	Definition: Energy Intensity as Units of energy per unit of GDP Justification: Context indicator provided by the USAID Mission. This measures the energy efficiency of a nation's economy. Disaggregated By: N/A													
0.2	Net energy imports as a percent of energy use (context indicator)	Unit: percentage Sources: GOU (State Statistics Committee and Ministry of Energy); World Bank; IEA Reports	Annually	37.9 2012	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	Definition: Ratio of net energy imported and energy used for all economic sectors. Justification: Context indicator provided by the USAID Mission. This measures dependence of Ukrainian economy from imports of energy resources Disaggregated By: N/A													
0.3	Emission Intensity (context indicator)	Unit: metric tons of CO2 equivalent per thousand USD Sources: GOU (State Statistics Committee and Ministry of Environment); World Bank	Annually	2.99 2011	n/a	Data collection in process	n/a		n/a		n/a		n/a	
	Definition: Emission Intensity as Ratio of GHG emissions produced by Ukraine's economy to GDP Justification: Context indicator provided by the USAID Mission. This measures the average GHG emission rate from national economic activities Disaggregated By: N/A													

¹ For all context indicators we expect 4 to 7 months lag for FY required M&E Plan reporting of ACTUAL numbers. Municipalities, GOU entities are only available on a calendar year (CY), NOT quarterly basis, and even then NOT UNTIL CY annual reports are released in March-April time frame. For international organizations' index data, we expect lag of 12 months.

No	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
0.4	Number of beneficiaries with improved energy services due to USG assistance	Unit: Number of people, in thousand Sources: Implementing partners, Energy companies / utilities, Municipalities, Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion)	Annually	0	120	0*	*Data collection in process	700	580	400	1,800			
	<p>Definition: This is the number of people who benefit from improved energy services due to USAID assistance. Illustrative examples of improved energy service include a new electricity connection, improved cook stove, or access to gas, increased number of hours of electricity service, and reduced outages and voltage fluctuations.</p> <p>Justification: This is standard indicator 4.4.1-31. The number of beneficiaries of USAID- assisted energy services indicates increased availability of energy for more rapid and sustained economic growth and social development</p> <p>Disaggregated By: Geographical unit, gender</p>													
Objective 1.0: Improved Energy Policies														
1.0.1	Index of environmental performance (context indicator)	Unit: Aggregate Index based on 25 indicators Sources: Columbia University	Annually	49.01 Calculated in 2014 (2012 data)	n/a	Data collection in process	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	<p>Definition: Environmental performance index based on the experience of the Yale Center for Environmental Law and Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University. "Index" as an aggregate of performance indicators, which generally implies conversion to common units (or a unitless scale) and weighted or unweighted aggregation (i.e., averaging, adding, or applying other mathematical operations)</p> <p>Justification: Context indicator provided by the USAID Mission. The strength of the EPI is in its expert consensus-based framework that identifies critical environmental policy issues and calculates scientifically rigorous metrics on a common and comparable scale</p> <p>Disaggregated By: N/A</p>													
1.0.2	Number of laws, policies, strategies, plans, agreements or regulations addressing climate change and or biodiversity conservation officially proposed, adopted, or implemented as a result of USG assistance	Unit: Number of documents Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment, Ministry of Economy; Rada Committees; Association of Ukrainian Cities; NCCSMR; SAAE	Annually	0	2	4	3	4	3	12				
	<p>Definition: Laws, policies, strategies, plans, agreements or regulations include those measures developed to address climate change and/or biodiversity conservation issues. If a measure is not yet adopted, it must at least be formally proposed within an official government process to be reported.</p>													

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	<p>Justification: This is standard 4.8.2-28 that measures critical adoption of Climate Change laws, policies, strategies, regulations needed for municipal energy reform. Activities use this indicator to monitor achievement towards targets related to results statements of the adaptation results framework. USG programs aggregate data for this indicator to track progress of the global portfolio towards high-level outcomes of the adaptation pillar.</p> <p>Disaggregated By: Type of documents and their approval stage (based on legal score card)</p>													
Sub-objective 1.1 Legislation that supports CE/EE investments is in force														
1.1.1	Business Environment for Energy Index (context indicator)	<p>Unit: Aggregate Index</p> <p>Sources: World Bank Group leads the preparation of the BEE index in close collaboration with other MDBs</p>	Annually	Under development by WB	n/a	Data collection in process	n/a							
	<p>Definition: Business Environment For Energy (BEE) Index (administered by Clean Investment Fund). The BEE index tracks policy indicators related to improving the business environment for investments in renewable energy, energy efficiency, and energy access in each country.</p> <p>Justification: Context indicator provided by the USAID Mission. The BEE index permits the analysis of the progress on enabling environment conditions for each country, as a benchmark for monitoring progress over time.</p> <p>Disaggregated By: N/A</p>													
1.1.2	Number of policy reforms/ laws/ regulations/administrative procedures drafted and presented for public/stakeholder consultation to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	<p>Unit: Number of documents</p> <p>Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NCCSMR; NERC</p>	Annually	0	5	13	4	4	3	16				
	<p>Definition: Number of reforms, regulations, and procedures drafted by USG implementers and discussed with local stakeholders.</p> <p>Justification: This is standard 4.4.1-33 FAF indicator that measures critical adoption of policy/procedural improvements needed for sector reform. An improved enabling environment is essential for attracting investment and improving the sustainability of all energy services.</p> <p>Disaggregated By: Type of documents and their approval stage (based on legal score card)</p>													
Intermediate result (outcome) 1.1.2.1 Advanced coordination of GOU and donors established														
1.1.2.1	Number of GOU Working Groups meetings assisted by USG to support legal and regulatory municipal energy reforms	<p>Unit: Number of Working Groups meetings</p> <p>Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NCCSMR</p>	Semi-annually	0	8	17 (34)	8	8	6	30				
	<p>Definition: Number of GOU WG meetings organized and assisted by the project experts to advance improvement of legal and regulatory environment of municipal energy reform</p>													

No	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual								
Justification: This is project level indicator measuring project efforts in coordinating GOU agencies in municipal energy reform Disaggregated By: N/A														
1.1.2.2	Advanced e-based donor coordination platform developed and used to support municipal energy reform	Unit: Process indicator (S1-S4) Sources: Implementing partners; Donors	Semi-annually	0	S1/S2	S1/S2	S3/S4		S4		S4		S4	
	Definition: E-based platform developed to support advanced donor coordination on municipal energy reform. Process indicator: S1 – concept developed; S2 – technically implemented; S3 – training organized; S4 – e-based tool is used Justification: Indicator of improved donor coordination with support of IT-tool. Support and facilitate exchange of agenda, legal and technical documents, public outreach materials and best practices Disaggregated By: N/A													
Sub-objective 1.2 GOU implement a sound LEDS-REDS														
1.2	Number of institutions with improved capacity to address climate change issues as a result of USG assistance	Unit: Number of entities Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Committees; Professional Associations; Municipalities	Annually	0	8	7	8		7		2		25	
	Definition: Institutions with improved capacity to address climate change issues have new or increased ability to use new or different approaches, processes, strategies, or methodologies to mitigate and/or adapt to climate change. Measuring improved institutional capacity to address climate change an initial baseline assessment of the targeted capacity and a post-intervention assessment. Relevant institutions include partner government or regional government institutions (such as ministries, departments, or commissions), private sector entities, local civil society organizations, and trade unions, among others. Justification: This is standard indicator 4.8.2-14 that measures government ability and improved capacity to implement LEDS-REDS Disaggregated By: Type of entities													
Intermediate result (outcome) 1.2.1. Better understanding of GCC and LEDS-REDS issues														
1.2.1	Number of people receiving training in global climate change as a result of USG assistance	Unit: Number of people Sources: Implementing partners; GOU entities; Municipalities; Industry professionals and their associations	Semi-annually	0	200	256	200		300		300		1000	
	Definition: Training is defined as a learning activity for participants involving: 1) a setting intended for teaching or transferring knowledge, skills, or attitudes; 2) formally designated instructors or lead persons; and 3) a defined curriculum, learning objectives, and outcomes. This indicator focuses on delivery of training that was made possible through full or partial funding from the USG. This could include provision of funds to pay teachers, providing hosting facilities, or other key contributions necessary to ensure training was delivered. Justification: This is standard 4.8.2-6 GCC indicator that measures increased knowledge on GCC and LEDS-REDS Disaggregated: Gender													
Intermediate result (outcome) 1.2.2 Better use of analytical tools for LEDS-REDS														
1.2.2	Number of GOU and local government entities using TIMES-Ukraine model or MEIS for planning	Unit: Number of entities Sources: Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy;	Semi-annually	0	8	7	6		5		1		20	

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual								
	and projections GHG emission reduction	municipalities SAEE; SAEI; Implementing partners												
<p>Definition: Number of national and local government entities trained on TIMES-Ukraine or MEIS and able to use model for LEDS-REDS (i.e. SEAPs)</p> <p>Justification: Indicator of capacity building on TIMES-Ukraine at the GOU level and MEIS at the municipal level which ensures analytical support for LEDS-REDS</p> <p>Disaggregated By: Type of entities</p>														
Sub-objective 1.3 GOU apply improved tariff methodologies and target household subsidies														
1.3.1	Number (and percentage) of GOU-regulated utility companies that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	Unit: Number of companies Sources: NCCSMR, regulated utilities, associations of utilities, municipalities, Implementing partners	Annually	0	0	0	0			10		90		100
<p>Definition: Number of regulated utilities that applied cost-reflective methodology with incentive towards EE investments</p> <p>Justification: Indicator of introduction of cost-reflective tariffs that lead to EE investments in municipal utilities</p> <p>Disaggregated By: Geographic unit</p>														
1.3.2	Percentage of Ukraine consumers served by GOU-regulated utility companies that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	Unit: Percentage Sources: NCCSMR, regulated utilities, associations of utilities, municipalities, Implementing partners	Annually	0	0	0	0			2		18		20
<p>Definition: Percentage of consumers served by regulated utilities that apply new cost reflective incentive based tariff methodology</p> <p>Justification: Indicator of introduction of cost-reflective tariffs that lead to better service to end-consumers</p> <p>Disaggregated By: Geographic unit</p>														
Intermediate result (outcome) 1.3.2.1 Improved capacity of the Regulator and utilities on developing and using incentive tariffs and benchmarking methodologies														
1.3.2.1.1	Energy market Regulator's capacity as a result of USG assistance	Unit: Process indicator (S1-S4) Sources: NCCSMR; Municipal utilities; Implementing partners	Semi-annually	0	S1/S2	S1/S2	S2/S3			S3		S4		S4
<p>Definition: National Regulator for Housing and Communal Services improved its capacity to regulate utilities in accordance with the best international practices. Process indicator: S1 – OCA conducted to identify areas for improvement; S2 – Capacity Building Plan prepared and implemented; S3 – Regulatory Information Management System developed and operational; S4 – International Best practices transferred and used</p> <p>Justification: Indicator of capacity building for NCCSMR. Measures progress of improved regulatory capacity to support market reform</p> <p>Disaggregated By: N/A</p>														
1.3.2.1.2	Transparent incentive based tariffs methodologies developed and approved by National Regulator	Unit: Process indicator (S1-S4) Sources: NCCSMR; Municipal utilities; Implementing partners	Semi-annually	0	S1/S2	S1/S2	S2			S3		S4		S4
<p>Definition: Methodologies for cost-recovery incentive tariffs developed with assistance of USG programs. Capacity built for the Regulator, its regional offices and municipal utilities to use them. Process indicator: S1 – Methodologies developed and approved; S2 – Training and capacity building seminars provided; S3 - Methodologies tested on pilot utilities; S4 – Enforcement started</p> <p>Justification: Indicator of introduction and capacity building on new tariff and benchmarking methodologies needed to improve financial and operation performance of municipal utilities</p> <p>Disaggregated: N/A</p>														

