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MUNICIPAL ENERGY REFORM IN UKRAINE

MUNICIPAL ENERGY REFORM PROJECT (MERP)

TENTH QUARTERLY REPORT

JANUARY 1, 2016 – MARCH 31, 2016



April 2016

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 COP Larry Good discusses potential EE/CE projects with Ivano-Frankivsk Mayor Ruslan Martsenkiv</p>	<p>Five hundred new billboards in Project Partner Cities encourage Ukrainians to implement EE measures</p>	<p>Hennadii Zubko, Vice Prime Minister of Ukraine presents National Energy Efficiency Fund concept</p>
<p>MERP Expert Kadria Safiulina Announces Competition among Children Aimed to Reduce Power Consumption in Schools</p>	<p>MERP TV Program Your Home Gains More Audience: Seven National and Regional Channels Already Broadcast the Program</p>	<p>MERP Expert Ruslan Tormosov Gives Presentation During Public Hearing at Khmelnytskyi City Council</p>
<p>MERP Expert Aliona Nych Speaks during Workshop "Customer Relations and Image Making for Service Providers"</p>	<p>MERP Director of Communications and Government Relations Vira Illiash Gives Presentation at Workshop for CE HOA Resource Centers</p>	<p>Civil Society Activists Participate in Public Hearing on Updated Sustainable Energy Action Plan in Rivne</p>

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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.

ABBREVIATIONS

AE	Alternative energy
AUC	Association of Ukrainian Cities
CE	Clean energy
CMU	Cabinet of Ministers of Ukraine
COR	Contracting Officer's Representative
DCA	Development Credit Authority
DH	District heating
DTEK	Donbass Energy and Fuel Company
EBRD	European Bank for Reconstruction and Development
EC-LEDS	Enhanced Capacity for Low Emissions Development Strategies
EE	Energy efficiency
EPC	Energy performance contracting
ESCO	Energy services company
EU	European Union
GCC	Global climate change
GHG	Greenhouse gas
GIZ	German Corporation for International Cooperation
GOU	Government of Ukraine
HOA	Home Owners' Association
IBSER	Institute for Budgetary and Socio-Economic Research
IEE	Initial Environmental Examination
IFC	International Finance Corporation
IFI	International Financial Institution
INDC	Intended Nationally Determined Contributions
IRG	International Resources Group
KPI	Key performance indicator
LEDS	Low Emissions Development Strategies
MERP	Municipal Energy Reform Project
MinRegion	Ministry of Regional Development, Construction, Housing & Communal Services
MOU	Memorandum of understanding

MRV	Measurement, reporting & verification
NECSRC	National Energy and Communal Services Regulatory Commission
NEFCO	Nordic Environment Finance Corporation
NGO	Non-governmental organization
NUPAS	Non-US Organization Pre-Award Survey
PIU	Project implementation unit
PPP	Public-private partnership
PSA	Public service advertisement, Public service announcement
Q1, Q2...	1 st quarter, 2 nd quarter, etc.
RAB	Regulatory asset base
REDS	Resource efficiency development strategies
ROR	Rate of return regulation
RFA	Request for application
SDC	Swiss Agency for Development and Cooperation
SAEE	State Agency on Energy Efficiency and Energy Saving of Ukraine
SEAP	Sustainable energy action plan
SEIA	State Environmental Investment Agency
SIDA	Swedish International Development Cooperation Agency
SOW	Scope of work
SSC	State Statistics Committee
TNA	Technology Needs Assessment
TOR	Terms of reference
UAH	Ukrainian hryvna (currency)
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

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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 activities:

- Improve the Clean Energy Regulatory and Legislative Enabling Environment
- Promote Investment in Clean Energy Technologies and Applications
- Capacity Building and Dissemination
- Enhance the Capacity of the GOU in Low Emission Development Strategies (EC LEDS)

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 to underpin CE and EE improvements in the energy sector.

The Project focuses on introducing energy efficiency and clean energy in cities by assisting municipalities with

- Planning, preparing, and financing clean energy projects
- Introducing energy management systems
- Supporting implementation of development of DCA loan guarantees
- Supporting mechanisms that mobilize private sector investment, in particular performance contracts by energy services companies (ESCOs)
- Preparing sustainable energy public awareness plans

This Quarterly Report is submitted in accordance with the Contract requirements and covers the project period from January 1, 2016, through March 31, 2016. 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 the indicators set by the Monitoring and Evaluation Plan.

A. SUMMARY OF PROGRESS AND ACCOMPLISHMENTS

The overall objective of the Project is to enhance Ukraine's energy security. Increased end-use energy efficiency combined with the 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 (GHG) emissions, energy expenditures, and overall energy imports.

Under Activity 1, the Project continued supporting GOU and the Ukrainian parliament to approve key legislation related to municipal energy reform.

Law on Commercial Metering of Communal Services

The Project, in cooperation with SAEE and EU Support Group to Ukraine, prepared the bill "On commercial metering of communal services. The Ministry of Regional Development submitted a draft of the law to relevant institutions (Energy Community Secretariat, NECSRC and other) and agencies for comments.

Law "On Housing and Communal Services"

In February 2016, Verkhovna Rada adopted the preliminary reading of the bill on Housing and Communal Services (reg. #1581-d). The bill included a chapter on commercial metering prepared with Project assistance. The Project provided support in preparing the bill for the second reading. In addition, the Project supported discussions on the new version of the bill at the VR committee (4 working group meetings).

Regulatory acts aimed to facilitate the implementation of the Law of Ukraine "On the specifics of the right of ownership in a multi-family residential building" (registration #417-19)

GOU adopted the decrees "On approval of the Procedure for storing the minutes of meetings of co-owners of multi-family dwellings and placement of information on decisions taken by such meetings" and "On approval of the Procedure for writing institutionally-owned multi-family buildings off the balance"¹. Both decrees were developed by the MinRegion with Project support.

The Project supported the adoption of the regulatory acts through a series of negotiations, public meetings, and participation in television and radio events.

Law on Energy Efficiency in Buildings

A new version of the bill was published for comments on the MinRegion web-site in January 2016. The Project supported SAEE in addressing comments received from the relevant governmental bodies. The current version of the bill can be recommended for submission to Verkhovna Rada of Ukraine and adoption as it complies with EU Directive 2010/31/EU.

Law on National Energy and Communal Services Regulatory Commission (NECSRC)

In January 2016, the bill "On National Energy and Communal Services Regulatory Commission" (registration #2966, improved version) was returned for a repeated first reading. This enabled the incorporation of the most critical amendments to the version of the law prepared by the GOU. The Project assisted the Verkhovna Rada committee and supported the preparation of the law for the repeated first reading. The Project holds that the improved version meets Energy Community requirements.

To support the adoption of the law, the Project actively advocated the creation of an independent regulator in the energy and public utilities sectors.

Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)

In close cooperation with the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD), the Project continued supporting the National Energy and Communal Services

¹ This important act defines the procedures for writing off multi-apartment buildings and/or property (to allow transfer to private co-owners) from the balances of ministries, central executive bodies, state enterprises and local governments'.

Regulatory Commission (NECSRC) to bring its regulatory activities in line with best international practice. During the reporting period, the Project continued building NECSRC capacity by conducting four training seminars. In addition, the Project supported the participation of two NECSRC representatives in the ERRA Training Course on Renewable Energy Regulation.

Changes to assets valuation methodology for natural monopolies in the DH and water & wastewater sectors

During the reporting period, the Project continued the revision of the Asset Valuation Methodology (Order #293, approved by the State Property Fund in 2013). To raise finance for pilot evaluation of utilities, the Project held meetings with the World Bank and NECSRC.

Introduction of RAB incentive tariff regulation for heating and water sectors' utilities

The Project continued supporting the introduction of incentive-based tariff regulation. In January 2016, the Project provided the final version of the Concept on the gradual introduction of RAB incentive-based tariff regulation to NECSRC.

Development of a mechanism to use benchmarking indicators based on an analysis of best international practice

The Project submitted to NECSRC the report "Recommendations on the use of benchmarking results in the regulatory activities" and started preparing the Recommendations on the calculation and application of key performance indicators in the centralized water and wastewater sector (recommendations in KPI cards). NECSRC concurred with the list of KPIs and the KPI calculation algorithm.

Improvement of regulatory reporting forms

In December 2015, new forms were submitted to NECSRC for review and approval. Following the review, NECSRC placed relevant draft decrees on adoption of the forms on its official website for discussion and comments. During the reporting period, the Project assisted NECSRC in addressing comments received from the State Statistics Service of Ukraine and State Regulatory Service of Ukraine.

Assist NECSRC to improve current legislation on tariff regulation

The Project assisted NECSRC in obtaining concurrence from the relevant institutions and agencies for six draft decrees on the new tariff setting regulations and tariff setting procedures in the heating and water and wastewater sectors. As a result of Project assistance, all decrees received concurrence, were approved by NECSRC, and sent to the Ministry of Justice for registration.

Improvement of Investment Methodology for loans from IFIs attracted by utility companies for implementation of investment projects

During the reporting period, the Project assisted NECSRC in improving the Investment Methodology in the part of investment projects financed from IFI loans. The Project held several working meetings with NECSRC representatives. As a result of the discussions, it was agreed that for the new loans the Project would prepare a draft of NECSRC decree "On approval of the procedure and conditions under which NECSRC provides concurrence to loans from IFIs attracted by utility companies for implementing investment projects". For the loans already in place, NECSRC will review the current loan portfolio and the Project will provide assistance in drafting the relevant CMU decree and in developing supporting documentation.

Mechanisms for service quality assurance in the new tariff model

During the reporting period, the Project provided assistance to the NECSRC to develop recommendations for service quality assurance in the new tariff model. Project experts provided assistance with improvements of the tariff model, covering issues related to above-standard expenses, foreign exchange risks/currency exchange fluctuations and penalties.

Pilot survey on quality of utility services and consumer readiness to pay for utility services

During the reporting period, the Project: 1) collected data for survey sampling; 2) draft of the survey questionnaire; and 3) prepared Survey Action Plan. The survey is to cover 3600 households (face-to-face interviews) throughout Ukraine. The survey will be conducted during Project Q11.

Supporting Improvement of Social Safety Net for Vulnerable Population

In close cooperation with the WB social assistance team, the Project continued assisting the Ministry of Social Policy to support the implementation of the existing system of subsidies to low-income consumers and to improve the system of social norms for communal services.

The Project assisted the Ministry of Social Policy in analyzing the subsidy procedures and subsidies provided during the heating season 2015-2016. The results of the analysis were used for preparing the proposals on corresponding amendments to the current subsidy provision procedure.

The Project provided consultations to the regional social protection bodies of Dnipropetrovsk, Kyiv, Zhytomyr, Rivne, Sumy, Lviv, and Ivano-Frankivsk oblasts on preferential natural gas tariffs for subsidy calculations; subsidy recalculations; income-based subsidies and income verification procedures; etc.

The Project assisted MinRegion with the development of the algorithm and monitoring of actual remaining balances of subsidy amounts accumulated in current accounts of utility service providers.

Monitoring efficiency of new system of subsidies

Based on subsidy data collected from Project partner cities and regional social protection offices, the Project developed an assessment model for the housing subsidy program through a socio-economic portrait of a housing subsidy recipient. The model will be used for (1) assessing the effectiveness of the social protection reform effort, targeting the accuracy and social weight of the new subsidy program, and (2) preparation of recommendations for the Government of Ukraine regarding the improvement of the social protection system, increasing the targeting accuracy of the subsidy program, avoiding possible duplication, and the introduction of EE incentives.

Development of a concept paper for encouraging low-income families, housing subsidy recipients, to implement energy efficiency improvements

During the reporting period, the Project participated in five Working Group meetings at the State Agency for Energy Efficiency and Energy Saving of Ukraine and contributed to the debate about EE incentives for low-income families. The Project contributed to the draft amendments to the GOU Decree aimed to direct subsidies (or portions thereof) not used by households as a contribution to EE loan repayments; the contribution to payments under energy performance/service contracts. The Head of SAEU highly appreciated the amendments proposed by the Project. SAEU also received Project assistance in preparing the Concept of Social Protection Reform for Service Consumers and a corresponding Plan of Actions.

Public Information and Awareness Campaign

The Project, in cooperation with MinRegion and SAEU, launched the “Insulate Correctly!” outreach campaign. The Project designed new billboards that promote effective energy saving measures in multi-apartment buildings and the creation of HOAs to benefit from the state program of loan compensation for EE projects. During the reporting period, over 700 outdoor posters had been distributed and placed. Overall, since 2014 the Project has placed (on a free of charge basis) 1600 billboards and 650 city-lights as part of its outreach campaign in Ukrainian municipalities.

During the reporting period, the Project received 22 requests from national and regional TV channels to allow the broadcasting of its TV program “Your Home”. As of end of March, 10 channels (two national and eight regional) had already received re-broadcasting permission, while another 12 are in the process of finalizing the relevant arrangements. As of March 28, 22 episodes of the program had been broadcast on “UA-One” TV Channel and reached over 2.5 million Ukrainians. As of March 28, the program had reached over 1.6 million Facebook users. The Project designed and distributed a series of [leaflets devoted to receiving housing subsidies](#). The Project created an online “[Subsidy Calculator](#)”. With its help, every Ukrainian can very precisely and easily calculate the amount of his/her subsidy.

In order to demonstrate the benefits of thermomodernization of an entire multi-apartment building versus patch insulation, the Project created a poster which was placed on the Project web site and FB page.

The Project prepared a new edition of the brochure “Why tariffs go up”. The updated brochure explains why the rapid increase of tariffs for communal services occurred, what they consist of, and why the change of one component leads to a general change of the tariff.

Under Activity 2, the Project supported partner cities with the preparation and implementation of their Sustainable Energy Action Plans (SEAPs) in compliance with the European Covenant of Mayors (CoM).

Assisting Municipalities with Planning, Preparing and Financing for CE Projects

As of the end of the reporting period, seven SEAPs had been approved (Chernihiv, Dnipropetrovsk, Ivano-Frankivsk, Kherson, Kramatorsk, Lutsk, Zaporizhzhia), four final versions prepared (public hearings conducted) and awaiting city council approval (Vinnytsia, Ternopil, Khmelnytskyi, Rivne), and another four are in the process of finalization (Kyiv, Sumy, Pavlohrad, Kriviy Rih)

Preparation of CE investment project catalogues to reduce CO2 emissions for each pilot city

To facilitate investment in partner cities, the Project continued preparing investment catalogs to attract financing from IFIs and the private sector. As at the end of the reporting period 11 catalogs had been prepared for the cities of Vinnytsia, Chernihiv, Lutsk, Khmelnytskyi, Dnipropetrovsk, Zaporizhzhia, Kherson, Kramatorsk, Pavlohrad, Kyiv, and Ivano-Frankivsk.

EE/CE Investment opportunities newsletter

The Project produced the first issue of the newsletter “New Opportunities for Investments”. The newsletter was distributed (e-version) to 131 recipients, including ministries, state agencies, regional administrations, city councils and utility companies; IFIs, donor organizations, NGOs, professional associations, and international technical assistance projects.

EE/CE Projects development and support

Based on requests from the partner cities, the Project continued supporting the preparation and implementation of EE/CE projects. The Project organized and conducted presentations and discussions with the cities of Ivano-Frankivsk, Kamianets-Podilskyi, Kherson, Ternopil and Dnipropetrovsk. During the reporting period, the Project: 1) conducted 43 energy audits of buildings; 2) prepared six pre-feasibility studies and business plans; 3) initiated feasibility studies for the modernization of public buildings in the cities of Ternopil (82 buildings), Chernihiv (73 buildings), Khmelnytskyi (31 buildings), and Zaporizhzhia (60 buildings).

As of the end of the reporting period, the Project pipeline includes 42 new projects (valued at approximately² USD 205 million) and in four projects the Project is instrumental in providing post-signing support to EBRD and WB funded activities (valued at approximately USD 73 million).

Funding leveraged for residential energy efficiency

As of March 31, 2015, the amount of loans issued under the State Program to support residential energy efficiency reached UAH 1.3 billion. In all, 100,000 households participated in the program. Starting from May 2015, over 200 HOAs had received loans under the program.

Development Credit Authority Loan Guarantee

Bank Lviv

As of March 31, 2016, the DCA cumulative utilization ratio stood at 14.76%. Four applications for EE loans from SMEs are currently under review by Bank Lviv. During the reporting period, the Project held two capacity building seminars for the bank’s personnel.

Procredit Bank

The Project conducted a DCA LG orientation meeting with ProCredit Bank. The purpose of the meeting was to discuss what assistance (including trainings in the subjects of HOA, ESCO, energy audit, etc.) the Project can offer to ProCredit Bank in order to boost the bank’s DCA LG utilization rate for EE projects. It is expected that following internal discussions, Procredit Bank will prepare and send request to the Project regarding priority assistance areas.

Support to ESCO mechanisms implementation

² Some project values have not been identified (to be determined), and thus not included into the overall value.

The Project finalized a draft pre-feasibility study and report on financing mechanisms to support the EE modernization of public buildings in Zaporizhzhia (potential EBRD funded ESCO project).

Creation of the national database on public buildings for implementation of EE improvements

In cooperation with SAEE, the Project completed the database on public buildings for the implementation of EE improvements. The database includes 16,185 public buildings and covers 25 administrative regions across Ukraine (excludes Crimea and Sevastopol). The database will be used as an analytical tool to provide information on EE potential in the public buildings sector and serve as a reference for potential investors, including those interested in implementing different types of ESCO mechanisms at the municipal level.

Energy efficiency in the residential sector

During the reporting period, the Project supported a number of activities aimed at promoting EE in the residential sector.

Support to allocation of funding to EE in residential sector (“warm” loans program)

Through an advocacy campaign, the Project actively supported the continuation of the State Program to support EE in the residential sector (the Warm Credits program) in 2016. As a result of the campaign, CMU supported co-financing in 2016 from the State Budget in the amount of UAH 894 million.

Monitoring and assessment of the national EE program (“warm” loans program)

In cooperation with SAEE and IFC, the Project developed a methodology for monitoring and assessing the national residential EE program. The purpose of this activity is to determine whether the goals of the national EE program are reached.

Concept Paper for implementing CE projects

The Project developed a Concept Paper for implementing CE projects co-financed by equipment and materials producers, local authorities, and buildings residents. Four different CE projects were developed for two types of the multi-apartment residential buildings, since these two types represent up to 80% of the residential buildings of the Ukrainian cities: a 5-storey “Khrushchevka” building (50 flats) and a 9-storey sectional (panel) building (144 flats). The concept was presented at the HOA training seminar in March 2016. As a result of the presentation a number of HOA support center representatives expressed interest in implementing the demo projects.

Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials

To support the SEAP approval process, the Project supported public hearings in four partner cities.

The Project conducted several meetings with Kyiv City Administration to discuss its role in supporting a public outreach campaign in the capital. The campaign will cover the most pressing issues related to implementing energy efficiency measures in multi-apartment buildings, including the creation of condominiums or selection of a management company for communal service provision, and the promotion of a state program of loan compensation for EE measures and materials. This campaign is urgently needed due to the fact that Ukrainian legislation stipulates that on July 1, all current communal service providers, called ZHEKs, will be abolished. By this date, 90% of multi-apartment buildings’ co-owners (where Condominiums are not created), will have to select the form of management in their building and identify their communal service provider (private or communal entities). If this is not done, the municipality will appoint the building manager on their behalf.

Under Activity 4, the Project continued supporting GOU with Low Emission Development Strategies (LEDS).

Strengthening institutional capacity in planning LEDs/REDS

The Project continued supporting MinEcology and developed a revised Draft State Climate Policy Concept based on all comments received from ministries and state agencies during the official comments process. On January 25, 2016, Inter-governmental Commission on UNFCCC Implementation supported the revised Draft State Climate Policy Concept.

The Project contributed to the development of Cabinet of Ministers of Ukraine Action Plan for 2016, which was published on March 14, 2016 on the official CMU website. The Action Plan item reflects the

MinEcology commitment to develop a draft legal act on its low emission development strategy (LEDS) with the view to approve it in September 2016.

The Project finalized the LEDS Implementation Action Plan for Ukraine, which outlines the steps and milestones for LEDS Action Plan implementation in Ukraine.

The Project continued providing MRV support to MinEcology as a first step in establishing an Emission Trading Schemes system in Ukraine, including coordination with other international donors and an MRV training program. The Project developed an MRV training program for municipal heating companies and selected three partner cities for MRV training and the development of pilot Monitoring Plans. MinEcology has provided positive comments on the MRV training package developed by the Project. The Project conducted the first MRV training session in Ternopil on March 29-30, 2016.

The Project continued updating the TIMES-Ukraine model, and based on a request from MinEnergy, started supporting in forecasting to support the development of new Energy Strategy till 2035.

The Project intensified cooperation with National GHG Inventory Center and provided support in evaluating GHG emissions data at the regional level.

Implementing LEDs/REDS through support in developing and introducing clean energy technologies and energy services

The Project published and disseminated the Technology Needs Assessment (TNA) Report for the Municipal Sector. All Ukrainian municipalities can use the TNA Report for selecting low emission technologies that are both applicable for them and recognized by IFIs as eligible for climate finance.

The Project developed a User Manual for the BioGrace Tool to support to SAEE with the implementation of Directive 2009/28/EC. The Project finalized documents, including a demo version of the calculation tool (Excel-file), BioGrace calculation rules, a list of Standard Values and the User Manual needed for calculating GHG emissions from biofuels and bio liquids using the BioGrace Tool.

Developing a uniform database on LEDs/REDS and exchanging experiences and best practices with other countries participating in EC-LEDs

The Project continued populating the UA-LEDS database for Ukraine in the Biomass and Solar Power sections, and started sharing this web-based portal with the LEDS Action Plan participant team. This Ukrainian-language database is developed based on the international LEDS wiki-base OpenIE.

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

B.1 PROJECT TEAM AND PROCUREMENT ACTIONS

During the reporting period, the Project assisted the key project stakeholders: the Ministry of Regional Development, Construction, Housing and Communal Services (MinRegion), Verkhovna Rada committees, the State Agency for Energy Efficiency, the Ministry of Social Policy, the National Energy and Communal Services Regulatory Commission, partner cities, and members of the donor community. The Project has 21 recipients as of March 2016.

As of March 31, 2016, Project staff totals 15 employees. In February 2016, Lawrence Good left the project and Diana Korsakaite was approved as Chief of Party.

B.3 ENVIRONMENTAL COMPLIANCE

The Project is taking steps to conform to USAID environmental regulations in 22 Code of Federal Regulations (CFR) 216. The Project incorporated environmental mitigation measures as a standard component of its program management. The Project assessed and developed a plan to meet USAID and

Ukrainian environmental requirements through mitigating and monitoring environmental risks. The Project does not foresee any significant adverse environmental impacts from Project Activities. This is confirmed by the Initial Environmental Examination (IEE) recommendation of “categorical exclusion” for most Project tasks and Activities. “Negative determination with conditions” was defined for Project Tasks 1.2, 1.6, 2.2, 2.4, and 2.5. The Project assessed the possible environmental risks for these tasks and started implementing measures recommended by IEE (4.3.1-4.3.4). The Project 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, and Monitoring Plan.

It is anticipated that many project activities will not have any effect on the environment and human health in Ukraine. While some project activities may have some effect, in most cases, this environmental/health effect is deemed to be positive – as increased energy efficiency and use of CE will lead to reduced energy consumption and GHG emissions.

The preliminary environmental assessment of Project activities enabled the definition of potential environmental impacts and recommended environmental determination as:

- Categorical Exclusion: The activity is not likely to have an effect on the natural or physical environment. No further environmental review is required;
- Negative Determination with Conditions: The activity does not have potentially significant adverse environmental, health, or safety effects, but may contribute to minor impacts that can be eliminated or adequately minimized by appropriate mitigation measures.

Project activities:

Activity 1: “Improve the Clean Energy Regulatory and Legislative Enabling Environment”

All the activities during the reporting period were assessed against the IEE and Project Monitoring plan. It was determined that all activities meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. However, it is recommended to ensure that the principle of aiming to prevent the depletion of natural resources and deterioration of environmental components (air, water, land, plant and animal life) is mainstreamed into the draft laws and regulations that may be developed as a result of Project activities.

Activity 2: “Promote Investment in Clean Energy Technologies and Applications”

During the reporting period, the Project developed nine documents that fall under negative determination with conditions. In particular, these include:

- The Sustainable Energy Action Plan for the city Ternopil;
- Pre-Feasibility study "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Khmelnytskyi"
- Report on Energy Audit of Communal Enterprise "Ternopilmiskcomunenergo"
- Pre-Feasibility study for the Project "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Kamianets-Podilskyi"
- Pre-feasibility study for the Project "Creation of Biofuel Cogeneration Plant at the Boiler Facility of the communal enterprise "Pivdenno-Zakhidni Teplomerzhi" Located at 2 Pivnichna Street in the city of Khmelnytskyi";
- Energy Audit Reports and Business Plan for Thermomodernization of Kindergarten #231 and #15 in Kryvyi Rih;
- Pre-Feasibility Study on Gas Energy Production from Landfill Gas in Ivano-Frankivsk.

No adverse environmental impact is likely, although, according to 4.3.5 of IEE it is recommended to advise the assisted municipalities to integrate environmental and/or health considerations into the project/plans since they may have a local negative effect on the environment. According to the Project Mitigation Measures plan (MMP) the SEAP projects involving the construction of new energy supply/heating facilities or upgrade

of existing facilities should undergo the national environmental assessment process including the preparation of EIA in line with DBN A.2.2-1-2003.

During project implementation, all the available and applicable environmental protection measures for reduction of landfill negative environmental impact will be taken into consideration.

The rest of the activities were assessed against the IEE and Project Monitoring plan. It was determined that all activities meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required.

Activity 3: “Capacity Building and Dissemination”

There were no activities conducted under Component 3 during the reporting period.

Activity 4: “Enhance Capacity for the GOU in Low Emission Development Strategies (EC LEDS)”

All activities conducted during the reporting period were assessed against the IEE and Project Monitoring plan. It was determined that as all activities (except for one) meet the definition of a categorical exclusion and per 22 CFR 216.2 (c) (2) (i),(iii),(v) and (xiv), neither an initial environmental examination nor an environmental assessment is required. However, it is recommended to ensure that the principle aimed at preventing the depletion of natural resources and deterioration of environmental components (air, water, land, plant and animal life) is mainstreamed into the draft laws and regulations that may be developed as a result of the project activities.

The conclusions are that 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. The Project regularly monitors its activities for compliance with environmental regulations.

B.4 PROGRESS AND ACCOMPLISHMENTS BY ACTIVITY

ACTIVITY 1: IMPROVE CLEAN ENERGY REGULATORY AND LEGISLATIVE ENABLING ENVIRONMENT

Task 1.1 Developing an Enabling Legislative and Policy Environment

During the reporting period, the Project continued supporting GOU in developing clean energy policies, legislation and regulations. The assistance is based on EU Energy Community requirements and best international practice. In particular, the Project supported the development and/or approval process for the following regulatory acts:

- Law on the Commercial Metering of Communal Services;
- Law on Housing and Communal Services;
- Legal acts to facilitate the implementation of the Law of Ukraine #417-VIII “On the specifics of the right of ownership in a multi-family residential building”;
- Law on Energy Efficiency in Buildings;
- Law on National Energy and Communal Services Regulatory Commission (NECSRC).

Law on Commercial Metering of Communal Services

During the reporting period, the Project, in cooperation with SAEE and EU Support Group to Ukraine, prepared and supported discussions for the bill “on Commercial metering of communal services”. In particular, this included:

- Development of the concept, structure and critical provisions of the law;
- Coordination and discussions with NECSRC, MinRegion, and EU Delegation;
- Addressing comments received from the Ministry of Regional Development;
- Holding meetings with SAEE to ensure a common approach and understanding on several key issues, including the roles of network owners and building owners.