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual								
Intermediate result (outcome) 1.3.2.2 Adverse effect of tariff increases on vulnerable population is mitigated														
1.3.2.2	Number of people that benefit from strengthened social policy and improved subsidies system (direct, means tested, monetized)	Unit: Number of people Sources: Implementing partners; Ministry of Labor; State Statistics Agency; Municipalities	Semi-annually	0	5,000	2,000	10,000		20,000		25,000		60,000	
Definition: Number of people in the cities involved in improved social safety-net protection program developed with USG assistance Justification: Indicator of improvement of subsidies system needed for enforcement of cost-recovery tariffs Disaggregated By: Geographic unit, gender														
Sub-objective 1.4 GOU applies modern EE standards														
1.4	Number of EE and CE standards developed and approved by the GOU as a results of USG assistance	Unit: Number of documents Sources: Implementing partners; MinRegion; MinEconomy; SAEE; professional associations	Semi-annually	0	2	2	2		2		0		6	
Definition: Number of EE and CE standards prepared and approved with USG assistance Justification: Indicator of improvement of energy standards in accordance with requirements of Energy Community Disaggregated By: N/A														
Objective 2.0: Increased Energy Efficiency														
2.0	Energy saved as a result of USG assistance ²	Unit: Million Cubic Meters of gas Sources: Implementing partners, GOU entities, Municipalities, private partners, utilities, IFIs, commercial banks	Annually	0	0	0	70		83		113		266	
Definition: Measures the amount of energy saved through efficiency or substitution measures indicated in SEAPs, LEDS-REDS sectorial strategies and implemented with USG assistance. It takes into account total savings over a five-year long project life. Justification: Indicator of energy saved from implementation of policy and project measures. Disaggregated By: Geographic unit														
Sub-objective 2.1 Increased access to CE production and EE improvement services														
2.1	Number of CE/EE improvement projects prepared and implemented as a result of USG assistance	Unit: Number of projects Sources: Implementing partners, Energy companies / utilities, Municipalities, MinRegion, IFIs, commercial banks and private investors	Annually	0	0	0	6		5		4		15	

² Indicator targets for Energy Saved use economic and energy price assumptions. If economic situation changes dramatically (more than 20% i.e. currency exchange rate), we will recommend revision of the proposed targets for this indicator.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	<p>Definition: Number of CE/EE projects prepared for IFIs, commercial banks, or private sector investments by project experts, including feasibility studies, business plans, technical specifications, tender documents</p> <p>Justification: Indicator that municipalities and utilities are moving forward productively in preparation of investment proposals and securing funding for making CE/EE improvements</p> <p>Disaggregated By: Geographic unit</p>													
Intermediate result (outcome) 2.1.1 Sustainable energy planning and energy management introduced														
2.1.1.1	Number of low emissions development strategies developed as a result of USG assistance (LEDS, SEAP, other)	Unit: Number of plans Sources: Implementing partners; Energy companies / utilities; Municipalities	Semi-annually	0	6	3 (4 under development)	5	4	0	15				
	<p>Definition: Number of strategic action energy plans developed, completed and presented for approval in 15 cities (in accordance with Covenant of Mayors requirements) with project assistance.</p> <p>Justification: Indicator that selected municipalities are taking productive steps toward developing and implementing a long-term, economically efficient, and environmentally sustainable energy strategy, using where possible renewable energy sources.</p> <p>Disaggregated By: Geographic unit</p>													
2.1.1.2	Number of cities involved in energy management as a result of USG assistance	Unit: Number of cities Sources: Implementing partners; Municipalities and utilities	Semi-annually	0	6	7	5	4	0	15				
	<p>Definition: Number of cities that developed and approved energy management systems based on ISO 50001</p> <p>Justification: Indicator of energy management systems in the cities to sustain municipal energy reforms</p> <p>Disaggregated By: Geographic unit</p>													
Sub-objective 2.2 Expanded opportunities for training in CE/EE														
2.2	Person hours of training completed in technical energy fields supported by USG assistance	Unit: Number of persons-hours in training Sources: Implementing partners; GOU entities; Municipalities; Industry professionals and their associations	Annually	0	3,680	7,328	3,200	2,400	1,280	10,560				
	<p>Definition: This indicator uses the following equation (number of trainings x number of persons x number of hours) to express the number of USG-supported training hours that were completed by training participants</p> <p>Justification: This is standard indicator 4.4.1-34. Indicator of capacity building to ensure future ability to reform and sustain the sector reforms.</p> <p>Disaggregated By: Type of person trained; type of training provided; gender</p>													
Intermediate result (outcome) 2.2.1 Local capacity to implement CE/EE initiatives through direct donor awards is improved														
2.2.1	Number of local organizations engaged in capacity building to prepare for receiving direct donor assistance	Unit: Number of organizations Sources: Implementing partners; Municipalities; NGOs, Industry professionals associations	Semi-annually	0	3	5	2	0	0	5				
	<p>Definition: Number of local NGOs and professional associations involved in training on improved organizational, financial management, HR, and technical capacity to be qualified for USAID and other donor funding</p> <p>Justification: Indicator of capacity building for local NGOs and professional associations to ensure future ability to reform and sustain the sector reforms.</p>													

No	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual								
Disaggregated By: Geographic unit														
Sub-objective 2.3 Increased public appreciation of EE benefits														
2.3	Public acceptance of energy efficiency and clean energy measures as a result of USG assistance	Unit of Measure: Percentage of people Sources: Implementing partners; Municipalities; Industry professionals associations and CSOs; utilities; HOAs associations and Resource Centers.	Annually	0	5	10	10		10		25		50	
<p>Definition: Percentage of people surveyed who express support of a shift to energy efficiency and clean energy measures</p> <p>Justification: Indicator of how USG assistance improved public awareness and support to municipal energy efficiency and clean energy measures in 15 partner cities</p> <p>Disaggregated By: Geographic unit; Gender</p>														
Intermediate result (outcome) 2.3.1 Targeted outreach campaign prepared and implemented														
2.3.1	Number of events undertaken to promote energy-efficient reforms and institutionalize a public participation process	Unit: Number of events Sources: Implementing partners; Professional associations; Municipalities; GOU entities	Semi-annually	0	8	12	7		7		8		30	
<p>Definition: Number of public events undertaken to promote energy-efficient reforms and institutionalize public participation processes. Includes public opinion surveys, conferences, round tables, high-level discussions, public hearings, public city councils, hearings and public information campaign activities</p> <p>Justification: Indicator of how USG assistance support public events needed for official and public acceptance for municipal energy reform, i.e. CE/EE plans, programs, and projects cities</p> <p>Disaggregated By: Geographic unit</p>														
Objective 3.0: More Private Investment in Energy Sector														
3.0	Amount of investment leveraged in U.S. dollars, from private and public sources, for climate change as a result of USG assistance	Unit: Millions of US Dollars Sources: Implementing partners; Energy companies / utilities; investors; banks; IFIs; commercial banks	Annually	0	0	0	55		65		80		200	
<p>Definition: Funding leveraged, as a result of USAID assistance, for climate change programs, that support actions, activities, projects or programs that reduce or sequester GHGs or increase capacity to adapt to the impacts of climate variability and change. Funding may be leveraged from the public sector (e.g., other donors) or private sector financing (e.g., corporate investments) and must be additional to USG funds invested in a program and must advance the objectives established by the USG-supported program. Leveraged funds can include funding transferred to a common funding instrument, delivered in parallel or provided in-kind.</p> <p>Justification: This is standard indicator 4.8.2-10. USG funds are intended to be catalytic and to have sustainable benefits. Sustained private investment is a positive indicator of a supportive enabling environment.</p> <p>Disaggregated By: Geographic unit; Investment / Lending source</p>														
Sub-objective 3.1 Reduced GHG emissions														
3.1	Quantity of greenhouse gas emissions reduced or sequestered as a result of USG assistance in	Unit: thousand metric tons CO ₂ equivalent Sources: Implementing partners; Municipal utilities; Municipalities; Energy service	Annually	0	0	0	132		157		214		503	

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
	energy, industry, urban, and/or transport sectors ³	companies												
	Definition: This indicator reports the quantity of greenhouse gas (GHG) emissions, estimated in metric tons of CO2-equivalent, reduced, sequestered, and/or avoided, as a result of USG activities, as compared to a baseline level of GHG emissions. Justification: This is mandatory standard indicator 4.8-7 Indicator of GHG emission reduction resulting from all project activities. Disaggregated By: N/A													
Intermediate result (outcome) 3.1.1 Based on improved GHG accounting, mitigation actions developed														
3.1.1.1	National Inventory System functioning in accordance with latest IPCC requirements	Unit: Process indicator (S1-S4) Sources: Implementing partners, SAEI, MinEcology	Semi-annually	0	S1	S2	S2		S3		S4		S4	
	Definition: National Inventory System enhanced according to international best practices (IPCC requirements) with expansion to forecasting use and local customization, and deployed. Justification: Proper accounting of GHG is a basis for GHG planning and mitigation, Process indicator: S1 – Gap analysis conducted; S2 – Recommendations prepared; S3 – Enhancement measures developed; S4 – Implementation started Disaggregated By: N/A													
3.1.1.2	Number of climate change mitigation tools, technologies and methodologies developed and adopted as a result of USG assistance	Unit: Number of tools Sources: Ministry of Energy, MinRegion; Ministry of Environment; Ministry of Economy, municipalities and utilities, SAAE, SAEI, Implementing partners	Semi-annually	0	0	0	2		4		4		10	
	Definition: Number of methodologies, technologies and tools developed to support CO2 emission reduction plans and LEDS-REDS implementation Justification: Indicator of development of enabling tools (i.e. methodologies and technologies) for implementation of LEDS-REDS at both national and local levels Disaggregated By: Types of tools													
Sub-objective 3.2 Increased capacity to identify and use new funding for increasing EE and CE production at the municipal level														
3.2.1	Number of CE/EE loans (except DCA) prepared and executed as a result of USG assistance	Unit: Number of loans Sources: Implementing partners, IFIs, private investors, commercial banks	Annually	0	0	0	2		2		2		6	
	Definition: Number of loans for EE and CE projects prepared and executed with assistance of USG Justification: Indicator of attraction of commercial funding for CE and EE projects at the municipal level Disaggregated By: Geographic unit													
3.2.2	DCA utilization ratio including number of loans (for all DCA arrangements)	Unit: Ratio of value of loans issued under guarantee to total value of guaranteed portfolio, in percentage Sources: Implementing partners, Commercial banks	Annually	0	5	Under calculation	10		20		20		55	

³ Indicator targets for Quantity of GHG Emissions use economic and energy price assumptions. If economic situation changes dramatically (more than 20% i.e. currency exchange rate), we will recommend revision of the proposed targets for this indicator.

No.	Key Performance Indicator	Unit of Measurement and Data Source	Collection and Reporting Frequency	Base line	Year 1		Year 2		Year 3		Year 4		Total	
					Target	Actual								
	<p>Definition: Measures utilization of DCA partial guarantee by the partner banks for financing of EE projects</p> <p>Justification: Indicator of utilization of DCA partial guarantee. Used for evaluation of efficiency of DCA program</p> <p>Disaggregated By: Geographic unit</p>													
Intermediate result 3.2.2.1 New financial mechanisms developed and implemented at the municipal level														
3.2.2.1	Number of financial mechanisms developed with USG assistance	<p>Unit: Number of mechanisms</p> <p>Sources: Implementing partners, ESCOs, private investors, municipalities</p>	Semi-annually	0	0	0	2		2		2		6	
	<p>Definition: Number of new financial mechanisms prepared and used at the municipal level. It includes concept papers, due diligence documents, and agreements for ESCOs/EPs, GDAs, PPPs, others for financing of CE/EE projects</p> <p>Justification: Indicator of extension of financial mechanisms for CE/EE projects</p> <p>Disaggregated By: Geographic unit, type of mechanisms</p>													

D. SCHEDULES

During this quarter, Eastern Ukraine experienced continued extreme socio-political disruption in two Eastern oblasts. The Parliamentary elections on October 26 resulted in election of a majority of members espousing progressive, reform, pro-EU positions, but no party gained a majority. A coalition was formed, which followed by appointing a Prime Minister and Cabinet. During this quarter, Rada approved new Government of Ukraine. Mr Gennadiy Zubko was appointed First Vice Prime Minister and Minister of Regional Development, Construction, Housing and Communal Services. Mr Igor Shevchenko was appointed the Minister of Environment. Mr Volodymyr Demchyshyn, former Chairman of the National Regulatory Commission on Energy and Communal Services, was appointed the Minister of Energy.

Significant restructuring of GOU agencies and increased GOU attention to the war with Russia in Eastern Ukraine affected implementation schedules at the national and local levels. Some activities were delayed for one-two months.

National level:

Approval of key energy efficiency legislation (Task 1.1) was delayed for several months due to Rada elections and appointment of new government. In addition, EC LEDS related activities (Task 4.1 and Task 4.2) were delayed for several months due to liquidation of the State Agency of Environmental Investments and lack of leadership (champion) in the new Ministry of Environment.

Municipal level:

SEAP development and approval process (Task 2.2) was delayed for two months in the cities of Kherson, Kramatorsk, and Zaporizhzhia; these cities are located close to the active military zone of pro-Russian separatists.

E. PROBLEMS

National level:

Most problems are related to the overall unstable social and political situation in Ukraine. Crimea was illegally invaded and annexed by Russia and Eastern Ukraine has been invaded by Russia resulting in a state of war in extreme Eastern Ukraine. There have been a number of significant political and social events that have caused continual political instability in all of the GOU counterparts that USAID MERP assists. Despite the huge disruption and dysfunctionality of the GOU, Ministries, and State Agencies upon whose actions many MERP activities and accomplishments are dependent, MERP continued to work with good effect through cooperating ministries, working groups, and Rada Committees.

Due to GOU instability and liquidation of the NCCSMR and liquidation of SEIA completion of some Milestones was delayed.

Local level:

Eastern Ukraine experienced many isolated occurrences of mild to extremely violent social unrest, generally associated with pro-Russian separatist demonstrations and military aggression of the Russian Army and pro-Russian terrorists. This caused delay of energy audits and SEAP assistance in several East and South Ukraine cities.

F. PLANS

Under Activity 1, the following activities are planned for Quarter 6 of the Project:

- Assist GOU High Level Working Group lead by VPM on implementation of GOU reform agenda on EE and RE;
- Assist SAEE in implementation of the National Action Plan on RE by developing sub-laws, incentive mechanisms, and methodologies
- Assist SAEE in implementation of the National Action Plan on EE by developing sub-laws, incentive mechanisms, and methodologies
- Provide regular assistance to the MinRegion Expert Groups related to initiation and development of legal and regulatory documents on municipal EE
- Assist SAEE in implementation of Comprehensive Action Plan of substitution of natural gas by local alternative fuels
- Strengthen donor coordination on municipal EE and RE reforms with support of e-based donor coordination platform
- Assist in development of sublaws and regulations on HOAs needed to support end-use energy efficiency
- Assist Rada Committees on adoption of the Draft Law on Metering and other Draft Laws (i.e. ESCO, and EE in Buildings)
- Organize presentations and public discussions of the draft legislation/regulations with industry specialists, associations, and NGOs
- In coordination with EBRD and GIZ, assist MinRegion and SAEE Technical Committees in preparing and approving EE standards
- Develop new standard as per EN 12831, Heating systems in Buildings – Method for calculation of the design heat load
- Support approval of the Concept of communal services quality by the GOU
- Enhance coordination on social protection of low-income consumers with WB team and GOU working groups on social protection

- Assist the GOU, i.e. Ministry of Social Policy, with optimization and enforcement of new mechanisms of social assistance for consumers of housing and utility services through targeted “means tested” subsidies
- Develop proposals on improvement of social housing norms and norms of consumption of housing and utility services
- Test new regulatory reporting for compliance with the accounting principles with 10 pilot utilities
- Conduct data analysis applying different methods of economic analysis (clustering licensees, selection from the system of monitoring and comparative analysis (benchmarking)) of 10-15 indicators to conduct further analysis; performance analysis in the water and wastewater sector
- Train NECSRC and its nine Regional Offices to build capacity of utilities for reporting benchmarking indicators and related data
- Develop models for using benchmarking indicators in tariff setting
- Based on assessment of training needs, conduct training seminars for NECSRC departments on functional responsibilities

Under Activity 2, the following activities are planned for Quarter 6 of the Project:

- Prepare investment proposals (i.e. pre-feasibility studies, business plans) on EE and CE projects for the first group of cities
- Organize introduction seminar on SEAPs for second group of selected cities
- Assist second group of cities on establishing City Advisory Committees and expert WGs for SEAPs development
- Transfer the Municipal Energy Information System to the cities of second group and train city staffs on its use
- Start data collection on GHG emissions and energy consumption in 8 partner cities
- Organize training seminars for partner cities from second group on SEAP development
- Assist partner cities in preparing energy management documentation, procedures and tool (including IT tools) according to ISO 50001 requirements
- Continue assistance to Bank Lviv on utilization of USAID DCA for energy efficiency by providing training to relevant bank departments

- Conduct monitoring of utilization rate of USAID DCA with Bank Lviv and provide recommendations on its improvement
- Assist USAID in discussions with banks selected for new DCA
- Develop package of legal and financial documentation needed for implementation of ESCO
- Establish regular coordination on PR activities with MinRegion PR WG, donors, GOU Committee of Reforms, CabMin, and USAID OTI
- Hold periodic Working Group Meetings on Communication Issues to adjust information strategy and assure its successful implementation in the cities.
- Assure multifaceted public awareness campaign on EE/alternative energy through development as well as distribution/promotion of targeted information materials in MERP partner cities.
- Cooperation with advertising agencies to develop design of outdoor PSAs/information materials
- Cooperation with local HOA/OSBB Resource Centers/Communal Service Enterprises/Regional Social Protection Offices/AUC regional offices on materials distribution among residents of multi-apartment buildings
- Support City Council Press Offices/NGOs by offering training workshops on PR and outreach issues to support information campaign in the cities, and encourage groups to find local “stars” or prominent community activists who will help mobilize civil society support on Clean Energy/Energy Efficiency issues, particularly practical behavior change steps
- For the media, hold expert energy briefings followed by trainings on the range of story options including EE lifestyle, alternative energy resources, OSBB, tariff reform, etc.
- In MERP pilot cities announce and conduct contest for journalists on the best publication on themes related to EE/Alternative Energy/Tariff regulation reform
- Targeted public outreach events in the cities will include Energy Efficiency Days, contests on EE best practices, other public events and distribution of relevant information materials including placements of PSAs.
- Promote themes of EE/Alternative Energy; explain changes related to tariff reform through TV and radio media round tables/expert opinions, call in shows; analytical articles in electronic and printed media.
- Support of partners’ web sites and dissemination of best practices

Under Activity 3, the following activities are planned for Quarter 6 of the project:

- Develop draft program descriptions outlining list of activities to be implemented by a local partner under a direct award from USAID
- Based on Capacity Building Plans, assist local partners to improve organizational procedures and practices (e.g., accounting, financing, procurement, reporting, branding) to meet the criteria of eligibility for direct USAID awards.

Under Activity 4, the following activities are planned for Quarter 6 of the project:

- Build institutional capacities on LEDS policy planning and implementation of LEDS inter-agency and intra-agency working groups in the Ministry of Economic Development and Trade (MEDT), State Environmental Investment Agency (SEIA), State Agency for Energy Efficiency (SAEE) and broader stakeholders.
- Support National GHG Inventory System Enhancement Plan implementation and updates.
- Provide on-going National GHG Inventory System inter-agency coordination support.
- Technology Needs Assessment for two sectors are developed: one industry and one municipal. TNA Brief Manual is developed based on lessons learned and taking into account national technical and economical circumstances.
- LEDS-REDS Work Plan Implementation Working Group established and conduct regular meetings in order to monitor and update implementation of the Work Plan.
- Assist the Ministry of Energy and other relevant bodies to fulfill the obligations under EU Energy Community Treaty regarding implementation of EU Directive 2001/80/EC on reduction of emissions by large combustion plants (LCP).
- Strengthen institutional capacity at the state level (SEIA, MEDT, SAEE) to apply Ukraine-specific analytical tools TIMES-Ukraine for LEDS-REDS purposes
- Update and enhance national TIMES-Ukraine modeling and incorporate/reflect GHG emissions, including baseline and development of scenarios.
- Incorporate LEDS-REDS issues into relevant Renewable Energy and Energy Efficiency policy and regulation documents.
- Advise and support state bodies, high-level working groups, members of Verkhovna Rada and state committees on climate change issues and inclusion of climate change into their agendas.

- Provide on-going technical and administrative support to SEIA on international climate change activities.
- Support development of the Draft Law on Climate Change Strategy and present it to expert and state officials. Conduct broad stakeholders consultation process in accordance with best international practices. Finalize draft policy paper and propose it for adoption.
- Support GOU working groups for relevant legislation drafting for LEDS
- Draft MRV regulations are further developed and proposed for broad stakeholder consultation process on national and regional levels.
- Support quarterly meetings of State Interagency Commission on UNFCCC Provisions Implementation and assist members of the Commission on preparation and follow-up of the meetings.
- LEDS State Policy Concept is developed.
- Operationalize and provide on-going technical and substantial support for LEDS database.

ATTACHMENT 1

During the reporting period Project implementation was based on the Municipal Energy Reform Project Draft Work Plan for Project Year Two, which is provided here as ATTACHMENT 1. The Draft Work Plan was submitted to USAID COR for approval at the end of August 2014. USAID COR approved following the Draft Work Plan until its final approval or comments from USAID.

The Draft Work Plan covers all Activities and Tasks of the Project. The right hand column headed, “Milestones” lists all Project milestones scheduled to be accomplished in Year Two.



USAID
FROM THE AMERICAN PEOPLE

MUNICIPAL ENERGY REFORM IN UKRAINE

MUNICIPAL ENERGY REFORM PROJECT WORK PLAN FOR PROJECT YEAR TWO

August 2014

This document was produced for review by the United States Agency for International Development.
It was prepared by IRG.

YEAR 2 WORK PLAN NARRATIVE

OVERALL APPROACH

The objective of the USAID Municipal Energy Reform Project (MERP) is to enhance Ukraine’s energy security by implementing municipal energy reform with a focus on CE, EE, and GHG emissions reduction. Based on achievements of Year 1, MERP will support approval and implementation of the key reform measures at the national and local levels during Year 2.

Under **Activity 1**, we will continue our support to the GOU and the Rada to approve key legislation related to municipal energy reform. The “anti-crisis reform package” was recently approved by the GOU with aims to increase energy efficiency and to substitute local alternative fuels for imported Russian gas. MERP will assist GOU and Rada Committees in approving ESCO legislation, Draft Law on Energy Efficiency in Buildings, metering legislation, HOA legislation and clean energy legislation. These legal and regulatory changes will ensure energy independence of Ukraine and will comply with EU Energy Community Treaty requirements. Based on implementation of an e-based platform, we will continue advanced donor coordination to ensure synergy of donors’ efforts in municipal energy reforms.

MERP will continue assistance to the MinRegion and the State Agency for Energy Efficiency (SAEE) in developing energy standards during the second Project year. MERP will also provide support and advocacy for GOU agencies to approve energy standards developed under Year 1 of the Project.

In close cooperation with the WB/SIDA and EBRD, we will continue to support the National Energy and Communal Services Regulatory Commission (NECSRC) to introduce incentive tariff regulations. During the second year, our experts will assist NECSRC on evaluation of assets of municipal utilities that are a pre-requisite for incentive regulation. Based on the technical specifications, our experts will assist NECSRC in organization of procurement of software and hardware needed for tariff regulation and benchmarking of municipal utilities. We will assist NECSRC in introduction of a reliable benchmarking system and monitoring of quality of services.