Key disputable issues in the course of discussions were as follows:

Issue	Approved/Final decision
Can individual meters (for hot and cold water) be commercial?	In multi-apartment buildings, only collective meters can be commercial (requirement of EU Directive 2012/27/EU).
Should the criteria of technical feasibility of individual meter installation be identified in the law?	To stipulate mandatory installation for “horizontal layout of heat pipes in the apartment”, and for the systems with vertical rises – to envisage mandatory installation of heat energy allocators.
Who is charged with the obligation to finance measures on the procurement of building-level meters?	The supplier is charged with the obligation. But if the owners purchased the meter with their own funds, the supplier has no right to prevent its installation.
Who is charged with obligation to finance measures on procurement of individual (e.g. apartment level) meters?	The owner is charged with obligation.
Who is the owner of the meters?	The one at whose expense procurement is made. If owners of the building-level meter are the consumers, they transfer such meters to the supplier for consumer metering.
Who is charged with obligation to calibrate the meters?	On commercial meters – the meter supplier, for sub-billing meters (individual) – the owners. But the procedure of such calibration is established by the authorized agency.
How readings of individual meters are distributed between the co-owners?	Discussion is not over. The key principles are: 1) collective meter is commercial 2) expenses of every consumer = individual meter readings (or norm in absence of the meter) + aggregate building expenses 3) aggregate building expenses = (readings of the building-level meter – total of readings of individual meters (or norm)/number of consumers (or proportionally to space).
Should “non-balance” be distributed between all co-owners or just between those who do not have individual meters (or heat allocators)?	In order to create incentives to install individual meters, distribution of “non-balance” should be done between those owners who do not have the meters.
Place of collective meter installation: boundary between network balance inventory or inlet of the building?	The Directive requires installation at the building inlet

Ministry of Regional Development submitted a draft of law to relevant institutions (Energy Community Secretariat, NECSRC and other) and agencies for comments. MERP will continue working on the law during Q11 of the project.

Law “On Housing and Communal Services”

In February 2016, Verkhovna Rada adopted the first reading of the bill “on Housing and Communal Services” (reg. #1581-D). The bill included a chapter on commercial metering prepared with Project assistance.

At the request of the Verkhovna Rada Committee for Construction, Housing and Communal Services, the Project supported the preparation of the bill for its second reading. In addition, the Project supported discussions on the new version of the bill by the VR committee (4 working group meetings). The meetings were attended by the Ministry of Regional Development, the Ministry of Energy and Coal Industry, the Ministry of Social Policy, the Ministry of Environment and Natural Resources, NECSRC, the Anti-Monopoly Committee of Ukraine, the Kyiv City State Administration, sector associations, trade union associations, civil society organizations, and international experts.

The discussions focused on the following:

- conceptual issues presented in article 15 of Chapter 5 “Procedure under which housing and communal services are provided” of the bill (terminology; selection criteria for meters by their sensitivity and protection; meter maintenance; meter installation and calibration fees; etc.);
- contract between a service provider and a service consumer, provider and consumer rights and obligations, responsibility for proper maintenance of internal building networks and excessive loss of resources;
- housing management, rights and obligations of a housing manager, the procedure for setting the threshold housing management cost for privileges and subsidies holders;
- commercial metering of communal services.

Regulatory acts aimed at facilitating the implementation of the Law of Ukraine “on Specifics of the Right of Ownership in a Multi-family Residential Building” (registration #417-19)

In February 2016, GOU adopted the decree “On Approval of the Procedure for storing the minutes of meetings of co-owners of multi-family dwellings and placement of information on decisions taken by such meetings” (#109 dated February 24, 2016). The draft of the decree was developed by MinRegion to implement Article 10 (item 9) of the Law of Ukraine “On the specifics of the right of ownership in a multi-family residential building”. This procedure applies to the executive committees of village, town and city councils, condominiums and managers of multi-apartment buildings. The executive committees are to save, keep and make public the protocols for the determination of the manager and the election of an authorized representative of co-owners. The resolution provides for the storage of protocols throughout the life cycle of an apartment building.

MERP support for this legal act covered the following:

- Development of the Concept of the decree and its key provisions;
- Preparation of comments on the Procedure developed by the Ministry of Regional Development; and
- Work with the relevant central executive power bodies during the preparation of the decree by GOU Secretariat for the Government Committee meeting;

In March 2016, GOU adopted the decree “On approval of the Procedure for writing institutionally-owned multi-family buildings off the balance”. The draft of decree was prepared by MinRegion as required by item six of Final Provisions of Law #417-VIII “On the specifics of the right of ownership in a multi-family residential building”. This important act defines the procedures for writing off multi-apartment buildings and/or property (to allow transfer to private co-owners) from the balances of the ministries, central executive bodies, state enterprises and local governments’.

MERP support for this legal act covered the following:

- Comments on the draft of the procedure;
- Comments/proposals on the text of the Procedure in the course of the concurrence of the document with the government institutions and agencies; and
- Work with the relevant central executive bodies during the preparation of the decree by the GOU Secretariat for the Government Committee meeting.

In addition, the Project supported the adoption of the regulatory acts through a series of negotiations, public meetings, and participation in television and radio events.

Law on Energy Efficiency in Buildings

The new version of the bill was published for comment on the MinRegion web-site in January 2016. During the reporting period, MERP supported SAE in addressing comments received from the relevant governmental bodies. The current version of the bill can be recommended for submission to Verkhovna Rada of Ukraine and adoption as it complies with EU Directive 2010/31/EU. However, the Project sees that some provisions of the bill may require amendments and/or clarifications either before its review by the Cabinet of Ministers of Ukraine, or while preparing it for the second reading.

Law on National Energy and Communal Services Regulatory Commission (NECSRC)

In January 2016, the bill “On the National Energy and Communal Services Regulatory Commission” (registration #2966, improved version) was returned for a repeated first reading. This allowed legislators to incorporate the most critical amendments to the version of the law prepared by GOU. The Project assisted the Verkhovna Rada committee and supported the preparation of the law for the first reading. The Project holds that the improved version meets Energy Community requirements.

To support adoption of the law, the Project actively advocated the creation of an independent regulator in the energy and public utilities sectors. In particular, this included:

- Publication of statements/appeals to the members of the parliament with a request to return the law for a repeated first reading and consider the comments of the international and expert community.
- Participation in the meetings of Verkhovna Rada committees and providing the public with information on the progress of the revision.
- Prepared a statement and together with other NGOs and think tanks (Dixie Group and "Intensive care reform package" (RPR)) urged MPs to support the new improved law.

In March 2016 the bill was included in the agenda of the Verkhovna Rada, but not voted upon as of the end of the reporting period.

Task 1.2 Assistance to the National Energy and Communal Services Regulatory Commission (NECSRC)

Capacity Building

During the reporting period, MERP continued building NECSRC capacity by conducting the following training seminars (as per the Training Plan agreed with NECSRC):

- “Alternative fuels: action algorithm, technical aspects pertinent to heat energy production from alternative fuels. Analysis and replication of best practices of licensees producing heat energy from non-conventional or renewable sources of energy” on February 10, 2016 (audience: NECSRC and utility companies);
- “The operation of individual heating stations and provision of district heating and centralized hot water supply services: technical, organizational, and economic issues” on February 24, 2016 (audience: NECSRC);
- “Legal, accounting and regulatory subjects pertinent to rent, concession, municipal asset management and their impact on tariff setting and economic activities by licensees” on March 15, 2016 (audience: NECSRC and utility companies);
- “Customer relations and image making for service providers” on March 23, 2016 (audience: NECSRC and utility companies).

The seminars on tariff setting procedures initially scheduled for March 2016 were postponed due to the fact that tariff setting procedures approved by the NECSRC had not been made effective (submitted to the Ministry of Justice for registration).

In addition, the Project supported the participation of two NECSRC representatives in an ERRA Training Course on Renewable Energy Regulation held on February 22-26, 2016 in Budapest, Hungary.

Development of service quality monitoring methodology

The report “Methodology for monitoring the quality of district heating, centralized cold and hot water supply, and sanitation services” was finalized and submitted to NECSRC. It is anticipated that the final version of the Methodology, which will incorporate NECSRC comments, will be finalized in April 2016.

During the reporting period, the Project continued to develop tools for automated service quality monitoring and service quality reporting templates. It is anticipated that this activity will be completed in May 2016.

Changes to the assets valuation methodology for natural monopolies in the DH and water & wastewater sectors

During the reporting period, the Project continued to review the Asset Valuation Methodology (Order #293, approved by the State Property Fund in 2013). It was determined that the following parts of the Methodology would require amendments:

- 1) asset classifiers in the centralized water and wastewater and district heating sectors;
- 2) terms of useful life of assets;
- 3) optimization ratios;
- 4) aggregated recovery value indicators (ARVI).

Based on the data received from the pilot utilities selected jointly with NECSRC (heating utilities of Kharkiv, Kherson, Kamianets-Podilskyi; water and sanitation utilities of Kirovohrad, Ternopil, and Kamianets-Podilskyi), the Project prepared a draft of the asset classifier. For the assessment of useful life of assets and optimization ratios, the Project required additional data/information from the utilities.

The drafts of the improvements to the Asset Valuation Methodology that had been prepared (namely, the first three points listed above - asset classifiers; terms of useful life of assets; and optimization ratios) will be discussed with the State Property Fund during Project Q11.

ARVI development requires a pilot valuation of the assets of the selected utilities. To raise financing for these evaluations, the Project held meetings with the World Bank and NECSRC. NECSRC requested support from the World Bank for the pilot valuation of the three DH utilities. At the end of the reporting period, the response from the World Bank was pending.

Introduction of RAB incentive tariff regulation for heating and water sector utilities

The Project continued supporting the introduction of incentive-based tariff regulation. In January 2016, the Project provided the final version of the Concept document on the gradual introduction of RAB incentive-based tariff regulation to NECSRC. At the end of the reporting period, the response from NECSRC was pending.

Establishing a transparent system of tariff setting and regulatory decision-making

The Project continued working on guidelines related to the establishment of a transparent tariff-setting and regulatory decision-making system. The work covered the review of the concept of transparent regulatory decisions and international transparent tariff-setting practices. The guidelines will be finalized and provided to NECSRC in April 2016.

Development of a mechanism to use benchmarking indicators based on an analysis of best international practice

In January 2016, the Project submitted to NECSRC the report “Recommendations on the use of benchmarking results in regulatory activities” and started preparation of the Recommendations on calculating and applying key performance indicators in the centralized water and wastewater sector (recommendations on KPI cards). In March 2016, NECSRC concurred with the list of KPIs and the KPI calculation algorithm. The recommendations will be completed in Project Q11.

In February 2016, the Project started preparing the Benchmarking Report for Water and Wastewater Utilities within clusters (comparative analysis of licensees). Based on the licensees’ 2013-2015 regulatory reporting data provided by NECSRC, the Project created a database for benchmarking. The Benchmarking Report will be completed in Project Q11.

Improvement of regulatory reporting forms

In December 2015, new forms were submitted to NECSRC for review and approval. Following the review, NECSRC placed the relevant draft decrees on the adoption of the forms on its official website for discussion and comments. During the reporting period, the Project assisted NECSRC in addressing comments received from the State Statistics Service of Ukraine and State Regulatory Service of Ukraine. At the end of the reporting period, a concurrence on the use of the new forms had not been received.

Assist NECSRC to improve current legislation on tariff regulation

During the reporting period, the Project assisted NECSRC in obtaining concurrence from the relevant institutions and agencies for the draft decrees on the new tariff setting regulations and tariff setting procedures in the heating and water and wastewater sectors. The decrees included:

- In heating sector: “On Approval of the Procedure for Formation of Tariffs for Heat Energy, Its Production, Transportation and Supply, Services on District Heating and Hot Water Supply”, “On Approval of the Procedure for Setting Tariffs for Heat Energy, Its Production, Transportation, Supply”, “On Approval of the Procedure for Setting Tariffs for Services on District Heating and District Hot Water Supply
- In water supply and sewage sector: “On Approval of the Procedure for the Forming of Tariffs for District Water Supply and Sewage”, “On Approval of the Procedure for the Forming of Tariffs for Services on District Cold Water Supply, Sewage (with Use of Internal Building Systems)”, “On Approval of the Procedure for Setting Tariffs for District Water Supply and Sewage”

As a result of Project assistance, all of the above decrees received concurrence, approval by NECSRC and were sent to the Ministry of Justice for registration.

Important changes to Heating sector regulations include:

- A changed threshold, after which utilities may submit tariffs for adjustment – in case of changes leading to an expense change by more than 2% (used to be 5%, and for large licensees this was a critical amount).
- More detailed requirements for two-tier tariffs. Understanding that amounts are decreasing, and that a two-tier tariff is protection from this decrease, NECSRC expects that licensees will be willing to switch to two-tier tariffs. NECSRC also developed strict requirements for the confirmation of the heat load used for two-tier tariffs, and indicated that expenses for energy audits are not included in tariffs.
- A new opportunity to make allowance for excess losses in the networks calculated according to a special mechanism. NECSRC has developed a special document which has been submitted already to the Commission’s meeting, but the Project had not received it by the end of the Reporting period.
- The Procedure now includes the principle that the investment program should not include the measures financed by IFIs; that these measures are submitted to the Commission in a separate document, and that the compensation of expenses for such projects takes place if the loan was approved in advance pursuant to the Procedure that is currently being worked on.
- A solution regarding where to include expenses for central/individual heat substations is that expenses for all types of heat substations should be included in heat energy transportation.

Important changes for Water supply and sewage sector regulations include: a new Procedure provides for compensation of expenses if actual expenses exceed estimated expenses and it is proved that this is an objective change. In addition, it is now possible to calculate tariffs to make an allowance for the forecasted prices of key resources. In water supply, the procedure for documents submission is now written more clearly and includes deadlines.

As a part of the process and in response to the comments received from State Regulatory Service, the Project prepared clarifications on the type of tariff to cover the costs incurred with central heating substations and individual heating substations.

Improvement of Investment Methodology for loans from IFIs attracted by utility companies for the implementation of investment projects

During the reporting period, the Project assisted NECSRC in improving the Investment Methodology in part of investment projects financed from IFI loans. Project experts held several working meetings with NECSRC focused on the following key issues:

- Concept of improvement: changes to the current Investment Methodology or the development of a new document;

- Will the new document be applicable only to the heating sector or to both the heating and water & sanitation sectors;
- Will the new document regulate approvals for loans under a sovereign guarantee (World Bank) or both under sovereign and local guarantees (NEFCO, EBRD);
- Changes and/or new regulations for loans that are already in place.

As a result of the discussions, it was agreed that for the new loans the Project would prepare a draft of the NECSRC decree “on Approval of the procedure and conditions under which NECSRC provides concurrence to loans from IFIs attracted by utility companies for implementing investment projects”.

In March 2016, the draft decree was discussed at an NECSRC meeting³. MERP will finalize draft of the decree in April 2016.

For the loans already in place, NECSRC will review the current loan portfolio and MERP will provide the following assistance:

- Drafting a CMU decree on the incorporation of loan interest rates and one-time transaction fees into tariffs;
- Developing (i) a list of documents that should be provided by the utility companies to the regulator for the loans; (ii) a template/form which will list the projects/measures implemented under IFI loans.

An Ivano-Frankivsk based DH utility (Ivano-Frankivskteplokomunenergo) that has two loans (NEFCO and EBRD) will be used as a model utility to develop the methodology and forms. In March 2016, the Project and ERBD held a working meeting with NECSRC to discuss information on loans received from the Ivano-Frankivsk Heating Utility.

Mechanisms for service quality assurance in the new tariff model

During the reporting period, the Project provided assistance to the NECSRC to develop recommendations for service quality assurance in the new tariff model. The Project provided assistance with improvements to the tariff model by covering issues related to excess expenses, foreign exchange risks/currency exchange fluctuations and penalties.

The first draft of the Report “Recommendations on quality assurance in the tariff model” will be provided to the NECSRC in April 2016.

Pilot survey on quality of utility services and consumer readiness to pay for utility services

During the reporting period, the Project: 1) collected data for survey sampling; 2) draft of the survey questionnaire; and 3) prepared a Survey Action Plan. The survey is to cover 3600 households (face-to-face interviews) throughout Ukraine. The survey will be conducted during Project Q11.

Task 1.3 Supporting Improvement of the Social Safety Net for the Vulnerable

Optimization and enforcement of new mechanisms of social assistance for consumers of housing and utility services through targeted “means tested” subsidies

The Project assisted the Ministry of Social Policy to analyze the subsidy procedures and subsidies provided during the 2015-2016 heating season. The results of the analysis were used for preparing proposals on the corresponding amendments to the current subsidy provision procedure. The Project also assisted the Ministry with the preparation of comments on the draft of GOU decree on changes in the subsidy allocation procedure and re-calculation of subsidies based on the results of the 2015-2016 heating season.

The Project assisted MinRegion with the development of the algorithm and monitoring of actual remaining balances of subsidy amounts accumulated in the current accounts (banking) of utility service providers. The results of the monitoring will be used to develop proposals on the improvement of the current subsidy allocation, provision procedure, and improvement of social housing norms and norms for the consumption

³ <http://www.nerc.gov.ua/?news=5051> (item 27)

of communal services. With Project assistance, Ministry of Regional Development and SAEF started monitoring the remaining balances of subsidy amounts.

MinRegion requested Project assistance regarding (i) tariff setting for the maintenance of heating networks and (ii) specifics for including network maintenance costs. As of now, the subsidy program does not take into account changes in the tariff setting procedures. Based on Project input, MinRegion prepared a clarification letter for the Ministry of Social Policy. The letter outlined changes in tariff calculations and explained how such changes affect calculations in the existing system of privileges and subsidies.

The Project participated in several working meetings with the Social Protection Department of the Ministry of Social Policy to discuss the subsidy program, including the allocation of subsidies to households whose houses were cut from district heating networks (the subsidy allocation procedures for such households needs review and improvement) and to prepare recommendations on certain issues related to the provision of subsidies. In particular, these include:

- issues regarding recalculations of subsidies done pursuant to the GOU decree that sets forth that outside air temperature must be taken into consideration while calculating the cost of heating;
- procedure for subsidy allocations for a new term without new applications from subsidy recipients;
- specific issues regarding the use of the regional coefficients during recalculations of subsidies allocated before the GOU Decree #409 was amended (by the GOU Decree #842 dated October 28, 2015).

Other issues discussed with the Ministry of Social Policy included: improvement of the subsidy provision procedure (based on the results of the heating season of 2015-2016; recalculation of subsidies as per GOU Decree #203 dated March 23, 2016 and decision of the Higher Administrative Court of Ukraine regarding the revocation of GOU Decree #237 dated April 29, 2015).

During the reporting period, the Project provided consultations to the regional social protection bodies of Dnipropetrovsk, Kyiv, Zhytomyr, Rivne, Sumy, Lviv, and Ivano-Frankivsk oblasts regarding preferential natural gas tariffs for subsidy calculations; subsidy recalculations; income-based subsidies and income verification procedures; etc.

The Project, through social media and partner organizations' web sites, provided informational coverage and supported discussions related to the new initiatives and the provision of housing subsidies.

Development of proposals on the improvement of social housing norms and norms of consumption of housing and utility services

In the framework of preparation of proposals on improvement of social norms, the Project:

- 1) completed an analysis of the consumption of communal services (gas, water, electricity) by (urban, rural) subsidy recipients by place of residence (private houses, multi-family dwellings), by person and depending on the number of household members for Dnipropetrovsk, Kyiv, Zhytomyr, and Lviv oblasts; and
- 2) presented the results of the analysis in a Report "Analysis of consumption of housing and communal services by housing subsidies recipients. Recommendations on improvement and optimization of the social norms".

On March 23, GOU adopted Decree #203 and established new monthly gas consumption norms for households without gas meters:

- 4.4 m³ of natural gas per person - with gas fired water heaters and with centralized hot (tap) water supply service provided,
- 7.1 m³ per person for households – without gas fired water heaters and when centralized hot (tap) water supply service is not provided.

The norm for households with gas meters was established at 14 m³ per person.

In fact, with the new Decree the Government endeavors to bypass the resolution of the Higher Administrative Court of Ukraine, which annulled GOU Decree #237 dated April 29, 2015 (the Project

prepared the basis and arguments against decree #237). Nevertheless, the issue regarding the recalculation of the cost of natural gas for the period starting from May 1, 2015, and the corresponding recalculation of subsidies remains open.

Monitoring of efficiency of new system of subsidies based on data collection in partner cities and Regional Offices of Social Protection

Based on subsidy data collected from MERP partner cities and regional social protection bodies, the Project developed an assessment model for the housing subsidy program – a socio-economic portrait of a housing subsidy recipient. The model will be used for (1) assessing the effectiveness of the social protection reform effort, targeting accuracy and social weight of the new subsidy program, and (2) preparation of recommendations for the Government of Ukraine regarding the improvement of the social protection system, increasing the targeting accuracy of the subsidy program, avoiding possible duplication, and the introduction of EE incentives.

Development of a Concept paper for encouraging low income families, housing subsidy recipients, to implement energy efficiency improvements

During the reporting period, the Project participated in five Working Group meetings at the State Agency for Energy Efficiency and Energy Saving of Ukraine and contributed to the debate about EE incentives for low-income families (development of the Concept on the participation of low-income families receiving housing subsidies in energy saving programs). The Working Group discussions focused on the following issues (i) EE incentives for low-income families, and (ii) proposals by the Ministry of Social Policy regarding spending money saved due to the more efficient consumption of communal services.

The Project contributed to the draft amendments to the GOU Decree “On Allocation and provision of subsidies to reimburse the costs incurred with payment for housing and communal services, purchase of liquefied gas, solid and liquid stove fuel.” The amendments address the application of subsidies (or portions thereof) not used by households as:

- Contribution to loan repayments (loans taken by households to purchase EE equipment and/or materials);
- Contribution to payments under energy performance/service contracts (reconstruction of individual heating and /or hot water systems);
- Contribution to payments for communal services (to allow money saved during a certain period to be used as a mandatory household contribution in the next accounting period).

SAEE head Serhiy Savchuk highly appreciated the amendments proposed by the Project and tasked the SAEE staff to submit them to the Ministry of Social Policy for approval.

To support the introduction of EE incentives, the Project analyzed the financing of the current subsidy program (unused balances). This included an analysis of the reports on subsidy amounts of 17 utility companies (heating companies of Berdyansk, Dniprodzerzhynsk, Dnipropetrovsk, Kamianets-Podilskiy, Kramatorsk, Melitopol, Pervomaisk, Kriviy Rih; and the water and sanitation companies of Tokmak, Ternopil, Obukhiv, Nikopol, Mukacheve, Lutsk, Kramatorsk, Zaporizhzhya, Dniprodzerzhynsk).

The Project also assisted SAEE in preparing the Concept of Social Protection Reform for Service Consumers and a corresponding Plan of Actions. The latter consists of the following actions:

- review and optimize social norms for service consumption;
- create incentives for economical service consumption by households receiving housing subsidies;
- introduce procedures for EE improvements by housing subsidy recipients;
- prepare proposals on spending the remaining balance of subsidy amounts accumulated in current accounts of service providers;
- prepare proposals on the improvement of the subsidy provision procedure;
- prepare proposals on monetized assistance.

Task 1.5 Public Information and Awareness Campaign

During the reporting period the Project in cooperation with MinRegion and SAEF launched the “Insulate Correctly!” outreach campaign. The Project designed new billboards that promote effective energy saving measures in multi-apartment buildings and creation of HOAs to benefit from the state program of loan compensation for EE projects. The billboards and city-lights were placed in MERP partner cities on a pro-bono basis. Two local agencies (J. Walter Thompson Ukraine (JWT) and BigMedia) contributed about USD 300,000 to the design and placement. During the reporting period, over 700 outdoor posters had been distributed. Overall, since 2014 1600 billboards and 650 city-lights had been placed as part of its outreach campaign in Ukrainian municipalities.

During January-March 2016, MERP received 22 requests from national and regional TV channels to allow broadcasting of its TV program "Your Home", which is on the air every Sunday at “UA-One” national channel. As of end of March, 10 channels (two national and eight regional) already received re-broadcasting permission, while another 12 are in the process of finalizing contracts with “UA-One” to broadcast the program.

As of March 28, 22 episodes of the program had been broadcasted on UA-One TV Channel and reached over 2.5 million Ukrainians. The approximate audience, reached by other channels is about 2 million people. The program is also promoted and distributed through the FB pages of the USAID Project, and the Project’s subcontractors and grantees. As of March 28, the program has reached over 1.6 million Facebook users with over 317,023 views; a number of reposts, likes, and comments exceeds 21,201.

During the reporting period, MERP designed and distributed a series of [leaflets devoted to receiving housing subsidies](#). These materials covered answers to questions such as: what is a subsidy, the number of services it is appointed for, what is the mandatory portion of the payment for services, what is the procedure for obtaining a subsidy, and many others. In addition, the Project created an online “[Subsidy Calculator](#)”. With its help, every Ukrainian can very precisely and easily calculate the amount of his/her subsidy. To do so, one needs to enter the following data: household composition and income, dwelling space, tariffs for communal services and the way they are provided, among others.

In order to demonstrate the benefits of the thermomodernization of an entire multi-apartment building versus patch insulation, the Project created a poster, which is place on our web site and FB page:

<https://www.facebook.com/merpukraine/photos/a.138785359511989.27368.135700853153773/1044538602269989/?type=3&theater>

http://www.merp.org.ua/images/Pictures/Articles/Poster_Uteplennia.jpg.

In addition, the Project prepared a new edition of the brochure “Why tariffs go up”. The updated brochure explains why the rapid increase of tariffs for communal services occurred, what they consist of and why the change of one component leads to a general tariff change. In addition, the brochure contains tips on important energy efficiency measures for multi-apartment buildings and appeals to citizens to become responsible homeowners who save energy resources and their money.

ACTIVITY 2: PROMOTE INVESTMENT IN CLEAN ENERGY TECHNOLOGIES AND APPLICATIONS

Task 2.2 Assisting Municipalities with Planning, Preparing and Financing for CE Projects

Information on the progress of SEAPs development and approval

Khmelnyskyi

During the reporting period, the Project provided assistance, including the preparation of the condensed version of SEAP, to Khmelnytskyi City Council to prepare the SEAP for consideration at the meeting of the local city council. The video report on SEAP Presentation in Khmelnytskyi is available on Youtube: <https://www.youtube.com/watch?v=TGIQEHu4GTg>. The fact sheet on USAID assistance was placed on the website of Khmelnytskyi City Council⁴.

⁴ <https://www.facebook.com/Khmelnytskyi.energo.invest/posts/1719000048348036>

Following the SEAP presentation, the Project:

- revised SEAP (updated data on project financing based on the 2016 municipal budget; updated and revised the list of projects proposed for certain sectors);
- analyzed the implementation of the Municipal Energy Plan (MEP) of Khmelnytskyi for 2011-2016 prepared by the USAID Municipal Heating Reform in Ukraine Project. The results of the analysis will help the local authorities of Khmelnytskyi receive evidence that the implementation of SEAP is realistic;
- expanded the condensed version of SEAP (for local council deputies).

Vinnitsia

During the reporting period, the Project assisted Vinnitsia City Council in revising the final version of the SEAP and prepare it for consideration by the City Council. The revisions included:

- updating the SEAP with the data for 2015 (SEAP was prepared in 2015 with the period for analysis set at 2010-2014);
- updating the project which was proposed by the City and provided for the development of the cycling infrastructure (to include recent changes in the city boundaries of Vinnitsia)

The SEAP consideration was delayed from the side of Vinnitsia due to the lack of specialists who would work on SEAP. The revised and final SEAP was provided to the municipality.

Kyiv

The Project conducted several meetings with the city and utility companies' representatives to ensure SEAP acceptance from all stakeholders. Based on the results of these meetings, the Project revised draft SEAP: 1) to meet CO2 emissions reduction targets established by the CoM; 2) included the residential buildings sector in the SEAP; and 3) modified financing instruments and measures to ensure SEAP is in line with the newly developed city level program for the housing and communal services sectors; 4) excluded projects for the DH sector.

An updated version of SEAP was submitted to the city and utility companies for review and comments.

Kherson

MERP continued update of SEAP: 1) to meet CO2 emissions reduction targets established by the CoM; 2) to include residential buildings sector in the SEAP. It's planned to finalize revised SEAP in Q11 of the project.

Zaporizhzhia

MERP continued updating the SEAP: 1) to meet CO2 emissions reduction targets established by the CoM; 2) to include residential buildings sector in the SEAP. It is planned to finalize the revised SEAP in Project Q11.

Kyryvi Rih

The SEAP discussions and presentations were postponed due to elections.