In close cooperation with WB social assistance team, our experts will continue assistance to the Ministry of Social Policy to enforce the GOU Resolution on new system of subsidies to low-income consumers and new system of social norms for communal services (both developed with MERP assistance).

Under **Activity 2**, the IRG team will continue strategic energy action planning in compliance with the European Covenant of Mayors (CoM). Our work in the cities includes development of a cooperation strategy that was endorsed by IFIs and USAID. Seventeen partner cities were selected in accordance with IFIs’ lending strategies/portfolios to ensure a stream of investments in municipal energy efficiency and clean energy projects. During Year 1, MERP updated the EnEffect MODEL planning methodology for Sustainable Energy Action Plans (SEAPs) needs in Ukraine. The municipal energy information system (MEIS) was transferred to the cities with functionality of CO2 inventory and development of emission reduction scenarios. Our experts linked the national level assumptions used by TIMES-Ukraine modeling with SEAPs. During Year 1, MERP was instrumental in assisting seven partner cities on SEAP development.

During Year 2, MERP will provide assistance to the second group of partner cities on SEAP development. The MERP team will pursue traditional financing sources as well as carbon credit sales and EE investment/savings accounts to provide tailored financing for municipal infrastructure investments. Our team

will establish close cooperation with IFIs to support their programs with cities. Our experts will assist cities/utilities in establishment of PIUs and preparation of tender documents/technical specifications in accordance with the best international practices.

We will continue supporting Bank Lviv to increase use of its DCA partial guarantee. MERP will assist USAID with extending DCA to other commercial banks interested in energy efficiency and clean energy lending.

Education and outreach are critical to all tasks. Based on the MinRegion National Information Plan, MERP will continue a targeted information campaign in the partner cities in close cooperation with other donors and USAID projects (for example O'TI). The MERP team will use targeted communication tools to better inform all levels of society – from the GOU to the Rada, from energy professionals to consumers, from academia to the media. Our experts will create and deliver targeted messages to educate and advocate for reform in the selected municipalities.

Activity 3 focuses on capacity building of NGOs and government entities to ensure sustainability of Project results and meeting USAID Forward goals. During Year 1, the MERP team, in close coordination with USAID, selected candidate NGOs, implemented Organizational Capacity Assessments (OCAs) and developed Capacity Building Plans for those organizations. During Year 2, MERP will continue training the NGOs in key areas identified in their Capacity Building Plans to ensure they meet USAID eligibility criteria for direct awards. MERP will organize RFA and will issue small grants for these organizations to support municipal energy reforms.

Based on USAID instructions, MERP suspended G2G related activities.

Activity 4 focuses on EC-LEDS to support GCC initiatives and GHG emissions reduction. The project experts will assist the GOU in meeting LEDS milestones such as operationalization of interagency coordination unit on LEDS/REDS and developing LEDS/REDS Work Plan implementation.

Based on the achievement of these milestones, MERP will assist various GOU working groups on LEDS/REDS. It is expected that during Year 2, IRG and its sub-contractors will provide capacity building on LEDS/REDS for two sectors - iron and steel, and municipal buildings.

RESULTS, TARGETS, MILESTONES, AND DELIVERABLES

Expected results are shown in the Project Performance Monitoring and Evaluation Plan. The MERP milestones and deliverables to be achieved through implementation of Year 2 Project activities are summarized in the Work Plan table, following this Narrative. The most critical milestones for Year 2 are:

- GOU National Action Plans on EE and RE approved and implementation started
- Improved donor coordination to support key legal and regulatory changes in municipal energy sector
- Key municipal EE and RE legislation and standards developed and approved by the Rada
- Cost-recovery tariffs stimulate investments in municipal EE and RE projects
- Regulatory Information System is fully operational
- New system of social subsidies to low-income consumers operational
- SEAPs of the first group of cities approved by the city authorities, submitted to EU

- IFIs financing attracted in the first group of cities
- Institutional basis and capacity built for SEAPs in second group of cities.
- SEAPs of the second group developed and discussed with local communities.
- Energy Management Systems established in partner cities
- At least two grants of MERP awarded to local NGOs involved in municipal energy reform
- NGO certification of eligibility conducted for direct grants of USAID
- Finalization of State Climate Change Policy Legislation Act on LEDS
- Full operation of TIMES-Ukraine climate change and GHG modeling
- LEDS Database is up and running

TIMELINE

MERP is a four-year contract that officially began on September 27, 2013. The timeline for Year 2 is presented in the Gantt chart section following the Work Plan table. The Gantt chart delineates a timeline of activities, milestones, deliverables, and expected results.

VER: 4

AUGUST 22, 2014

Activity 1: Improve Clean Energy Regulatory And Legislative Enabling Environment

Expected results: Critical reform legislation is developed and supported by key stakeholders; Overall clean energy enabling environment is improved; The National Utility Regulation Commission's capacity for effective, transparent and socially-responsible regulation is improved; Cost-reflective, incentive-based tariff regulation is applied in Ukraine; Adverse effect of tariff increases on vulnerable population is mitigated; Cost recovery ratio in heat tariffs is improved

Task Activities	Lead	Support	Implementation Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 1.1 Developing Enabling Legislative and Policy Environment	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Passage of key draft laws and sub-laws needed for MER implementation; Donor coordination platform improved and supportive to reforms	Coordinated donor support leads to approval of key policy and legislative documents on municipal EE and RE
Assist GOU High Level Working Group lead by VPM on implementation of GOU reform agenda on EE and RE	IRG	STTAs, JurEnergO, MDI	October 1, 2014 – September 30, 2015	Analytical documents, assessment reports, comments and recommendations on GOU legal and regulatory acts	
Assist GOU in implementation of the National Action Plan on RE by developing sub-laws, incentive mechanisms, and methodologies	IRG	JurEnergO, Association of Biomass	January 1 – September 30, 2015	Draft documents, assessment reports, and materials on RE	
Assist GOU in implementation of the National Action Plan on EE by developing sub-laws, incentive mechanisms, and methodologies	IRG	JurEnergO, local EE associations, STTAs	January 1 – September 30, 2015	Draft documents, assessment reports, and materials on EE	M 1.1.1 Implementation started of GOU National Action Plans on EE and RE
Provide regular assistance to the MinRegion Expert Groups related to initiation and development of legal and regulatory documents on municipal EE	IRG	STTAs, JurEnergO, MDI	October 1, 2014 – September 30, 2015	Analytical documents, assessment reports, comments and recommendations on MinRegion legal and regulatory acts	
Assist MinRegion in implementation of Comprehensive Action Plan of substitution of	IRG	Association of Biomass,	October 1, 2014 – June 30, 2015	Assessments, reports, and recommendations on technical documents and materials related to	

natural gas by local alternative fuels		STTAs		substitution of natural gas	
Strengthen donor coordination on municipal EE and RE reforms with support of e-based donor coordination platform	IRG	STTAs	October 1, 2014 – July 30, 2015	Minutes of donor meetings, support letters and analysis	M 1.1.2 Improved donor coordination to support key legal and regulatory changes in municipal energy sector
In coordination with EBRD and IBSER, support MinRegion in adoption of ESCO legislation by the Rada	IRG	JurEnergO, OPORA	October 1 – December 30, 2014	ESCO legislation adopted by the Rada	
In coordination with EU and EBRD, support MinRegion in adoption of Draft Law on Energy Efficiency in Buildings by the Rada	IRG	JurEnergO	October 1 – December 30, 2014	Law on Energy Efficiency in Buildings adopted by the Rada	
In coordination with IFC, support adoption of HOAs legislation in the Rada	IRG	MDI, OPORA	October 1 – December 30, 2014	Law "On peculiarities of the right of ownership in a multi-family residential building" adopted by the Rada	
Assist in development of sublaws and regulations on HOAs needed to support end-use energy efficiency	IRG	MDI	January 1 – June 30, 20015	Draft resolutions and regulations of GOU entities	
In coordination with public platform "Reanimation Package of Reforms" and MinRegion update Draft Law on Metering	IRG	JurEnergO, OPORA	October 1 – December 30, 2014	Draft law on metering prepared and discussed with key stakeholders	
Assist Rada Committees on adoption of the Draft Law on Metering	IRG	JurEnergO, OPORA	January 1 – March 30, 2015	Draft law on metering approved by the Rada	
Assist GOU in amending legislation to mitigate legal collisions resulted from adoption of the Law 1198	IRG	JurEnergO, OPORA	February 1 – May 30, 2015	Draft law which amendments to housing and communal services legislation prepared and discussed with key stakeholders	
Assist Rada Committees on adoption of amendments to housing and communal services legislation to mitigate legal collisions of the Law 1198	IRG	JurEnergO, OPORA	June 1 – August 30, 2015	Draft law with amendments to housing and communal services legislation adopted by the Rada	M 1.1.3 Key municipal EE and RE legislation developed and approved by the Rada
Organize presentations and public discussions of the draft legislation/regulations with industry specialists, associations, and NGOs	IRG	OPORA, MDI, JurEnergO	October 1, 2014 – September 30, 2015	Materials and presentations from public events.	
Task 1.2 Supporting Energy Efficiency Standards	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Preparation and passage of key standards; Improved capacity of GOU entities to develop and enforce new standards and norms	Ukrainian Energy Standards comply with EU Energy Community

					recommendations
In coordination with EBRD and GIZ, assist MinRegion and SAEE Technical Committees in preparing and approving EE standards	IRG	STTAs, ENSI, SRIBC	October 1, 2014 – September 30, 2015	Minutes of meetings of Minregion and SAEE technical committees. Assessment reports and recommendations	
Assist MinEconomy and SAEE in developing enforcement documentation and training on Energy Management Standard ISO 50001	IRG	STTAs	October 1- December 30, 2014	Draft methodology and other enforcement documents. Training materials	
Assist MinRegion in finalizing and approving Standard on Energy Audit of Buildings	IRG	SRIBC	October 1 – December 30, 2014	Memo of MinRegion Technical Committee	
Develop new standard as per EN 12831, Heating systems in Buildings – Method for calculation of the design heat load	IRG	SRIBC, ENSI	January 1 – May 30, 2015	Draft standard and supportive documents	
Develop new standard as per EN ISO 10077-1, Thermal performance of windows, doors and shutters – Calculation of thermal transmittance – Part 1: General	IRG	SRIBC, ENSI	March 1 – July 30, 2015	Draft standard and supportive documents	M 1.2.1 Two new energy standards developed
Assist MinRegion in finalizing and approving EN 12831 and EN ISO 10077-1 standards	IRG	SRIBC	August 1 – September 30, 2015	Memo with decisions of Minregion Technical Committee meetings	M 1.2.2 New standards approved
Task 1.3 Improving Tariff Setting	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Approval of new incentive-based tariffs; Commission ensuring quality and accessibility of communal services for end users; Best practices Cost of Service concept and methodology introduced and implemented; eliminate inappropriate customer-class cross-subsidies	Cost-recovery tariffs ensure quality services and support investments in municipal EE and RE
In coordination with WB/SIDA and EBRD, assist NCSRC on improvement of investment methodology (simplification of methodology considering affordability of tariffs)	IRG	JurEnergó	October 1 – December 30, 2014	Investment methodology modified and approved by NCSRC	
Develop recommendations on introduction of the two-tier tariff models for centralized water supply and wastewater removal based on analysis of leading experience of OECD countries	IRG	MDI	October 1 – December 30, 2014	Recommendations on implementing two-tier tariffs in water supply and sanitation based in the experience of the OECD countries prepared	