Rivne

The Project organized public hearings on the updated Sustainable Energy Action Plan in Rivne. Over 40 civil society activists and media representatives attended the MERP event, which was opened by Mr. Volodymyr Khomko, Mayor of Rivne. Mr Khomko underlined the importance of improving energy efficiency and described the key steps needed to achieve SEAP goals. As a result of the discussion, the SEAP received public support, and SEAP adoption is going to be included into the agenda of the next session of Rivne City Council.

Sumy

MERP organized public hearings on the updated Sustainable Energy Action Plan. The project is finalizing the SEAP to incorporate the results of the public hearings.

Ternopil

The Project organized public hearings on the updated Sustainable Energy Action Plan in Ternopil. As a result of the discussion, the updated SEAP received public support, and this new SEAP adoption is going to be included into the agenda of the next Ternopil City Council session.

The current status of SEAPs for partner cities is summarized in the table below:

City	SEAP development/ improvement (D or I)	SEAP Status / Comments	New or Revised SEAP approval date
Chernihiv	D	Approved. Implementation started.	June 4, 2015
Dnipropetrovsk	D	Approved. Implementation started.	March 11, 2015
Ivano-Frankivsk	I	Approved. Implementation started.	July 28, 2015
Kherson	D	Approved. Implementation started. Undergoing review to meet CO2 reduction targets.	February 20, 2015
Kramatorsk	D	Approved. Implementation started.	April 22, 2015
Lutsk	I	Approved. Implementation started.	October 6, 2015
Zaporizhzhia	D	Approved. Implementation started. Undergoing review to meet CO2 reduction targets.	March 25, 2015
Vinnytsia	I	Final Version prepared.	Awaiting city council approval
Ternopil	I	Final Version prepared.	Awaiting city council approval
Khmelnyskyi	D	Final Version prepared.	Awaiting city council approval
Rivne	D	Final Version Prepared.	Awaiting city council approval
Kyiv	D	Updated Version prepared. Undergoing review to meet CO2 reduction targets.	
Sumy	D	Draft Version prepared. Finalizing based on comments received.	
Pavlohrad	D	Draft Version prepared.	
Krivyi Rih	I	Draft Version prepared.	

The SEAPs for partner cities (drafts as of March 31, 2016 and approved) envision total CO2 emissions reducing by a total of 3,252 thousand tons by 2020. The investments required to achieve this target are estimated at 42.8 billion UAH.

A summary of the funding required and CO2 emissions reduction by city are presented in the table below.

#	USAID MERP Partner City	Investment required according to SEAP (by 2020), thousand UAH	CO2 Reduction by 2020, tons	Investment By Sector, thousand UAH						
				Municipal Buildings, equipment/facilities	Residential Buildings	Tertiary (non-municipal) buildings, equipment/facilities	Municipal public lighting	Transport	Water supply and waste water, Energy Production, Solid Waste	Other
1	Ivano-Frankivsk	2,349,685	114,813	253,639	541,672		11,256	199,839	1,339,450	3,829
2	Ternopil	2,794,741	102,315	494,801	700,675		30,541	87,792	1,480,931	
3	Rivne	1,748,243	107,322	211,193	674,252		43,711	358,319	460,768	
4	Dnipropetrovsk	7,598,166	341,338	830,196	686,773	18,652	15,000	5,462,920	584,625	
5	Sumy	721,803	68,026	96,099	208,290	10,271	1,568	311,842	93,734	
6	Kryvyi Rih	2,860,190	212,443	1,287,310	686,792	62,925	8,457	1,007	813,701	
7	Kramatorsk	5,389,452	298,222	327,712	288,705		18,546	4,141	418,356	4,331,993
8	Kherson	1,159,871	94,950	121,611		458,390	283,777	70,093	226,000	
9	Pavlohrad	154,292	6,385	129,922			1,250		15,333	7,788
10	Kyiv	8,052,000	442,700	1,221,600	212,500		108,875	4,238,300	1,804,737	465,917
11	Zaporizhzhia	3,229,205	296,229	1,946,092	400,838		264,932		579,728	37,614
12	Lutsk	909,710	193,800	124,183	227,897		23,687	206,101	310,917	16,925
13	Chernihiv	852,084	315,290	192,697	254,174		7,153	136,670	254,101	7,289
14	Vinnytsia	2,728,086	447,861	370,191	656,947		50,056	222,728	1,422,164	6,000
15	Khmelnyskyi	2,265,224	210,12	307,001	35,944		307,001	339,218	1,252,783	23,277
TOTAL		42,812,752	3,251,817	7,914,247	5,575,459	550,238	1,175,810	11,638,970	11,057,328	4,900,632
Approx. Value in thousand USD		1,646,644		304,394	214,441	21,163	45,223	447,653	425,282	188,486

Preparation of CE investment project catalogues to reduce CO2 emissions for each pilot city

To facilitate investment in partner cities, MERP continued preparing investment catalogs to attract financing from IFIs and the private sector.

During the reporting period the Project assisted the cities of Dnipropetrovsk and Ivano-Frankivsk in developing investment catalogs. The drafts were provided to these cities for review/comment.

As at the end of the reporting period the catalogues were prepared for 11 project partner cities (Vinnytsia, Chernihiv, Lutsk, Khmelnytskyi, Dnipropetrovsk, Zaporizhzhia, Kherson, Kramatorsk, Pavlohrad, Kyiv and Ivano-Frankivsk).

The catalogues for the rest of the cities (Ternopil, Rivne, Sumy, Krivyi Rih) will be finalized in Q11-Q12 of the Project.

EE/CE Investment opportunities newsletter

The Project produced first issue of the **newsletter “New Opportunities for Investments”**. The newsletter’s target audience includes: state power bodies, ministries and agencies; regional administrations; city councils and utility companies of Project cities (Lutsk, Khmelnytskyi, Dnipropetrovsk, Vinnytsia, Chernihiv, Lviv); Regional Training Centers (Zaporizhzhia, Lviv, Poltava, Kyiv); IFIs and donor organizations; NGOs and CE HOA Resource Centres; professional associations; international TA projects. This issue of the newsletter was disseminated directly (e-version) to 131 recipients and via MDI’s website and Facebook account.

EE/CE Projects development and support

Based on requests from the partner cities, the Project continued to support the preparation and implementation of EE/CE projects. A summary of information on the Projects’ pipeline is presented below:

Projects discussed with municipalities, awaiting for Official Assistance Request	4
Assistance request received, but assistance not started	7
On-going activities (pre-feasibility studies, business planning etc.)	16
Finalized project concepts, pre-feasibility studies and business plans	16
Suspended	3
Total projects	46

During the reporting period, the Project organized and conducted presentations and discussions related to the financing of EE projects. In particular these included:

- In January 2016, the Project met with the Mayor of Ivano-Frankivsk (Ruslan Martsenkiv) to review cooperation with the city. The discussion was focused on the development of solid waste management program (developed under MERP), and potential EE/CE projects (utilization of landfill gas) in solid waste management area. It’s expected that the city will officially request MERP assistance in preparing feasibility study for this potential CE/EE project.
- In January 2016, the Project met with Kamianets-Podilskyi Deputy Mayor Serhiy Babiy to discuss potential clean energy projects and cooperation with the city. Mr. Babiy stated that the city has the following EE/RE priority areas (in order of priority): 1) Substitution of natural gas with biomass in district heating system. The city has already replaced nearly 70% of its natural gas consumption with biomass; 2) Solid waste management; 3) Thermal modernization of residential and public buildings.

- In February 2016, the Project had a meeting with Ternopil Deputy Mayor Vladyslav Stemkivsky, representatives of the municipal EE department and the municipal district heating utility company (“Ternopilmiskteplokomunenergo”). Mr. Stemkivsky stated that the city is interested in: 1) developing a feasibility study for a large scale (25-28 million EURO) project to thermo-modernize public buildings; 2) supporting the municipal district heating utility in developing feasibility studies and technical specifications for the replacement of natural gas with biomass in heat/hot water production (under an existing EBRD loan and potential PPP); 3) supporting public information events promoting EE/CE; 4) supporting the EE/CE HOA advisory center, which is being established with the assistance of the municipality.

During a separate meeting with the Ternopil DH utility company Ternopilmiskteplokomunenergo, company representatives expressed their gratitude to the Project for its assistance, which included: 1) the introduction of energy management systems; 2) training and assistance on Project Implementation Unit (PIU); and 3) conducting energy audits, preparation of technical specifications, support in organization and conducting tender procedures under an EBRD loan. With Project assistance, the utility company was able to proceed in implementing the project to modernize the Ternopil heat supply system using an EBRD loan and grant funds (USD 16 million). Because the municipal district heating utility company is planning to receive funding under a separate (new) agreement with the World Bank (up to USD 25 million) they are interested in extending MERP assistance to support the implementation of this new project.

- In March 2016, the Project team with the First Deputy Head of Dnipropetrovsk City Council Mr. Dmytro Pohrebov. Mr. Pohrebov thanked the Project for the assistance provided to the city in developing a Sustainable Energy Action Plan and draft recommendation on implementing a energy management system. During the meeting, Mr. Pohrebov expressed the city’s interest in the following areas of cooperation under the existing MoU between MERP and Dnipropetrovsk city council: 1) Development of comprehensive municipal energy management system; 2) Preparation of pre-feasibility studies for IFIs to increase energy efficiency and support the replacement of conventional fuels in district heating; 3) Implementation of public outreach campaign on energy efficiency in residential sector.

During the reporting period, the Project conducted the following project specific activities:

- Prepared energy audits and draft pre-feasibility study for Zaporizhzhia to support EE projects in public buildings (40 public buildings);
- Prepared Pre-Feasibility study "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Khmelnytskyi"
- Finalized report on Energy Audit of Communal Enterprise "Ternopilmiskcomunenergo" and assisted with preparing technical specifications for EBRD funded project.
- Prepared pre-Feasibility study for the Project "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Kamianets-Podilskyi"
- Prepared pre-feasibility study for the Project "Creation of Biofuel Cogeneration Plant at the Boiler Facility of the communal enterprise "Pivdenno-Zakhidni Teplomerezhi" Located at 2 Pivnichna Street in the city of Khmelnytskyi";
- Prepared Energy Audit Reports and Draft Business Plan for Thermomodernization of Kindergarten #231 and #15 in Kryvyi Rih;
- Prepared First Draft of Pre-Feasibility Study on Gas Energy Production from Landfill Gas in Ivano-Frankivsk.
- Initiated energy audit for the Rehabilitation and modernization of "Pivdenmash" CHP in the city of Dnipropetrovsk;
- Initiated pre-feasibility study for installation of biomass boiler in Kherson;

- Assisted municipalities in preparing loan applications for the cities of Chernihiv and Khmelnytskyi to secure loans from the European Investment Bank for modernization of public buildings.
- Initiated feasibility studies for modernization of public buildings in the cities of Ternopil (82 buildings), Chernihiv (73 buildings), Khmelnytskyi (31 buildings) and Zaporizhzhia (60 buildings).

A summary of the information on MERP support provided to partner cities in preparation and implementation of Clean Energy (CE) projects is provided in the table below:

#	City	EE/CE Project	Type of support	Approx. value, million USD		Status
				New Projects	Post signing support	
1	Chernihiv	Improving public electric transport system	Pre-feasibility study	9.2		Finalized
2	Chernihiv	EE measures in public buildings (73 buildings)	Pre-feasibility study	5.0		On-going
3	Dnipropetrovsk	Installation of biomass boilers (gas replacement) - Educational Establishments	Pre-feasibility study	0.7		Finalized
4	Dnipropetrovsk	Installation of biomass boilers (gas replacement) - Karavayeva 13a	Pre-feasibility study	4.0		Assistance request received
5	Dnipropetrovsk	EE measures in public buildings	Energy Audits, Pre-feasibility study	10.0		Assistance request received
6	Dnipropetrovsk	Rehabilitation and modernization of "Pivdenmash" CHP	Pre-feasibility study	TBD		On-going
7	Dnipropetrovsk	Modernization of "Pridneprovska CHP"	Pre-feasibility study	TBD		Assistance request received
8	Ivano-Frankivsk	EE measures in public buildings (8 buildings)	Energy audits	1.1		Finalized
9	Ivano-Frankivsk	Landfill gas	Pre-feasibility study	TBD		On-going
10	Ivano-Frankivsk	Solid waste management program	Project concept	TBD		On-going
11	Ivano-Frankivsk	EE measures in public buildings	Energy audits	7.0		Assistance request received
12	Kamyanets - Podilskyi	Solid waste management	Pre-feasibility study	1.4		Finalized
13	Kamyanets - Podilskyi	EE measures in maternity hospital	Energy audits	0.7		On-going
14	Kherson	World Bank District Heating EE Project	Technical specifications and assistance to PIU		22.0	Finalized
15	Kherson	Installation of biomass boilers (gas replacement)	Pre-feasibility study	0.2		Finalized

#	City	EE/CE Project	Type of support	Approx. value, million USD		Status
				New Projects	Post signing support	
16	Kherson	Installation of biomass boilers (gas replacement)	Pre-feasibility study	10.0		On-going
17	Kramatorsk	SUDEP grant for improving public electric transportation	Energy survey, SEAP	1.0		Finalized
18	Kramatorsk	Installation of biomass boilers (gas replacement)	Pre-feasibility study	TBD		Suspended
19	Vinnytsia	Installation of heat pumps at waste water treatment plant	Energy audit, project concept	13.9		Finalized
20	Vinnytsia	Installation of biomass boilers (gas replacement)	Pre-feasibility study	2.4		Finalized
21	Zaporizhzhia	ESCO for public buildings	Pre-feasibility study, support of performance contracting	10.0		Finalized
22	Zaporizhzhia	EE measures in public buildings (60 buildings)	Pre-feasibility study	16.9		On-going
23	Zaporizhzhia	District Heating Modernization and HIS installation	Pre-feasibility study	25.4		Assistance request received
24	Ternopil	Assistance to district heating utility	Technical specifications and assistance to PIU		16.8	On-going
25	Ternopil	Assistance to district heating utility	Technical specifications and assistance to PIU		24.7	Waiting for Official Request
26	Ternopil	EE measures in public buildings (82 buildings)	Pre-feasibility study	30.0		On-going
27	Khmelnyskyi	“Collection and utilization of landfill gas at the solid waste landfill in Khmelnytskyi”	Pre-Feasibility Study, PPP support	3.0		On-going
28	Khmelnyskyi	EE measures in public buildings	Business Plan	0.6		Finalized
29	Khmelnyskyi	EE measures in public buildings (31 buildings)	Pre-feasibility study	5.0		On-going
30	Khmelnyskyi	“Creation of biofuel-fired co-generation unit for communal utility “South-Western Heat Networks”, boiler house at Pivnichna st. 2	Pre-feasibility study, Business Plan	0.6		Finalized

#	City	EE/CE Project	Type of support	Approx. value, million USD		Status
				New Projects	Post signing support	
31	Khmelnyskyi	Establishing an energy management system for public buildings	Pre-feasibility study on energy management	TBD		Suspended
32	Krivyi Rih	EE measures in public buildings (2 public buildings)	Business Plan	0.4		On-going
33	Krivyi Rih	EE measures in public buildings	Project Concept, Pre-Feasibility study to be developed	TBD		Waiting for Official Request
34	Krivyi Rih	Solid waste management	Pre-feasibility study	TBD		Waiting for Official Request
35	Kyiv	EPC for public buildings	Legal support of ESCO project		9.5	Finalized
36	Kyiv	Establishing an energy management system for public buildings	Pre-feasibility study	20.0		Finalized
37	Kyiv	Alternative energy sources for heating in Kyiv (4 public buildings)	Project Concept	TBD		On-going
38	Sumy	Improving EE in public buildings (15 buildings)	Energy audits for loan application	TBD		Finalized
39	Sumy	Construction of solid waste CHP	Pre-feasibility study	7.7		Assistance request received
40	Lutsk	Improving EE in public buildings (8 buildings)	Business planning	0.7		Finalized
41	Lutsk	Improving EE in public buildings	TBD (pending clarification from NEFCO)	8.0		Waiting for Official Request
42	Lutsk	Solid waste management	Project concept	0.2		Suspended
43	Pavlohrad	EE in public buildings (8 buildings)	Business Plan	TBD		On-going
44	Pavlohrad	Solid waste management	Pre-feasibility study	10.0		On-going
45	Lviv	EE in public buildings (heat pumps)	Project Concept, PPP documents	0.3		On-going

#	City	EE/CE Project	Type of support	Approx. value, million USD		Status
				New Projects	Post signing support	
46	Lviv	Waste management (Lvivvodokanal)	Pre-feasibility study	TBD		Assistance request received
Total Amount, USD				205.4	73.0	
Total number of projects				42.0	4.0	

In total, the pipeline includes 42 new projects (valued at approximately⁵ USD 205 million) and 4 projects where the Project is instrumental in providing post signing support to EBRD and WB funded activities (valued at approximately USD 73 million).

Funding leveraged for residential energy efficiency

As of March 31, 2015, the amount of loans issued under the State Program to support residential energy efficiency (excluding loans related to the purchase of non-gas fired boilers) reached UAH 1.3 billion. In all, about 90 thousand households participated in the program. Starting from May 2015, over 200 HOAs received loans under the program.

Task 2.3. Introduction of energy management systems

During the reporting period, the USAID Project assisted partner cities and utilities' management in improving energy management systems, formulating energy management organization charts with descriptions of roles and the responsibilities of energy managers.

The project experts, in cooperation with city administrations, developed a package of draft documents required to establish energy management systems in accordance with ISO 50001. On as needed basis, the package covered the following:

1. Concept of energy management system (EMS) implementation in the city;
2. Decision of the City Council on implementation of municipal energy management system.
3. Scheme of operational and/or project information flow;
4. Regulations on creation of EMS support structures;
5. Job Descriptions for managers at different levels of responsibility;
6. Regulations to implement energy saving incentives for relevant personnel;
7. Methodology and tools (Excel) for monitoring and analysis of energy consumption in public buildings and DH (boiler houses);
8. Guidelines for energy consumption analysis and decision making outline.
9. Resolutions on conducting external and internal audits of the energy management system.

Based on the request of Ternopil City Council, MERP was providing extended assistance to Ternopil District Heating Utility to establish energy management systems. MERP experts conducted three workshops, delivered training course for DH utility specialists and developed a set of documents needed to establish the system in compliance with ISO 50001.

Summary information on EMS implementation in partner cities is presented below:

#	City	Assistance provided	EMS system established	Responsible for EMS	Comments

⁵ Some project values have not been identified (to be determined), thus not included into the overall value.

#	City	Assistance provided	EMS system established	Responsible for EMS	Comments
1	Ivano-Frankivsk	Trainings and package of documents	Yes	Unit within City Administration	Improved EMS documentation is submitted to the city for review and approval
2	Ternopil	Trainings and package of documents	Yes	Unit within City Administration and Municipal Enterprise	Improved EMS documentation is submitted to the city and DH company for review and approval
3	Rivne	Trainings. Package of documents is under discussion	Yes	Municipal Enterprise ESCO "Rivne"	Improved EMS documentation is submitted to the city for review and discussions
4	Dnipropetrovsk	Trainings and package of documents	Yes	Municipal Enterprise "DMESCO"	EMS concept approved by the city council.
5	Sumy	Trainings and package of documents	Yes	Unit within City Administration	The EMS is undergoing restructuring process.
6	Kryvyi Rih	Trainings and package of documents	Yes	Unit within City Administration	Improved EMS documentation is submitted to the city for review and discussions
7	Kramatorsk	Trainings and package of documents	No	No	Suspended
8	Kherson	Trainings and package of documents	No	Municipal enterprise "ESCO"	EMS concept approved by the city council. The implementing entity is not functional.
9	Pavlohrad	Trainings and package of documents	Yes	Unit within City Administration	EMS is functional for public buildings sector
10	Kyiv	Trainings and package of documents	Yes	Unit within City Administration and Municipal enterprise "GVP"	EMS is functional
11	Zaporizhzhia	Trainings and package of documents	Yes	Municipal enterprise "Municipal Energy Agency"	EMS concept approved by the city council. The implementing entity is not functional.
12	Lutsk	Trainings. Package of documents is	Yes	Unit within City Administration	Improved EMS documentation is submitted to the city for review and discussions

#	City	Assistance provided	EMS system established	Responsible for EMS	Comments
		under discussion			
13	Chernihiv	Trainings. Package of documents is under discussion	Yes	Unit within City Administration	Improved EMS documentation is submitted to the city for review and discussions
14	Vinnytsia	Trainings and package of documents	Yes	Unit within City Administration	EMS concept approved by the city council. Improved EMS documentation is submitted to the city for review and approval
15	Khmelnyskyi	Trainings and package of documents	Yes	Unit within City Administration	Improved EMS documentation is submitted to the city for review and approval

Task 2.4 Development Credit Authority Loan Guarantee

Bank Lviv

As of March 31, 2016, the DCA cumulative utilization ratio stood at 14.76%. Four applications for EE loans from SMEs are currently under review by Bank Lviv.

The table below represents the status of the usage of the DCA facility as on March 31, 2016.

#	Borrower	Date	Lending Amount in thousands		Exchange rate to USD ⁶	% of max. portfolio amount	Project Area	Project Location
			UAH	Euro				
1	SME	12/24/13		200	0.892	2.74	Replacement of machinery	Rivne region
2	HOA	6/17/14	50		23.11	0.03	Modernization of residential building's internal heating network	Lviv city
3	SME	7/4/14		500	0.892	6.84	Construction of EE greenhouses	Lviv region
4	SME	7/4/14	3,400		23.11	1.8	Replacement of steam supply system using gas with solid fuel system	Lviv region
5	ESCO	8/12/14	750		23.11	0.4	Introduction of heating	Volyn region

⁶ Exchange rates are used as of the date of the last reporting to USAID by CMS (Credit Monitoring System)

#	Borrower	Date	Lending Amount in thousands		Exchange rate to USD ⁶	% of max. portfolio amount	Project Area	Project Location
			UAH	Euro				
							system using solid fuels	
6	SME	8/28/14	500	47.4	0.892 23.11	0.91	Replacement of gas furnace with electrical	Lviv region
7	ESCO	1/9/15	600		23.11	0.32	Introduction of heating system using solid fuels	Lviv region
Total			5,300	747.4		13.04		

In Lviv, the state funded program complemented by the oblast program of partial loan compensations still makes borrowing from the three State-owned banks more attractive for HOAs than borrowing from Bank Lviv. However, this situation may change if Bank Lviv (as a privately-owned bank) is selected by SAEE to participate in the State program⁷.

During the reporting period, the Project held two seminars for Bank Lviv:

- 1) “Financing of EE projects in wood processing industry”;
- 2) “Financing of EE projects in the consumer goods industry”.

The trainings planned for Bank Lviv in the next reporting period will focus on financing EE projects in the light and HORECA industries.

Procredit Bank

In February 2016, the Project conducted a DCA LG orientation meeting with Procredit Bank. The purpose of the meeting was to discuss what assistance (including trainings in the subjects of HOA, ESCO, energy audit, etc.) The Project can offer Procredit Bank in order to boost the bank’s DCA LG utilization rate for EE projects. According to ProCredit Bank, the bank’s share of EE loans accounts for 4% of the total loan portfolio and the bank is interested in increasing the share of EE loans to 10% during the next 3-4 years.

It is expected that, following internal discussions, Procredit Bank will prepare and send a request to the Project regarding priority assistance areas.

Task 2.5 Support Mechanisms that Mobilize Private Sector Investment

Support ESCO mechanisms implementation

During the reporting period, the Project finalized the energy audits and draft pre-feasibility study for a potential EBRD funded project. In addition, the Project prepared a draft report on financing (ESCO based) mechanisms to support the EE modernization of public buildings in Zaporizhzhia.

It is planned to deliver a presentation of reports and feasibility study in April 2016.

A similar project concept for potential EBRD funding is under preparation for the city of Kryvyi Rih.

Energy efficiency in public buildings

⁷ State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE) intends to allow private banks to participate in the program in 2016.

Creation of the national database on public buildings for implementation of EE improvements

The Project completed the database on public buildings for implementing EE improvements. This work was done in close cooperation with the State Agency for Energy Efficiency (SAEE). The database includes 16,185 public buildings and covers 25 administrative regions across Ukraine (excludes Crimea and Sevastopol). The database will be used as an analytical tool to provide information on EE potential in the public buildings sector and serve as a reference for potential investors in EE projects, including those interested in implementing different types of ESCO mechanisms at the municipal level. The information in the database covers the following:

- region, type of area, location of a building;
- government body, organization, or institution that manages the building;
- primary purpose of the building;
- description of the building (ownership; building year; total area; number of floors; building materials; date of last capital overhaul);
- availability of meters;
- implementation of building modernization measures (by type of measure);
- consumption of energy resources (by type of resource) during 2012-2014 (annual consumption; monthly consumption).

Energy efficiency in the residential sector

During the reporting period, the Project supported a number of activities aimed at promoting EE in the residential sector. In particular, this included: 1) support of Clean Energy Resource Centers operations; and 2) support of the continuation of the State-funded EE partial loan compensation program for the residential sector; 3) monitoring and assessment of the national EE program (“warm” loans program); 4) development of concept paper or implementing residential CE projects.

Support to Clean Energy Resource Centers operations

During the reporting period, the Project continued providing informational and consulting support to Clean Energy Advisory Centers.

At the end of March 2016, MERP conducted a workshop for Home Owner Association/Clean Energy Resource Centers and their partners. Over 60 participants from 12 MERP partner cities (Dnipropetrovsk, Kherson, Khmelnytskyi, Kramatorsk, Lutsk, Lviv, Pavlohrad, Rivne, Ternopil, Sumy, Vinnytsia, and Zaporizhzhia) attended the workshop. The Centers were designed to promote energy efficiency and clean energy technologies among residents of multi-apartment buildings, assist with the establishment of HOAs – as agents for responsible homeownership and investments into EE. CE HOA Resource Centers teams discussed some barriers, but more importantly progress and achievements in their work during January 2015 – March 2016. Some 597 new HOAs were created due to their combined efforts, which is about 40% of all new HOAs established in Ukraine since the beginning of 2015. The agenda of the workshop included the presentation of four potential Clean Energy demonstration projects (project concept developed by MERP), that could be implemented in multi-apartment residential buildings. The presentation of CE projects was followed by a discussion on the implementation of these projects in HOA buildings. The workshop also discussed methods for effective communication with home owners; a model Statute for HOAs; promoting HOA ideas and activities through the Internet, and the development of a plan of activities for 2016.

The project updated and adapted for the needs and target audiences of CE HOA Resource Centers in Project partner cities brochures “Our Home – Our Property” and “Building management: how to exercise your rights” (produced under the Community Based Marketing Campaign on Condominium Development in Lviv).

Support to allocation of funding to EE in residential sector (“warm” loans program)

Through an advocacy campaign, the Project actively supported the continuation of the State Program to support energy efficiency in the residential sector (program “warm credits”) in 2016. As a result of the campaign, CMU decided to provide co-financing in 2016 from the State Budget. The relevant CMU decree

was adopted on February 4, 2016 (# 63 "On Amendments to the Cabinet of Ministers of Ukraine from March 1, 2010, and number 243 from October 17, 2011. Number 1056). The document was drafted as part of the Law of Ukraine "On the State Budget of Ukraine for 2016", which increased funding for government energy efficiency programs in residential buildings by UAH 700 million. Overall, this year provides expenditures for this program in the amount of UAH 894 million.

Monitoring and assessment of the national EE program (“warm” loans program)

The Project started developing the methodology for monitoring and assessing the national residential EE program in Project Q9 upon a request by the SAEE. The purpose of this activity is to conduct a comprehensive analysis of resource consumption by Ukraine’s populace in order to determine whether the goal of the national EE program was reached. For this purpose, in 2016 the Project will conduct the survey on participants of the national EE program. The survey will have two rounds: Round 1 for homeowners associations and housing building cooperatives, and Round 2 for households.

During the reporting period, the Project launched the first round of the survey. A total of 133 homeowners associations and housing building cooperatives, which by the time of the survey had been reimbursed for EE materials and equipment under the national EE program, participated in the survey.

For the survey, the Project:

- developed and tested survey tools (questionnaire, guidelines for interviewers and a report template for interviewers);
- conducted three distance training seminars for interviewers. The interviewers are representatives of OPORA and IFC (regional consultants);
- developed a data entry program for Round 1 of the survey in CSPro 6.1, which is software developed by the US Census Bureau for processing data arrays.