Support approval of the Concept of communal services quality by the GOU	IRG	JurEnergO	January 1 – March 30, 2015	GOU Resolution on Concept of communal services approved	
Develop legal and regulatory acts on implementation of Concept of communal services quality	IRG	JurEnergO	April 1 – July 30, 2015	Legislative acts on implementation of Concept of communal services quality prepared and discussed with key stakeholders	
Provide assistance to NCSRC with developing mechanisms on quality assurance in the new tariff model including identification of key quality indicators, the selection of which will be based on best international practice; accounting for foreign exchange risks in tariff model etc.	IRG	MDI, STTAs	April 1 – August 30, 2015	Report on quality assurance in the new tariff model prepared	M 1.3.1 Quality of Services enacted by NCSRC
Develop a service quality monitoring system to ensure national coverage with standardized approaches for data gathering and processing	IRG	MDI, STTAs	April 1 – September 30, 2015	Quality system developed and tested at 5 pilot utilities	
Improve the assets valuation methodology for the natural monopolies in the district heating sphere (as regards identification of aggregated values indicators)	IRG	MDI, STTAs	October 1, 2014 - March 30, 2015	Assets evaluation methodology developed as a prerequisite for RAB	
Assist NCSRC on gradual introduction of RAB incentive tariff regulation of heating and water supply utilities	IRG	MDI, STTAs	April 1 – September 30, 2015	Draft Action Plan of gradual introduction of RAB	
Assist NCSRC on establishment of transparency system of tariff setting and regulatory decision making	IRG	MDI, STTAs	April 1 – September 30, 2015	Report with recommendations on improving regulatory transparency	M 1.3.2 Basis for RAB incentive tariff regulation established
Task 1.4 Improving Social Safety Net Policies	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Better transparency of energy subsidies: direct/targeted/means-tested/monetized; Better protection for the poor and efficiency adoption among low-income end user	Targeted social subsidies provided to low-income families to mitigate tariffs increase
Enhance coordination on social protection of low-income consumers with WB team and GOU working groups on social protection	IRG	MDI	October 1, 2014 – February 28, 2015	Minutes of meetings of WGs. Assessment reports and recommendations. Coordinated list of activities with WB on social protection	M 1.4.1 Coordination with WB, GOU and other donors on social protection is functioning
Assist the GOU, i.e. Ministry of Social Policy, with optimization and enforcement of new	IRG	MDI, STTAs	October 1, 2014 – March 30, 2015	Reports with advices, comments and recommendations. Minutes of meetings and working	

mechanisms of social assistance for consumers of housing and utility services through targeted "means tested" subsidies				seminars.	
Develop proposals on improvement of social housing norms and norms of consumption of housing and utility services	IRG	MDI, STTAs	October 1, 2014 – March 30, 2015	Report with analysis, proposals and recommendations on improvement of consumption norms	
In coordination with NCSRC and MinRegion, organize round table discussion on consumption norms	IRG	MDI, STTAs	February 1 – 15, 2015	Round table materials and presentations	
Provide capacity building of Ministry of Social Policy and its regional offices on enforcement of new social protection mechanisms	IRG	MDI, STTAs	October 1, 2014 – March 30, 2015	Training materials and presentations.	M 1.4.2 New system of social subsidies to low-income consumers operational
Organize data collection in the partner cities and regional offices of social protection on efficiency of new system of subsidies	IRG	MDI, STTAs	April 1 – May 30, 2015	Data collection report	
Analyze and assess the efficiency and targeting accuracy of the new program of housing subsidies. Prepare recommendations for its improvement.	IRG	MDI, STTAs	June 1 – July 30, 2015	Report with analysis and recommendations on efficiency of new system of subsidies	
Develop mechanisms of transition to the monetized targeted assistance to consumers of housing and utility services	IRG	MDI, STTAs	July 1 – September 30, 2015	Plan of actions for transition to the monetized targeted assistance	
Develop recommendations on improvement of the system of privileges granted for payment of utility bills	IRG	MDI, STTAs	July 1 – September 30, 2015	Report with recommendations on changes to the system of privileges	
Organize round table discussions with the GOU on efficiency of new subsidies system and recommended changes to the system of privileges	IRG	MDI, STTAs	August 1 – September 30, 2015	Round table materials and presentations	M 1.4.3 Transparency of social subsidies to low-income consumers improved
Task 1.5 Regulatory Information System Development	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Established and operational Regulatory Information Management System by Year 3	Regulatory Information System procured and installed
In coordination with WB/SIDA, assist NCSRC in	IRG	MDI, STTAs	October 1 –	Report with recommendations on tender process	

organizing tender for software development			December 30, 2014		
Assist NCSRC in organizing tender for hardware to support RIMS	IRG	MDI, STTAs	January 1 – March 30, 2015	Report with recommendations on tender process	M 1.5.1 Software and hardware procured and installed
In coordination with WB/SIDA, prepare operational manual on RIMS for NCSRC staff	IRG	MDI, STTAs	April 1 – June 30, 2015	Draft operational manual on RIMS	
Provide training to NCSRC on functionality and use of new RIMS	IRG	MDI, STTAs	July 1 – September 30, 2015	Training materials and presentations	M 1.5.2 RIMS fully operational
Task 1.6 Developing Utility Benchmarking	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Validation of key performance indicators; Commission able to objectively inform consumers of each utilities' performance to ensure transparency and educate consumers; Commission be able to establish industry best average for municipal utilities and will introduce incentives/penalties	Benchmarking system tested to ensure transparency and monitoring of utilities' performance, i.e. quality of services
Provide assistance and capacity building support to NCSRC to improve methodological recommendations on accounting and reporting by the licensees in the district heating sphere	IRG	MDI	October 1 - December 30, 2014	Recommendations on accounting and reporting by the licensees prepared	
Assist NCSRC in training seminars for nine Regional Offices and utilities to build capacity for applying new Regulatory reporting (as enacted by the Commission in December 2013) according to the agreed training curriculum	IRG	MDI	October 1 – December 30, 2014	Training materials, presentations, list of participants, training organized and presented for utilities	M 1.6.1 New regulatory reporting taught to utilities
Test new regulatory reporting for compliance with the accounting principles with 10 pilot utilities	IRG	MDI	November 1, 2014 – January 30, 2015	Memos, notes, recommendations of consultants	M 1.6.2 10 utilities trained to properly implement accounting rules
Conduct data analysis applying different methods of economic analysis (clustering licensees, selection from the system of monitoring and comparative analysis (benchmarking)) of 10-15 indicators to conduct further analysis; performance analysis in the water and wastewater sector	IRG	MDI	November 1, 2014 – January 30, 2015	Recommendations on the choice of methods (combination of methods) and parameters for conducting benchmarking. Report on lessons learned from performing calculations for defining the quality of services using the data, which will be provided by the national regulator and pilot utilities in water and wastewater	

				sector	
Train NCSRC and its nine Regional Offices to build capacity of utilities for reporting benchmarking indicators and related data	IRG	MDI	February 1 - March 30, 2015	Training materials, presentations, list of participants, training organized and presented for utilities	M 1.6.3 New regulatory benchmarking system developed
Develop models for using benchmarking indicators in tariff setting (incentive regulation)	IRG	MDI	February 1 – June 30, 2015	A model for using benchmarking indicators in tariff setting developed	
Task 1.7 Capacity Building	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	High regulatory standards of the Commission developed; 'case-study' curriculum developed, as well as Commission training of utility staffs; support documents to be used by MinRegion for supervision of IFI investments in CE/EE projects	MinRegion and NCSRC capacity built to support their functioning according to the best international practices
Based on assessment of training needs, conduct training seminars for MinRegion PIU on management and reporting of IFIs projects	IRG	JurEnergó, STTAs	October 1, 2014 – February 28, 2015	Seminars prepared. Training materials.	M 1.7.1 Capacity of MinRegion improved
Based on assessment of training needs, conduct training seminars for NCSRC departments on functional responsibilities	IRG	JurEnergó, STTAs	January 1 – June 30, 2015	Seminars prepared. Training materials.	
Conduct training seminars for regional offices and licensees on the areas of capacity building according to the agreed curriculum	IRG	MDI, STTAs	April 1 – July 30, 2015	Training materials; presentations, lists of participants, and recommendations prepared	M 1.7.2 Capacity of NCSRC and its regional offices improved

Activity 2: Promote Investment In Clean Energy Technologies And Applications

Expected results: Local governments' capacity to develop and implement low emission development plans enhanced; Municipal managers access financial resources to implement clean energy and energy savings projects; Municipal capacity to develop and implement clean energy investment project is improved; USAID clean energy funding is leveraged at least 1:20 by other donors, government entities and private investors; GHG emissions decrease (per year and projected from baseline) as a result of USG-assisted clean energy projects

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 2.1 Developing cooperation strategies	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Selection methodology developed and approved by USAID/IFIs; MOUs signed with eight 'quick start' municipalities to participate in MERP; MOUs signed with seven additional municipalities to participate in MERP; IFIs concur that they are ready to invest in projects in those	Coordinated selection of second group of partner cities

				cities	
Review of IFIs portfolios for selection of second group of partner cities	IRG	RTCs	October 1 – 30, 2014	Memo on IFIs investment portfolios	
Concur with USAID and IFIs list of the cities for the second group	IRG	RTCs	November 1- 30, 2014	Concurred list of cities for second group	M 2.1.1 Second group cities agreed with donors and approved by USAID
Develop activity plan for each partner city and agree it with the city authorities	IRG	RTCs	December 1 - 30, 2014	Activity plans with partner cities	
Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Assist cities in development of 15 SEAPs and energy management systems; Leverage project funds by 1:20 ratio; attract IFIs financing (at least USD 200 million); building additional Ukrainian expertise and experience in energy auditing, SEAP assistance, and related CE/EE skills; Build sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans.	Cities supported on SEAPs and investment in EE and CE projects
Conduct third training seminar for first group of cities on SEAPs investment programs	IRG	RTCs	October 15 – 20, 2014	Training materials on SEAPs' investment opportunities	
Assist first group of partner cities in getting political approval of developed SEAPs	IRG	RTCs	November 1 – December 30, 2014	SEAPs approved by city councils of first group	M 2.2.2 SEAPs of the first group of cities approved by the city authorities, submitted to EU
Identify investment opportunities in each of partner cities from first group and present them to IFIs, commercial banks and investors	IRG	OptimEnergO, Arnika	October 1 – December 30, 2014	Minutes of meetings with IFIs. Concepts of investment opportunities	
Prepare investment proposals (i.e. pre-feasibility studies, business plans) on EE and CE projects for the first group of cities	IRG	OptimEnergO, Arnika	January 1 – June 30, 2015	Concepts, business plans, pre-feasibility studies	
Prepare technical specifications and conduct training of PIU for first group of cities	IRG	OptimEnergO, Arnika	October 1, 2014 – June 30, 2015	Technical specifications and training materials for PIU	M 2.2.3 IFIs financing attracted in the first group of cities
Organize introduction seminar on SEAPs for second group of selected cities	IRG	EnEffect, RTCs	January 1 - 30, 2015	Presentations and materials of introduction seminar	