The HOA and housing building cooperatives survey runs from 29 March 2016 through 13 April 2016. The preliminary draft of the report on the first round of the survey will be completed in May 2016, and the final report on the first round will be completed in June 2016.

In March 2016, the Project started preparations for the second round of the survey (sampling; questionnaire). A total of 60,000 households will participate in the national EE program. The Project will develop the sampling program. The timeframe of the second round of the survey is May – June 2016.

Develop a concept paper with advisory support from CE ACs for implementing residential CE projects, which are co-financed by materials and equipment producers, local authorities, and building residents

During the reporting period, the Project developed the Concept Paper on advisory support from CE HOA Resource Centers for implementing CE projects that are co-financed by equipment and materials producers, local authorities, and building residents.

The Concept Paper consists of feasibility studies for four clean energy projects. They are:

1. Reconstruction of the vertical one-pipe heating system, including four engineering solutions for the modernization works.
2. Utilization of “air - water” heat pumps for the production of hot water in the hot water supply system.
3. Utilization of solar batteries for heating water in the hot (tap) water supply system.
4. Utilization of photoelectric solar elements for electric lighting of staircases and the territory adjacent to the building.

The proposed CE projects were developed for two types of multi-family residential buildings: a 5-storey “Khrushchivka” building (50 flats) and a 9-storey sectional (panel) building (144 flats) and have calculations on several cost-sharing models for each project. Since these two types of multi-family residential buildings on average represent up to 80% of the residential buildings in Ukrainian cities, the proposed projects are most likely to be implemented in one of the two types of buildings.

The paper was presented at the HOA training seminar in March 2016. As a result of the presentation:

- HOA Resource Centers in Lviv, Khmelnytskyi, Rivne, Vinnytsia, and Dnipropetrovsk are interested in implementing CE Project #4 “Photoelectric solar elements for the electric lighting of staircases and the territory adjacent to the building”.
- HOA Resource Centers in Rivne, Vinnytsia, and Lutsk are ready to undertake preparatory activities for CE Project #1 “Reconstruction of the vertical one-pipe heating system (including four possible reconstruction scenarios)” under the condition that local authorities will reimburse part of the expected investment.
- The Dnipropetrovsk HOA Resource Center is ready to implement CE Project #3 “Solar batteries for heating water in the hot (tap) water supply system” under the condition that local authorities will reimburse part of the expected investment.

Task 2.6 Preparation of a Sustainable Energy Public Awareness Plan and Development of Related Materials

In February 2016, within the framework of preparation for the contest on reducing power consumption among pilot schools of Project partner cities, the Project developed the statute on the contest and held an orientation seminar on “Reducing power consumption in secondary schools: organizational and technical issues and information dissemination”. The Project delivered a presentation on the key issues about the contest and expected results to 27 participants of 15 Project partner cities including representatives of educational departments, energy efficiency and energy management departments, and school principals.

The contest was launched on February 28, 2016 and will last till April 28, 2016. It is expected that, as a result of the contest, electricity consumption at the participating schools will be reduced due to the low-cost organizational and informational measures and improvement of energy consumption habits of students and their parents and school teachers. A total of 80 schools from 16 Project partner cities participate in the contest.

Short versions of SEAPs were prepared for Khmelnytskyi, Rivne, and Ternopil. These materials were distributed during public hearings organized in these cities by the Project to involve the general public into discussions about EE priority areas.

As part of its outreach work with the youth, the Project announced a competition among 85 schools in 17 Project partner cities. It is expected that the contest will result in reduced electricity consumption at the participating schools due to the introduction of low-cost EE measures and the improved energy consumption habits of students and school teachers. The contest will last through April 28, 2016.

The Project conducted several meetings with Kyiv City Administration to discuss its role in supporting a public outreach campaign in the capital. The campaign will cover the most pressing issues related to implementing energy efficiency measures in multi-apartment buildings, including the creation of condominiums or selection of a management company for communal service provision, and the promotion of a state program of loan compensation for EE measures and materials. This campaign is urgently needed due to the fact that Ukrainian legislation stipulates that on July 1, all current communal service providers, called ZHEKs, will be abolished. By this date, 90% of multi-apartment buildings’ co-owners (where Condominiums are not created), will have to select the form of management in their building and identify their communal service provider (private or communal entities). If this is not done, the municipality will appoint the building manager on their behalf.

As per the discussion, it was decided that the Project will assist the Kyiv City Administration in implementing the campaign by:

- providing related info materials (posters, brochures, leaflets);
- ensuring that Project experts (speakers) will participate in public events (seminars, forums, etc.);
- supporting a Community Based Marketing Campaign by providing assistance in conducting about 60 meetings with citizens of 10 municipal districts in Kyiv to give comprehensive information on the most urgent issues;

- supporting the work of a Call-back Operator to provide citizens with detailed, specific or additional information that they may require for decision-making after such meetings.

ACTIVITY 3: CAPACITY BUILDING AND DISSEMINATION

MERP partner NGO “Energy Efficient Cities of Ukraine” successfully completed grant project “Practical Model of Local Government Capacity Building for Efficient Energy Management. All activities under this task finalized.

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

The Project continued to work closely with international donors and technical assistance projects dealing with climate LEDS related issues.

The Project continued implementing the Memorandum of Understanding (MOU) with MinEcology, including the development and supporting the acceptance of the revised Draft State Climate Policy Concept, MRV training for the municipal housing sector and institutional capacity building for the GOU, Paris Climate Agreement support and disseminating best international experience.

TASK 4.1. STRENGTHENING INSTITUTIONAL CAPACITY IN PLANNING LEDS-REDS

During the reporting period, the Project continued its supporting MinEcology and developed a revised Draft State Climate Policy Concept based on all of the comments received from ministries and state agencies during the official comments process. The Project also developed a Comparison Table of both versions of Drafts State Climate Policy Concepts, as per request of MinEcology and according to legislation development best practices. The Project delivered a presentation of the Revised Draft State Climate Policy Concept during the Inter-governmental Commission on UNFCCC Implementation meeting on January 25, 2016 and the draft document was accepted.

During the reporting period, the Project conducted regular working meetings with the Verkhovna Rada Environmental Committee to present and discuss revised the Draft State Climate Policy Concept and LEDS Study Tour preliminary agenda and to agree on potential dates. During the reporting period, the Project also participated in two VR Energy Committee hearings on LEDS and the decoupling of GDP growth from GHG emissions increases. During those hearings, the Project provided comments on draft recommendations to incorporate LEDS into recommendations to MinEnergy, MinEcology, and the Cabinet of Ministers strategic planning workflow.

During the reporting period, the Project finalized the LEDS Implementation Action Plan for Ukraine, which outlines all the steps and milestones for the LEDS Action Plan implementation team in Ukraine through June 2017.

During the reporting period, the Project contributed to the development of the Cabinet of Ministers of Ukraine Action Plan for 2016, which was published on March 14, 2016 on the official Cabinet of Ministers website. Cabinet of Ministers Action Plan item Nr. 207 orders MinEcology to develop a draft legal act on low emission development strategy (LEDS) with the view to accept it in September 2016. The Project will continue to support MinEcology on LEDS legal act development and adoption.

During the reporting period, the Project continued providing MRV support to MinEcology, as a first step of establishing a Emission Trading Schemes (ETS) system in Ukraine. This included coordination with other international donors and an MRV training program. The Project developed an MRV training program for municipal heating stations and selected three partner cities for MRV training and development of pilot Monitoring Plans. The Project also developed a template for Monitoring Plans for Boiler Stations, a Methodology for Boiler Stations and an MRV Ukrainian legislation brief. MinEcology has provided positive comments on the MRV training package that the Project developed. The Project conducted the first MRV training session for municipal heating stations in Ternopil on March 29-30, 2016. During this training session, the Project delivered a presentation on the basic elements and principles of MRV and the ETS system and assisted the local municipal heating company in collecting data for a Monitoring Plan and outlining the content of Monitoring Plan.

During the reporting period, the Project continued updating the TIMES-Ukraine model and started supporting MinEnergy in forecasting and developing various scenarios by applying the TIMES-Ukraine

model as a core element of the new Energy Strategy till 2035. MinEnergy officially requested Project assistance in Energy Strategy Concept development and Energy Strategy development, especially in the part of forecasting and scenarios projections. The Project coordinates this support closely with the assigned Advisor to the Minister of Energy and Coal Industry, Mr. Vadym Virchenko and an international team of experts, including INOGATE.

During the reporting period, the Project continued providing cooperation support to National GHG Inventory Center in developing a National GHG Inventory Report for 1990-2014 and provided support on developing a methodology on how to collect data on GHG emissions at the regional and municipal levels. This work was conducted in accordance with National GHG Inventory System Enhancement Plan, developed by the Project in 2014 and aimed at improving the National GHG Inventory system in collecting data and the reliability of data selection. Data collection activities were performed in the Energy Sector of the National GHG Inventory.

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

During the reporting period, the Project developed a distribution list for Technology Needs Assessment (TNA) Report for the Municipal Sector, which was developed and published by the Project. All Ukrainian municipalities can use the TNA Report for selecting the low emission technologies that are both applicable for them and recognized by IFIs as eligible for climate finance.

During the reporting period, the Project continued supporting State Agency for Energy Efficiency on implementing Directive 2009/28/EC, Annex V provisions, and developed a User Manual for the BioGrace-I Excel Tool, version 4d. The Project also finalized all documents necessary for calculating GHG emissions from biofuels and bio liquids using the BioGrace tool, including a demo version of the calculation tool (Excel-file), BioGrace calculation rules, list of Standard Values and User Manual.

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

The Project continued populating the UA-LEDS database for Ukraine in the Biomass and Solar Power sections, and started sharing this web-based portal with the LEDS Action Plan participants' team. This Ukrainian-language database is developed based on the international LEDS wiki-base OpenIE.

CROSS-CUTTING ACTIVITIES

Donor coordination

The Project closely coordinated with the World Bank social protection team regarding its work on the reform of the social protection system. In particular, this included regular informational exchange and participation in working groups (Ministry of Social Policy).

At the Round Table on “Reform of the Social Inspectorate in Ukraine” held jointly by the World Bank and Ministry of Social Policy (February 2016), The Project contributed to the discussion on the mechanisms for reforming social inspectorate. The round table also covered:

- results of the WB analysis of the monitoring of social assistance in Ukraine;
- recommendations for improving the system of social payments and reform of the social inspectorate in Ukraine; and
- relevant international practices regarding social inspectorate reform.

In February 2016, the Project met with the WB. The meeting focused on the WB programs to support social protection reform in Ukraine. According to Kateryna Petryna, the World Bank was working to identify abuses in the subsidy program, increasing the targeting accuracy of the subsidy program, eliminating duplications and increasing the institutional capacity of social protection bodies.

In February 2016, the Project conducted a coordination meeting with SIDA. The meeting was aimed at improving coordination between the Project and the District Heating Regulatory Reform Support Program implemented by the World Bank with SIDA financing.

In February 2016, the Project conducted a coordination meeting with IFC. The meeting was aimed at improving coordination between IFC and the Project covering areas of residential energy efficiency and national public information campaign.

In February 2016, the Project participated in a donor coordination meeting on housing and communal sector strategy development organized by MinRegion. Representatives of GIZ, SIDA, EBRD, IFC, Embassy of Germany, and the Embassy of Norway attended the meeting. As a result of the meeting it was agreed to delegate relevant experts to sectoral working groups to be established by MinRegion.

In March 2016, the Project participated in a donor coordination meeting on energy efficiency in the housing sector organized by IFC. The meeting was attended by EU, EBRD, GIZ, International Finance Corporation (IFC), and SIDA and aimed to enhance the coordination of efforts related to the development of key legislative and regulatory acts in the EE/RE area. The meeting also included discussions related to the establishment of the National Energy Efficiency fund for the residential sector.

On a regular basis, the Project participated in meetings of the State Task Force on the Establishment of ETS in Ukraine. This activity was conducted in close coordination with other donors such as GIZ and the World Bank.

Anti-corruption

During the reporting period the Project engaged civil society and the public sector in the fight against corruption in the energy sector, supported and coordinated a network of organizations capable of identifying corruption in the energy sector and demanding transparency, including civil society groups, anti-corruption “watchdog” organizations, and investigative journalists. Specific activities included:

- Regular communications and exchange of information with leading anti-corruption and journalism organizations, including the Anti-corruption Center, Transparency International, DiXi Group, the Center for Energy Research, Nashi Groshi (Our Money), Slidstvo.Info, local anti-corruption and journalism groups.
- Conducting research and preparing analytical materials focusing on anti-corruption issues in the energy and housing and communal services sectors. As a result of investigative efforts and a public campaign conducted by a Project grantee and other local NGOs, one large non-transparent tender was questioned and canceled. The new competitive tender for the same products resulted in over 1 billion UAH savings for the National Energy Company “Centerenergo”.
- Developing informational materials and posting news collected by the main companies operating in the energy sector, about tariffs and public procurement on the Facebook page <www.zhytlo.in.ua> and web-portal of ZHYTLO.
- Development and support of the dedicated Facebook page “ANTILAPA.” The page collects information on corruption cases and corruption risks in the energy, housing and communal services sector. As at the end of the reporting period, participation in the relevant group was confirmed by 912 users.
- Participation in several anti-corruption events for the energy sector. During the events, partner organizations presented the results of anti-corruption monitoring and journalists’ investigations.
- Conducting trainings for local anti-corruption and journalism groups. The second training took place on March 13-15, 2016 and covered the following areas natural gas production, tariff transparency and use of budget funds for the housing sector. In addition, the Project developed an online application for local activists, which registered 47 volunteers from different cities for anti-corruption monitoring.

Gender and Inclusive Development

As per contract requirement, MERP ensures that men and women are equally supported through Project activities and that gender awareness and gender dynamics are taken into consideration. Gender issues are crosscutting for all of the Municipal Energy Reform Project’s activities. Strengthening women’s roles in the design, implementation, management, and use of sustainable energy solutions is critical for reaching development goals. During the reporting period women were actively involved in Project activities both on

the national and local levels: 410 persons took part in MERP events, 195 women (47.6%) and 215 men (52.4%).

MERP works with a wide range of people, assuring inclusive development for all groups of the population. The Project provides opportunities for everyone to take part in seminars, workshops, round tables, etc., regardless of age, sex, ethnic origin, health status, family structure, sexual orientation, education, employment, income, housing, food security, safety, or any other dimensions of human diversity.