Assist second group of cities on establishing City Advisory Committees and expert WGs for SEAPs development	IRG	RTCs	January 1 – February 20, 2015	Memo on establishment of City Advisory Committees and WGs	
Transfer the Municipal Energy Information System to the cities of second group and train city staffs on its use	IRG	EnEffect, RTCs	February 15 – March 15, 2015	Software and training materials on MEIS	
Organize three training seminars for partner cities from second group on SEAP development	IRG	EnEffect, RTCs	January 1 – July 30, 2015	Training materials, presentations, analytical documents	M 2.2.4 Institutional basis and capacity built for SEAPs in second group of cities
Prepare recommendations and provide assistance to the cities of second group on improving energy monitoring, data collection and analysis, and methodologies for CO2 emission calculation.	IRG	EnEffect, RTCs	March 15 – April 15, 2015	Energy monitoring and data collection forms, training materials	
Conduct energy audits in the cities to evaluate current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas	IRG	OptimEnerg, Arnika, others	February 15 – May 30, 2015	Report on energy audits of communal services systems and sample typical buildings	
Compile a comprehensive database for each participating city, including characterizations of multi-dwelling and public buildings, their historical energy use, energy producers and their transmission systems	IRG	RTCs	April 15 – May 30, 2015	Data base on energy consumption and CO2 emission	M 2.2.5 SEAPs' data collected
Prepare SEAPs and present to key stakeholders	IRG	EnEffect, RTCs	June 1 – July 30, 2015	Draft SEAPs, Memo of City Advisory Committees.	
Engage local civil society organizations in SEAPs review and discussion	IRG	OPORA	August 1 – September 30, 2015	Memo on public round tables related and public consultations to SEAPs	M 2.2.6 SEAPs prepared and discussed with local communities
Train cities of second group on preparation of bankable investment proposals	IRG	RTCs	August 1 – September 30, 2015	Training materials on investment proposal preparation	
Provide assistance and capacity building to PIUs on international procurement for second group of cities	IRG	OptimEnerg, Arnika	July 1 – September 30, 2015	Training materials and technical documents for PIUs	M 2.2.7 Preparation of bankable projects started for second group of cities
Task 2.3 Introduction of Energy Management Systems	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Energy management systems established in 15 partner cities based on ISO 50001 (5 started)	Partner cities established Municipal Energy Systems

				certification); Energy management and monitoring approach generate 5% savings	and started its operation
Train partner cities and their municipal utilities on energy management cycle which includes: energy audit, monitoring and baseline definition, analysis of energy consumption, preparation of energy plans, and implementation of EE measures	IRG	OptimEnergO, Arnika	November 1 – December 30, 2014	Training materials, agenda, list of participants, training appreciation questionnaire	M 2.3.1 Local capacity built on Municipal Energy Management
Assist partner cities in preparing energy management documentation, procedures and tool (including IT tools) according to ISO 50001 requirements	IRG	OptimEnergO, Arnika	February 1 – March 30, 2015	Set of documents, procedures, and templates on Municipal Energy Management	
Assist cities and utilities' management in formulating energy management org chart with description of roles and responsibilities of energy managers	IRG	OptimEnergO, Arnika	April 1 – May 30, 2015	City org charts on energy management	M 2.3.2 Energy Management Systems established in partner cities
Organize dissemination of this experience to other cities of the region through round tables, webinars and other dissemination tools	IRG	OptimEnergO, Arnika	June 1 – August 30, 2015	Booklets, brochures, and memos on round tables	
Task 2.4 Development Credit Authority Loan Guarantee	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Leverage local bank/lender financing; train at least five banks on the loan guarantee mechanism and at least two banks will participate in the program; Build sustainable Ukrainian financial knowledge and expertise through practical training on preparation of pre-feasibility studies and business plans	Commercial lending become available for municipal EE and RE projects with support of DCA partial guarantee
Continue assistance to Bank Lviv on utilization of USAID DCA for energy efficiency by providing training to relevant bank departments	IRG	MDI	October 1, 2014 – September 30, 2015	Schedule of trainings agreed with Bank Lviv. Training materials	
Conduct training seminars and round tables for HOAs and SMEs on end-use energy efficiency to grow demand for commercial lending from Bank Lviv	IRG	MDI	January 1 – May 30, 2015	Training materials, memo on round tables	
Conduct monitoring of utilization rate of USAD DCA with Bank Lviv and provide recommendations on its improvement	IRG	MDI	October 1, 2014 – September 30,	Monitoring memo on quarterly basis	M 2.4.1 DCA with Bank Lviv is well functioning

			2015		
Assist USAID in preliminary financial and risks analysis of pre-selected bank (s) for new DCA	IRG	MDI	October 1 – December 30, 2014	Report with data and analysis on pre-selected bank (s)	
Assist USAID in discussions with the bank selected for new DCA	IRG	MDI	January 1 – April 30, 2015	Minutes of meetings. Comments and recommendations	M 2.4.2 New DCA on energy efficiency and renewable energy started
Assess bank needs in training and consultation for utilization of new DCA	IRG	MDI	April 1 – May 30, 2015	Training Needs Assessment Report	
Prepare and conduct training seminars for new bank on energy efficiency projects and potential borrowers	IRG	MDI	June 1 – September 30, 2015	Training materials, report with recommendations	
Task 2.5 Support Mechanisms that Mobilize Private Sector Investment	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Draft law on ESCO/EPC approved by end of Year 1; Two EPC contracts initiated with support of IFIs or private investors; three concepts on CE/EE projects developed and two procurements initiated; Three public participation discussions organized on PPPs	Cities initiated PPPs (ESCOs and lease/concessions) for municipal EE and RE projects
Analyze partner cities needs in establishment of ESCO/EPC	IRG	MDI, STTAs	November 1 – December 30, 2014	Report with description of cities' needs in ESCO/EPC	
Develop package of legal and financial documentation needed for implementation of ESCO	IRG	IBSER, ANTIKA	January 1 – April 30, 2015	Package on ESCO/EPC developed for one partner city, i.e. baseline, draft agreements, etc.	
Assist on investment attraction and implementation of municipal ESCO/EPC	IRG	IBSER, ANTIKA	May 1 – August 30, 2015	Draft city resolution on investment attraction, approval of EPC, technical documentation for tendering	M 2.5.1 ESCO/EPC prepared for municipal end-use energy efficiency
Based on SEAPs of first group, identify and prepare concepts for bio-fuel PPP projects	IRG	MDI, OptimEnergO, ARNIKA	November 1 – December 30, 2015	Concept on bio-fuel PPP projects	
Prepare pre-feasibility study for bio-fuel projects	IRG	OptimEnergO, ARNIKA	March 1 – April 30, 2015	Pre-feasibility studies for two partner cities	
Prepare package of PPP legal and technical documents for partner cities	IRG	STTAs, other consultants	May 1 – August 30, 2015	PPP package developed and submitted to the partner cities for tendering	M 2.5.2 Bio-fuel PPPs initiated

Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Public info campaigns in all selected municipalities; Public and civil society support to CE/EE measures in the cities; Behavior change that supports energy conservation	Public in partner cities is well informed about EE and RE measures. Local NGOs, media and associations involved in SEAP and investment process to ensure support and transparency
Establish regular coordination on PR activities with MinRegion PR WG, donors, GOU Committee of Reforms, CabMin, and USAID OTI	IRG	MDI, OPORA	October 1, 2014 – September 30, 2015	List of coordinated events and activities	
Hold periodic Working Group Meetings on Communication Issues to adjust information strategy and assure its successful implementation in the cities.	IRG	MDI	October 1, 2014 – August 30, 2015	Minutes of WG meetings.	M 2.6.1 PR coordination established and operational
Assure multifaceted public awareness campaign on EE/alternative energy through development as well as distribution/promotion of targeted information materials in MERP partner cities.	IRG	MDI, OPORA	October 1, 2014 – March 30, 2015	Information materials (posters, brochures, info graphic, PSAs), focused on: Energy Efficiency i.e. low-cost energy conservation tips, insulation technologies of multi-apartment buildings; selection of EE electrical appliances, use of vehicles, etc. Alternative Energy Resources i.e. guideline for each separate city, covering specifics of local resources available to replace natural gas.	
Targeted outreach to low-income residents and vulnerable groups, in support of Ukraine's tariff regulation reform and social safety net	IRG	MDI, OPORA	October 1, 2014 – March 30, 2015	Information materials (including video PSA) will be focused on the need of bringing tariffs to economically grounded level (understanding of these steps is a guarantee of effective work of communal enterprises), and will share information among targeted population (low income families) about social protection mechanism .	
Cooperation with advertising agencies to develop design of outdoor PSAs/information materials	IRG		October 1, 2014 – April 30, 2015	MERP will work with JWT or other advertising agency to develop outdoor information materials	M 2.6.2 Key PSAs on municipal EE and RE developed
Cooperation with local HOA/OSBB Resource Centers/Communal Service	IRG	MDI, OPORA, Ministry of Social	October 1, 2014 – March	Agreement established with communal enterprises to print EE tips on bill inserts, and with Regional Social	

Enterprises/Regional Social Protection Offices/ AUC regional offices on materials distribution among residents of multi-apartment buildings.		Policy	30, 2015	Protection Offices on distribution of targeted information among low-income families about social protection mechanism.	
Support City Council Press Offices/ NGOs by offering training workshops on PR and outreach issues to support information campaign in the cities, and encourage groups to find local “stars” or prominent community activists who will help mobilize civil society support on Clean Energy/Energy Efficiency issues, particularly practical behavior change steps	IRG	MDI, OPORA	January 1 - June 30, 2015	Training concept developed; Two day workshops held in MERP pilot cities; Activists identified and involved into MERP outreach efforts.	
For the media, hold expert energy briefings followed by trainings on the range of story options including EE lifestyle, alternative energy resources, OSBB, tariff reform, etc.	IRG	CURE/Internews; MDI, OPORA	January 1 - June 30, 2015	Concept of the training developed. Trainings held in regional Press Clubs of MERP pilot cities. Journalists understand the importance to promote topics of EE/Alternative Energy Resources to support Ukraine’s energy security and to educate public on issues related to OSBB development and tariff reform.	M 2.6.3 Cooperation established with national and regional mass media, local HOAs and municipal press offices
In MERP pilot cities announce and conduct contest for journalists on the best publication on themes related to EE/Alternative Energy/Tariff regulation reform	IRG	CURE/Internews; MDI, OPORA	January 1 - June 30, 2015	Concept of the contest developed; Contest conducted; Winners identified.	
Targeted public outreach events in the cities will include Energy Efficiency Days, contests on EE best practices, other public events and distribution of relevant information materials including placements of PSAs.	IRG	MDI, OPORA, city and oblast administrations of partner-cities	October 1, 2014 - September 30, 2015	Public events conducted; Information materials distributed;	
Promote themes of EE/Alternative Energy; explain changes related to tariff reform through TV and radio media round tables/expert opinions, call in shows; analytical articles in electronic and printed media.	IRG	City and oblast administrations, local media, CURE, OPORA, MDI	October 1, 2014 – September 30, 2015	Outreach topics are promoted through regional media; MERP experts and local partners are in demand to comment on relevant subjects in regional media outlets.	
Public Hearings on SEAP to involve general public into discussion about priority areas of EE	IRG	OPORA	June 1 – August 30,	Public hearing in MERP pilot cities held, priorities with EE investments identified.	M 2.6.4 Public events organized to support SEAPs and investments in municipal

in MERP pilot cities.			2015		EE and RE
Support of partners' web sites and dissemination of best practices	IRG	MDI	October 1, 2014 – September 30, 2015	Information materials, analytical documents, articles and success stories	

Activity 3: Capacity Building and Dissemination

Expected results: Energy audits, Municipal Energy Plans, and energy management and monitoring are national norms; GOU or local organization has the ability to further develop EE technical standards to meet international standards; Cooperation between municipal governments and the civil society sector is strengthened; Local capacity to implement CE initiatives through direct donor awards is improved; GOU systems to implement CE initiatives through G2G are improved

Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 3.1 Preparing a local non-governmental organization for a direct award from USAID	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	NGOs are trained and their operations are improved; Two local NGOs will be eligible to receive direct awards from USAID by the end of Year 2	Local NGOs trained and their capacity to manage grants' programs improved
Based on Request for Applications issued during Year 1 of the Project (September 2014), conduct selection of at least two local NGOs	IRG	None	October 1- 30, 2014	Evaluation report prepared and submitted to USAID	
Conduct negotiations and make sub-grants to at least 2 local NGOs	IRG	None	October 15 – November 30, 2014	Sub awards signed	M 3.1.1 At least two grants awarded to local NGOs
Based on Capacity Building Plans (CBPs) developed during Year 1 of the Project, conduct technical skills and capacity improvement for selected NGOs	IRG	MDI, TBD	October 15 - November 30, 2014	Training provided to selected NGOs. Training materials for technical areas.	M 3.1.2 Comprehensive training provided according to Capacity Building Plans
Based on Draft Agendas, developed in consultation with USAID during Year 1 of the Project, draft program description outlining list of activities to be implemented by a local partner under a direct award from USAID	IRG	None	January 1 - 30, 2015	Draft program description developed	
Based on CBPs developed during Year 1 of the Project, assist local partners to improve organizational procedures and practices (e.g., accounting, financing, procurement, reporting, branding) to meet the criteria of eligibility for	IRG	Consultants	March 1 – April 30, 2015	Selected NGOs organizational procedures and practices improved	

direct USAID awards.					
Based on the agreed criteria, jointly with USAID conduct certification of eligibility for at least one local NGO	IRG	Ernst & Young	May 1 – June 30, 2015	Verification report to confirm NGO readiness for a direct award from USAID	M 3.1.3 NGO certification of eligibility conducted
Provide CBPs implementation support to selected NGOs	IRG	Consultants	August 1 - 30, 2015	Capacity Building of selected NGOs in accordance with CBP	
Prepare a report on capacity building activities	IRG	Consultants	September 1 - 30, 2015	Capacity Building Report summarizing the implemented capacity building activities and performance of the local partners as sub-grantees.	M 3.1.4 NGO Capacity Building Report developed
Task 3.2 Facilitating Government-to-Government Assistance: preparing GOU institution(s) or local government(s) for a direct award from USAID	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Three municipalities or one GOU Agency are meeting USAID criteria and will be eligible for a direct award from USAID (subject to USAID guidance on G2G)	GOU Agencies are able to receive USAID direct awards (subject to USAID guidance on G2G)
Suspended until further notice of USAID					
Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)					
Expected results: LEDS/REDS milestones and benchmarks met. The GOU's and other public and private stakeholders' capacity to develop and implement low emission development strategies is increased					
Task Activities	Lead	Support	Completion Dates	Outcomes / Deliverables / Results	Milestone / Comments
Task 4.1 Strengthening institutional capacity in planning LEDS-REDS	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	National Inventory System enhanced according to international best practices and deployed; Incorporation of LEDS-REDS into sectorial and local government strategies/action plans; Several GOU agencies able to use TIMES-MARKAL to develop GHG emission mitigation options; Institutional capacity of governments on LEDS/REDS improved – intra-government coordination established	LEDS institutional infrastructure and planning capacity improved
Build institutional capacities on LEDS policy planning and implementation of LEDS inter-agency and intra-agency working groups in the Ministry of Economic Development and Trade (MEDT), State Environmental Investment Agency (SEIA), State Agency for Energy Efficiency (SAEE) and broader stakeholders.	IRG	CCS, STTAs, IEEC.	October 1, 2014 – September 30, 2015	Training and workshops curriculum developed, training sessions are conducted and on-line support tools are developed and operational. LEDS Planning technical exchange: 3E Baseline Development conducted. State agencies, stakeholders, university experts and academia are involved.	

Provide technical, advisory and dissemination and public awareness support for updating and adopting 6 th National Climate Change Communication and First Biannual Report of Ukraine	IRG	STTAs, IEEC	October 1 – December 30, 2014	6 th National Climate Change Communication updated and assessed by UNFCCC international experts. Public, civil society and state bodies and institutions awareness campaign is conducted. First Biannual Report is assessed by UNFCCC international experts and updated. Public and scientific awareness campaign is conducted.	M 4.1.1 6th National Climate Change Communication Report.
Support National GHG Inventory System Enhancement Plan implementation and updates, is needed.	IRG	STTAs, IEEC	October 1, 2014 - May 30, 2015	National GHG Inventory Report (NIR) submission 2015 Preparation Plan is implemented and IPCC 2006 complied NIR is timely submitted to UNFCCC Secretariat.	
Provide on-going National GHG Inventory System inter-agency coordination support.	IRG	IEEC, STTAs	November 1, 2014 - September 30, 2015	Workshops and Round Tables reports. National GHG Inventory Expert Group is established and conduct meetings on regular basis.	
Technology Needs Assessment for two sectors are developed: one industry and one municipal. TNA Brief Manual is developed based on lessons learned and taking into account national technical and economical circumstances.	IRG	IEEC, STTAs	October 1, 2014 – July 30, 2015	TNAs Reports and TNAs presentation. TNA Brief Manual.	M 4.1.2 TNA Report and TNA Brief Manual.
LEDS-REDS Work Plan is adopted by the GOU and implementation phases are established.	IRG	STTAs,	October 1 – December 30, 2014	Work Plan implementation phases plan.	
LEDS-REDS Work Plan Implementation Working Group established and conduct regular meetings in order to monitor and update implementation of the Work Plan.	IRG	CCS, IEEC, STTAs	January 1 – September 30, 2015	Working Group established. Agenda, materials and minutes of the meeting.	
Assist the Ministry of Fuel and Energy and other relevant bodies to fulfill timely the obligations under EU Energy Community Treaty requirements regarding implementation of the EU Directive 2001/80/EC on reduction of emissions by large combustion plants (LCP).	IRG	CCS, IEEC, JurEnergo	January 1 – June 30, 2015	Working group established on ad hoc basis to set up on-going coordination between relevant state bodies and key private sector players. Action Plan by 2018 is drafted and introduced on inter-ministerial level LEDS/REDS component is analyzed and reflected. Training provided.	M 4.1.3 Road Map developed and LCP Directive focal point appointed
Strengthen institutional capacity at the state level (SEIA, MEDT, SAEE) to apply Ukraine-specific analytical tools TIMES-Ukraine for LEDS-REDS purposes	IRG	DWG, STTAs, Institute of Economics	October 1 – April 30, 2015	Training materials on energy sector CO2 and non-energy industry updated modeling; LEDS Planning TIMES-Ukraine; Reference workshops and materials; templates and manuals on how to use of the	M 4.1.4 LEDS/REDS analytical tools applied by two GOU agencies

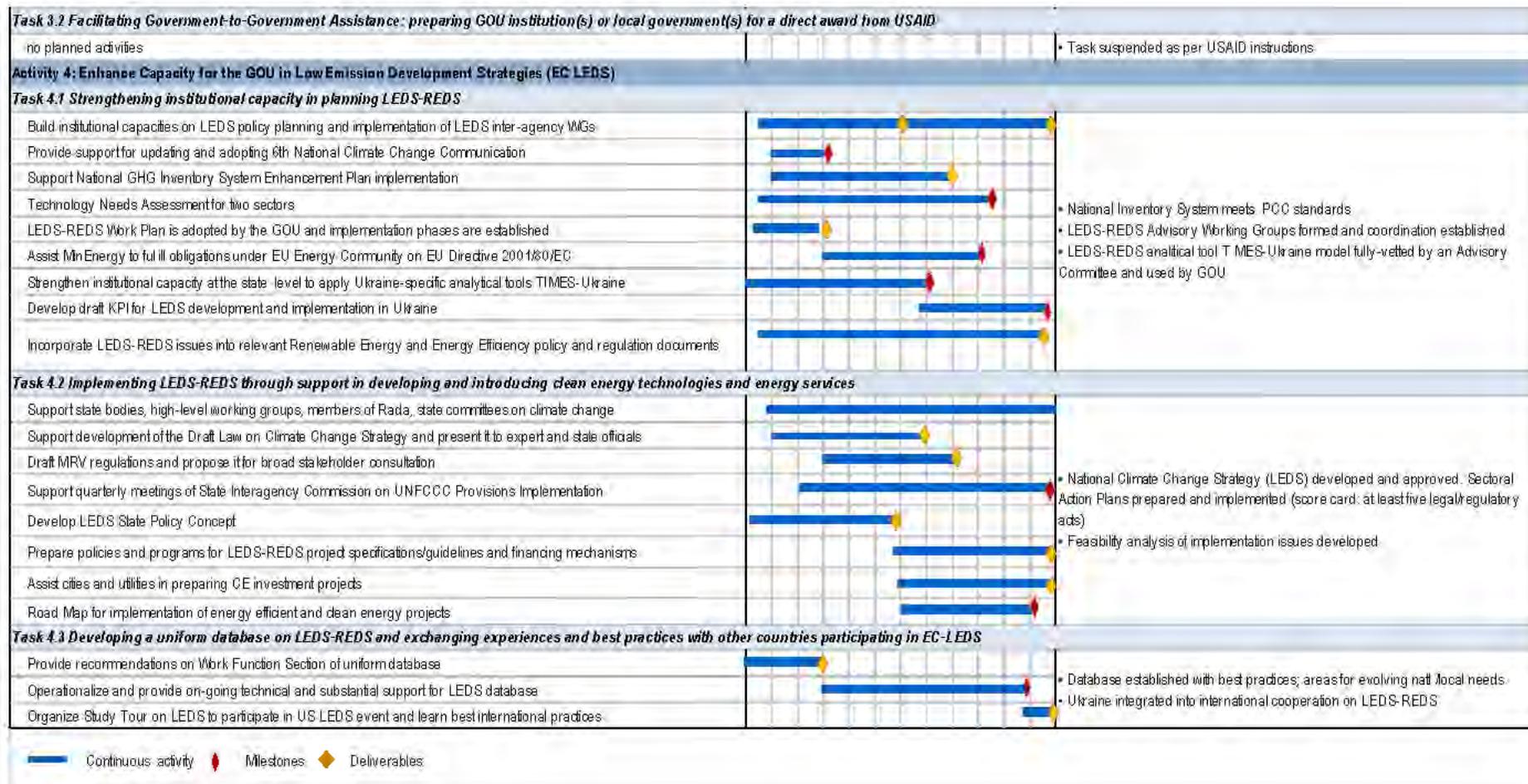
				analytical tools TIMES-Ukraine	
Update and enhance national TIMES-Ukraine modeling and incorporate/reflect GHG emissions, including baseline and various scenarios development.	IRG	DWG, STTAs, Institute of Economics	October 1-February 28, 2015	Development and implementation of modeling calculations for GHG emission and energy sectors development - baseline and alternative scenarios for GHG emissions and LEDS.	
Develop draft KPI for LEDS development and implementation in Ukraine.	IRG	CCS, STTAs	July 30 – September 30, 2015	Draft LEDS Development and Implementation KPI.	M 4.1.5 Draft LEDS Development and Implementation KPI.
Incorporate LEDS-REDS issues into relevant Renewable Energy and Energy Efficiency policy and regulation documents.	IRG	JurEnerg, STTAs	October 1, 2014 – September 30, 2015	Draft proposals for LEDS-REDS provisions and analytical and legal assessments.	
Task 4.2 Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	LEDS/REDS legislation developed and approved (score card: at least five legal/regulatory acts); At least five CE/EE projects developed, financed, and beginning implementation with a total value of \$10M	Climate Change Policies and projects developed to support LEDS
Advise and support state bodies, high-level working groups, members of Verkhovna Rada and state committees on climate change issues and inclusion of climate change into their agendas.	IRG	STTAs, CCS	October 1, 2014 – September 30, 2015	Analytical and informational materials. Draft agendas and minutes of the meetings.	
Provide on-going technical and administrative support to SEIA on climate change international activities.	IRG	STTAs, CCS	October 1, 2014 – September 30, 2015	Minutes of the meetings, workshop reports. Analytical and assessment reports.	
Support development of the Draft Law on Climate Change Strategy and present it to expert and state officials. Broad stakeholders consultations process is conducted in accordance with best international practices. Draft policy paper is finalized and proposed for adoption.	IRG	STTAs, CCS	November 1, 2014 – April 30, 2015	Draft Law developed and legal preparation process for proposing document for adoption is finalized.	
Support GOU working groups for relevant legislation drafting for LEDS	IRG	STTAs, CCS, JurEnerg	October 1, 2014 – August 30, 2015	Analytical documents, draft regulation and legislation	
Draft MRV regulations are further developed and proposed for broad stakeholder consultation process on national and regional levels.	IRG	STTAs, CCS, Jurenerg	December 1, 2014 – May 30, 2015	Draft municipal and national MRV regulations	

Support quarterly meetings of State Interagency Commission on UNFCCC Provisions Implementation and assist members of the Commission on preparation and follow-up of the meetings.	IRG	STTAs, CCS,	November 1, 2014 – September 30, 2015	Analytical reports, draft regulatory and policy documents, agendas and minutes of the meetings.	M 4.2.1 Interagency Commission on UNFCCC Provisions Implementation activity enhanced.
LEDS State Policy Concept is developed.	IRG	STTAs, CCS, JurEnergó	October 1, 2014 – March 30, 2015	Draft LEDS State Policy Concept is developed.	
Prepare policies and programs for LEDS-REDS project specifications/guidelines and financing mechanisms	IRG	IIEEC, STTAs	March 31 – September 30, 2015	Specifications and guidance for financing mechanisms	
Assist cities and utilities in preparing CE investment projects	IRG	IIEEC, STTAs	March 31 – September 30, 2014	CE/EE project identified	
Road Map for implementation of energy efficient and clean energy projects developed.	IRG	IIEEC, STTAs	March 31 – August 30, 2015	Road Map on Implementation of Municipal Energy Efficient and Clean Energy Projects.	M 4.2.2 Road Map on Implementation of Municipal Energy Efficient and Clean Energy Projects.
Trainings for energy efficient and clean energy municipal projects are conducted.	IRG	IIEECs, STTAs	July 30 – September 30, 2015	Training curriculum and materials.	
Task 4.3 Developing a uniform database on LEDS-REDS and exchanging experiences and best practices with other countries participating in EC-LEDS	IRG	Consultants, Partners	Quarters 1, 2, 3, 4	Uniform database established in accordance with international best practices; Ukraine integrated into international cooperation on LEDS-REDS	GOU agencies linked to international LEDS portal and received information on best practices
Provide recommendations on Work Function Section of uniform database.	IRG	CCS, STTAs, IIEEC	October 1 – December 30, 2014	Scope of Work Function Section of uniformed database developed based on other countries LEDS experience and lessons learned.	
Operationalize and provide on-going technical and substantial support for LEDS database.	IRG	STTAs, CCS, IIEEC	January 1 – August 30, 2015	LEDS database regularly reviewed and updated according to the needs and requirements of LEDS policies and activities.	M 4.3.1 LEDS database is up and running
Organize Study Tour on LEDS to participate in US LEDS event and learn best international practices	IRG	CCS, DWG	September 15-30, 2015	Lessons learned on LEDS development and implementation	

Activities and Subtasks	Months												Expected Results
	1	2	3	4	5	6	7	8	9	10	11	12	
Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment													
Task 1.1 Developing Enabling Legislative and Policy Environment													
Assist GOU High Level Working Group lead by VPM on implementation of GOU reform agenda on EE and RE													<ul style="list-style-type: none"> • Passage of key draft laws and sub-laws needed for Municipal Energy Reform implementation (legal score card, minimum of 7 legal and regulatory acts) by end of Year 2
Assist GOU in implementation of the National Action Plan on EE and RE, developing sub-laws, methodologies													
Strengthen donor coordination on municipal EE and RE reforms with support of e-based donor coordination													
In coordination with donors, support MinRegion in adoption of ESCO, HQAs, and EE legislation by the Rada													
Assist Rada Committees on adoption of key municipal energy efficiency legislations													
Organize presentations and public discussions of the draft legislation/regulations													
Task 1.2 Supporting Energy Efficiency Standards													
Assist MinRegion and SAEETechnical Committees in preparing and approving EE standards													<ul style="list-style-type: none"> • Preparation and passage of key standards on energy management, energy audit, and building norms in accordance with ISO 50001 and EU Energy Norms; • Improved capacity of GOU entities to develop and enforce new energy standards and norms.
Assist MinEconomy and SAEETechnical Committees in developing enforcement docs and training for Energy Management Standard ISO 50001													
Assist MinRegion in finalizing and approving Standard on Energy Audit of Buildings													
Develop standard as per EN 12831, Heating systems in Buildings – Method for calculation of design heat load													
Develop new standard as per EN ISO 10077-1, Thermal performance of windows, doors and shutters													
Assist MinRegion in finalizing and approving EN 12831 and EN ISO 10077-1 standards													
Task 1.3 Improving Tariff Setting													
In coordination with WB/SIDA and EBRD, assist NCSRC on improvement of investment methodology													<ul style="list-style-type: none"> • Approval of new incentive-based and cost-reflective tariffs for all activities (production, transportation, distribution) and implementation by utilities; • NCCSMR ensuring quality and accessibility of communal services for end users
Develop recommendations on introduction of the two-tier tariff models for centralized water and wastewater													
Support approval and implementation of the Concept of communal services quality by the GOU													
Assist NCSRC with developing mechanisms on quality assurance in the new tariff model													
Assist NCSRC on gradual introduction of RAB incentive tariff regulation of heating and water supply utilities													
Assist NCSRC on establishment of transparency system of tariff setting and regulatory decision making													
Task 1.4 Improving Social Safety Net Policies													
Enhance coordination on social protection of low-income consumers with WB team and GOU working groups													<ul style="list-style-type: none"> • Better transparency of energy subsidies that go directly to end-users through enactment of new legislation/regulation that is direct targeted/means-tested • Better non-biased/non-discriminatory economic protection for the poor that stimulates energy efficiency adoption among low-income end users
Assist the GOU with optimization and enforcement of new mechanisms of social assistance for consumers													
Develop proposals on improvement of social housing norms, norms of consumption of communal services													
Provide capacity building of Ministry of Social Policy and its regional offices on enforcement of new social protection mechanisms													
Analyze and assess the efficiency and targeting accuracy of the new program of housing subsidies. Prepare recommendations for its improvement													
Develop mechanisms of transition to the monetized targeted assistance to consumers of housing and utility services													
Organize round table discussions with the GOU on efficiency of new subsidies system, recommend changes													

Task 1.5 Regulatory Information System Development		
In coordination with WB/SIDA, assist NCSRC in organizing tender for software development		<ul style="list-style-type: none"> Unified, sector-wide database established Operational RIMS by Year 2 (depends on funds from USAID or other donor)
Assist NCSRC in organizing tender for hardware to support RIMS		
In coordination with WB/SIDA, prepare operational manual on RIMS for NCSRC staff		
Provide training to NCSRC on functionality and use of new RIMS		
Task 1.6 Developing Utility Benchmarking		
Capacity building support to NCSRC to improve methodology on accounting and reporting by the licensees		<ul style="list-style-type: none"> Validation of key performance indicators, improved quality of services NCCSMR tested system of benchmarking and started its operation
Train NCSRC, its Regional Offices and utilities to build capacity for applying new Regulatory reporting		
Test new regulatory reporting for compliance with the accounting principles with 10 pilot utilities		
Conduct data analysis applying different methods of economic analysis		
Train NCSRC and its nine Regional Offices to build capacity of utilities for reporting benchmarking indicators and related data		
Develop models for using benchmarking indicators in tariff setting (incentive regulation)		
Task 1.7 Capacity Building		
Conduct training seminars for Mn Region PIU on management and reporting of IFIs projects		<ul style="list-style-type: none"> Mn region capacity to manage international investment projects improved, NCCSMR regulatory capacity meet international best practices
Conduct training seminars for NCSRC departments on functional responsibilities		
Conduct training seminars for regional offices and licensees on the areas of capacity building		
Activity 2: Promote Investment In Clean Energy Technologies And Applications		
Task 2.1 Developing cooperation strategies		
Review of IFIs portfolios for selection of second group of partner cities		<ul style="list-style-type: none"> Coordinated selection with USAID and IFIs of second group of cities
Concur with USAID and IFIs list of the cities for the second group		
Develop activity plan for each partner city and agree it with the city authorities		
Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects		
Conduct third training seminar for first group of cities on SEAPs investment programs		<ul style="list-style-type: none"> 6 SEAPs of first group of cities approved and accepted by EU CoM, investment proposals developed and PIUs assisted. Capacity built and energy audits conducted for second group of cities. 5 SEAPs prepared for second group of cities and discussed with local communities
Assist first group of partner cities in getting political approval of developed SEAPs		
Identify investment opportunities in partner cities from first group and present them to IFIs and investors		
Prepare investment proposals on EE and CE projects for the first group of cities and train PIUs		
Organize introduction seminar on SEAPs for second group of selected cities		
Assist second group of cities on establishing City Advisory Committees and expert WGs for SEAPs development		
Transfer the Municipal Energy Information System to the cities of second group		
Organize three training seminars for partner cities from second group on SEAP development		
Conduct energy audits in the cities to evaluate current baselines and estimate potential for EE/CE/GHG emission reduction projects for key municipal service areas		
Prepare SEAPs, present them to key stakeholders and discuss with public		
Train cities of second group on preparation of bankable investment proposals		

Task 2.3 Introduction of Energy Management Systems		
Train partner cities and their municipal utilities on energy management cycle		• Energy management training and assistance provided to 5 partner cities from second group based on ISO 50001.
Assist partner cities in preparing energy management documentation, procedures and tool (including IT tools)		
Assist cities management in formulating energy management org chart with description of responsibilities		
Organize dissemination of this experience to other cities of the region through round tables		
Task 2.4 Development Credit Authority Loan Guarantee		
Assist Bank Lviv on utilization of USAID DCA for energy efficiency by providing training to bank departments		• DCA with Bank Lviv is well used. New DCA started and assistance provided to new commercial bank.
Training seminars for HOAs and SMEs on end-use energy efficiency to grow demand for commercial lending		
Conduct monitoring of utilization rate of USAID DCA with Bank Lviv		
Assist USAID in financial and risks analysis and negotiations with pre-selected bank (s) for new DCA		
Assess bank needs in training and conduct training on EE projects for new DCA		
Task 2.5 Support Mechanisms that Mobilize Private Sector Investment		
Analyze partner cities needs in establishment of ESCO/EPC		• One ESCO/EPC prepared in the partner city • One PPP package developed for gas substitution project
Develop package of legal and financial documentation needed for implementation of ESCO		
Assist on investment attraction and implementation of municipal ESCO/EPC		
Prepare pre-feasibility study for bio-fuel projects		
Prepare package of PPP legal and technical documents for partner cities		
Task 2.6 Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials		
Establish regular coordination on PR activities with MnRegion PR WG, donors, GOU Committee of Reforms		• Public information campaigns in 5 municipalities from second group • PSAs developed and civil society supports to CE/EE measures • Generate behavior changed that supports energy savings/efficiency
Assure public awareness campaign on EE/RE through promotion of targeted information materials in cities		
Cooperation with advertising agencies to develop design of outdoor PSAs/information materials		
Support City Council Press Offices/ NGOs by offering training workshops on PR and outreach issues		
For the media, hold expert energy briefings followed by trainings on EE/RE, OSBB, tariff reform		
Conduct contest for journalists on the best publication on themes related to EE/RE/Tariff regulation reform		
Targeted public outreach events in the cities will include Energy Efficiency Days, distribution of PSAs, etc		
Public Hearings on SEAP to involve general public into discussion about priority areas of EE in pilot cities		
Support of partners' web sites and dissemination of best practices		
Activity 3: Capacity Building and Dissemination		
Task 3.1 Preparing a local non-governmental organization for a direct award from USAID		
Conduct selection of at least two local NGOs		• Two local NGOs are trained and their operations are improved to meet USAID standards
Conduct negotiations and make sub-grants to at least 2 local NGOs		
Conduct technical skills and capacity improvement for selected NGOs		
Draft program description with list of activities to be implemented by local partner under USAID direct award		
Assist local partners to improve organizational procedures and practices to meet USAID eligibility criteria		
Based on the agreed criteria, jointly with USAID conduct certification of eligibility for at least one local NGO		
Provide CBPs implementation support to selected NGOs		
Prepare a report on capacity building activities		



**U.S. Agency for International
Development**

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524