C. DELIVERABLES

Tenth Quarter deliverables and reports of the Municipal Energy Reform Project are as follows:

- Municipal Energy Reform Project (MERP) Ninth Quarterly Report, October 1, 2015 – December 31, 2015;
- Municipal Energy Reform Project (MERP) Work Plan for Project Year 3 (update as of January 2016);
- Standard MTO Power Point Presentation;
- Basic talking points on main assistance areas (part of MTO Power Point Presentation);
- List of MTO accomplishments by tasks and activities;
- MTO Fact Sheet.

The list of the most important documents and materials produced under MERP during Q10 of the project is presented below:

#	Activity	Month	Report Title	Language
1	Activity 1	January	Three New Billboards	Ukrainian
2	Activity 1	January	Technical Recommendations on How to Measure Savings as a Result of Implementing Energy Service Procedures	Ukrainian
3	Activity 1	January	Information Campaign on Energy Efficiency in District Heating Sector (2010-2016)	English
4	Activity 1	January	Comparative Tables and the proposed amendments to the Regulation on the allocating and provisioning of subsidies to reimburse the costs incurred with payment for housing and communal services, purchase of liquefied gas, solid and liquid stove fuel (GOU Decree #848)	Ukrainian
5	Activity 1	February	Draft Law "On Commercial Metering of communal services" (as of February 4, 2016)	Ukrainian
6	Activity 1	February	Report on the workshop for the National Commission "Alternative Fuels: action algorithm, technical aspects pertinent to heat energy production from alternative fuels. Analysis and replication of best practices of licensees producing heat energy from non-conventional or renewable sources of energy (Kyiv, February 10, 2016)	Ukrainian
7	Activity 1	February	Report on the workshop for the National Commission "Operation of individual heating stations and provision of district heating and centralized hot water supply services: technical, organizational, and economic issues: (Kyiv, February 24, 2016)	Ukrainian
8	Activity 1	February	Proposals on how part of the unused subsidy can be used for EE measures	Ukrainian
9	Activity 1	February	Description of the model for the assessment of the effectiveness of the housing subsidies program	Ukrainian
10	Activity 1	February	Two new Citilights (information campaign)	Ukrainian
11	Activity 1	March	Poster Uteplennia ("Heat Insulation")	Ukrainian
12	Activity 1	March	Newsletter #1, March 2016	Ukrainian
13	Activity 1	March	Your Home Video, Episodes 11-22 (MP4)	Ukrainian
14	Activity 1	March	Information Leaflet "Why do Tariffs Increase?"	Ukrainian

#	Activity	Month	Report Title	Language
15	Activity 1	March	Corresponding letter to the National Commission on the Training Schedule revision	Ukrainian
16	Activity 1	March	Report on the workshop for the National Commission "Customer Relations and image making for services providers (Kyiv, March 23, 2016)	Ukrainian
17	Activity 1	March	Report on the workshop for the National Commission "Legal, accounting, and regulatory subjects pertinent to rent, concession, municipal asset management and their impact on tariff setting and economic activities by licensees (Kyiv, March 15, 2016)	Ukrainian
18	Activity 1	March	Leaflet "You rent a flat. How you may receive a subsidy?"	Ukrainian
19	Activity 1	March	The poster "Deep retrofit or patch thermal insulation"	Ukrainian
20	Activity 1	March	Contact list of HOA Resource Centers	Ukrainian
21	Activity 1	March	Article "What housing building cooperatives should expect on July 1, 2016: answers to burning questions"	Ukrainian
22	Activity 1	March	Brochure "Creating a Home Owners Association"	Ukrainian
23	Activity 1	March	Newsletter on investment opportunities, Issue 1 – March 2016	Ukrainian
24	Activity 2	January	Minutes of the Working Group Meeting on Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Khmelnytskyi 22 January, 2016	Ukrainian
25	Activity 2	January	Final Version of the Prior Feasibility Study on "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Khmelnytskyi" Project	Ukrainian
26	Activity 2	January	List of Changes to the Prior Feasibility Study on "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Khmelnytskyi" Project	Ukrainian
27	Activity 2	January	Proposed Draft Provisions on Improving Energy Management System in Khmelnytskyi	Ukrainian
28	Activity 2	January	Excel Tables "Biomass Cogeneration"	Ukrainian
29	Activity 2	January	Excel Tables "Natural Gas Cogeneration"	Ukrainian
30	Activity 2	January	Report on the Infrared Camera Study of a Kindergarten #15 in Kryvyi Rih	Ukrainian
31	Activity 2	January	Report on the Infrared Camera Study of a Kindergarten #231 in Kryvyi Rih	Ukrainian
32	Activity 2	January	Abridged Version of Kyiv SEAP	Ukrainian
33	Activity 2	January	Abridged Version of Pavlohrad SEAP	Ukrainian
34	Activity 2	January	Abridged Version of Ternopil SEAP	Ukrainian
35	Activity 2	January	Abridged Version of Lutsk SEAP	Ukrainian
36	Activity 2	January	Presentation on Energy Management Planning in line with ISO 50001 in the Centralized Heat Supply Area	Ukrainian
37	Activity 2	January	Ternopil SEAP, final version	Ukrainian
38	Activity 2	January	Boiler Monitoring Sheet, Ternopil, Kurbasa Street	Ukrainian
39	Activity 2	January	Presentation on Energy Audit of Communal Enterprise "Ternopilmiskcomunenergo"	Ukrainian
40	Activity 2	January	Report on Energy Audit of Communal Enterprise "Ternopilmiskcomunenergo"	Ukrainian
41	Activity 2	January	Condensed version of Khmelnytskyi SEAP (for local council deputies)	Ukrainian

#	Activity	Month	Report Title	Language
42	Activity 2	January	Report on the workshop for Bank Lviv staff in EE projects in the wood processing industry run by SMEs (Lviv, January 2016)	Ukrainian
43	Activity 2	January	List of information materials to be prepared under tasks 1.5 and 2.6 (update of January 2016)	Ukrainian
44	Activity 2	January	Distribution Scheme for the information materials prepared under Project tasks 1.5 and 2.6	Ukrainian
45	Activity 2	January	Overview of the local programs of residential EE support in Rivne	Ukrainian
46	Activity 2	January	How to use benchmarking results in regulatory activities	Ukrainian
47	Activity 2	February	Information Report on a Site Visit to OKHMADET, February 24, 2016, Kamianets-Podilskyi	Ukrainian
48	Activity 2	February	Preliminary Feasibility Study for the Project "Landfill Gas Collection and Treatment from the Solid Waste Landfill in the city of Kamianets-Podilskyi"	Ukrainian
49	Activity 2	February	Preliminary Feasibility Study for the Project "Creation of Biofuel Cogeneration Plant at the Boiler Facility of the communal enterprise "Pivdenno-Zakhidni Teplomerezhi" Located in 2 Pivnichna Street in the city of Khmelnytskyi"	Ukrainian
50	Activity 2	February	Energy Audit Report on Kindergarten #231, Kryvyi Rih, Dnipropetrovska oblast, 22.02.2016	Ukrainian
51	Activity 2	February	Energy Audit Report on Kindergarten #15, Kryvyi Rih, Dnipropetrovska Oblast, 22.02.2016	Ukrainian
52	Activity 2	February	Zaporizhzhia: Reports on Energy Scanning of Kindergartens ##293, 171, 175, 290, 267, 101, Barvinok, 107, 229, 189, 272, 258, 167, 230, 161, 240, 205, 6, 81, 231, Schools ## 34, Harmony Plus, Barvinok, 76, Logos, 49, 78, 88, 25, 89, 63, 71 67, 46, 98, 29, 32, 103.	Ukrainian, English
53	Activity 2	February	Report on SEAP presentation in Khmelnytskyi (February 3, 2016)	Ukrainian
54	Activity 2	February	Report on the meeting with ProCredit Bank (Kyiv, February 22, 2016)	Ukrainian
55	Activity 2	February	Fact sheet on the international technical assistance for Khmelnytskyi (prepared for the Khmelnytskyi City Council's website)	Ukrainian
56	Activity 2	February	Media notice on public hearings on Khmelnytskyi SEAP (February 3, 2016)	Ukrainian
57	Activity 2	February	Press-release on public hearings on Khmelnytskyi SEAP (February 3, 2016)	Ukrainian
58	Activity 2	February	Minutes of the Communications Working Group meeting at IRG (Kyiv, February 11, 2016)	Ukrainian
59	Activity 2	February	Regulations on the contest for the reduction of power consumption	Ukrainian
60	Activity 2	February	Report on the workshop "Reducing power consumption in secondary schools: organizational, technical and information aspects" (Kyiv, February 23, 2016)	Ukrainian
61	Activity 2	March	Instruction for participants in the concession competition "Landfill Gas Collection and Treatment from Solid Waste Landfill in the city of Khmelnytskyi"	Ukrainian

#	Activity	Month	Report Title	Language
62	Activity 2	March	Announcement about concession competition for construction of a complex for landfill gas collection and treatment from solid waste landfill in the city of Khmelnytskyi	Ukrainian
63	Activity 2	March	Competition documents on "Landfill Gas Collection and Treatment from Solid Waste Landfill in the city of Khmelnytskyi"	Ukrainian
64	Activity 2	March	Provisions on concession competition "Landfill Gas Collection and Treatment from Solid Waste Landfill in the city of Khmelnytskyi"	Ukrainian
65	Activity 2	March	Concept of demonstration clean energy projects in multi-apartment buildings	Ukrainian
66	Activity 2	March	Report on Evaluating Cities Readiness for Implementation of Energy Efficiency Projects on the Conditions of Public Private Partnerships	Ukrainian
67	Activity 2	March	Recommendations on Heating Kindergarten #21 of the city of Sumy	Ukrainian
68	Activity 2	March	Preliminary Report on Energy Audit of the Communal Enterprise "Teplotrans" of the city of Dnipropetrovsk	Ukrainian
69	Activity 2	March	Feasibility Study on Implementing Energy Efficiency Measures in 40 Budgetary Buildings of Zaporizhzhia	Ukrainian
70	Activity 2	March	Business Plan of Thermomodernization of kindergartens #15 and #231, Kryvyi Rih (Preliminary draft)	Ukrainian
71	Activity 2	March	Report on Adjustment of the Energy Audit of the Maternity Hospital in Kamianets-Podilskyi	Ukrainian
72	Activity 2	March	Comparative Analysis of Hot Water Sources	Ukrainian
73	Activity 2	March	Analyzing Alternatives of Modernizing Hot Water Supply in the Maternity Hospital in Kamianets-Podilskyi	Ukrainian
74	Activity 2	March	Ivano-Frankivsk_Working Group Minutes of Discussion on Solid Domestic Waste Sorting_15.03.2016	Ukrainian
75	Activity 2	March	Information on a site visit to Ivano-Frankivsk Cement Factory	Ukrainian
76	Activity 2	March	Earmarked Program of Solid Waste Management in Ivano-Frankivsk (revised version)	Ukrainian
77	Activity 2	March	Feasibility Study on Gas Energy Production from Landfill Gas in Ivano-Frankivsk	Ukrainian
78	Activity 2	March	Ivano-Frankivsk Rada draft decision and provisions on improving energy management system in Ivano-Frankivsk	Ukrainian
79	Activity 2	March	Minutes of the Working Group meeting in Khmelnytskyi on the project of landfill gas collection and treatment from solid waste landfill in the city of Khmelnytskyi 24 March 2016	Ukrainian
80	Activity 2	March	Analytical Paper on the Possibility of a Feasibility Study for a project "Creation of a Complex Effective System of Solid Waste Treatment on the territory of "Zakhidnyi Donbas" sub-region" and its implementation on a PPP basis	Ukrainian
81	Activity 2	March	Report "Analysis of effectiveness of implementation of the Municipal Energy Plan of Khmelnytskyi during the	Ukrainian

#	Activity	Month	Report Title	Language
			period of 2012-2016”	
82	Activity 2	March	Report on the workshop for Bank Lviv on the financing of EE projects in the consumer goods sector (Lviv, March 3, 2016)	Ukrainian
83	Activity 2	March	Monitoring memorandum on the use of USAID DCA by Bank Lviv and ProCredit Bank for the period January 1, 2016 – March 31, 2016	Ukrainian
84	Activity 2	March	Report on the meeting at Kyiv City State Administration on implementation of clean energy projects in public buildings of Kyiv (Kyiv, March 22, 2016)	Ukrainian
85	Activity 2	March	Condensed version of Khmelnytskyi SEAP	Ukrainian
86	Activity 2	March	Report on the second workshop for CE HOA Resource Centers (Kyiv, March 24-25, 2016)	Ukrainian
87	Activity 2	March	Report on Assistance to Chernihiv and Khmelnytskyi to support the participation of these cities in the EIB Project "Development of the Municipal Infrastructure in Ukraine"	Ukrainian
88	Activity 4	January	PROGRESS REPORT for January on consulting services provided under the framework of the Project (Institute for Environment and Energy Conservation)	Ukrainian, English
89	Activity 4	January	Presentation of the State Policy of Ukraine in the Climate Change Area, 19 January 2016	Ukrainian
90	Activity 4	January	Draft Order of the Cabinet of Ministers of Ukraine on "Approval of Concept Fundamentals for Implementation of the Climate Change Policy", table with agreed changes	Ukrainian
91	Activity 4	January	Ukraine: Biofuel Tool Table	Ukrainian
92	Activity 4	February	Minutes of a Meeting of Inter-Departmental Commission for Implementation of the UN Framework Convention on Climate Change	Ukrainian
93	Activity 4	February	Guidance on Selection of Project Technologies for the Communal and Housing Sector of Ukraine	Ukrainian
94	Activity 4	February	Drafting and assessing the Ukrainian energy sector development scenarios that may be used while drafting Ukrainian Energy Strategy till 2035	Ukrainian
95	Activity 4	February	Concept of Implementation of the State Policy on Climate Change Stage 2	Ukrainian
96	Activity 4	February	Concept of Implementation of the State Policy on Climate Change Stage 3	Ukrainian
97	Activity 4	February	Key macroeconomic and sectoral indicators forecast for Ukraine (2015-2050)	English
98	Activity 4	February	Letter to MERP from Ministry of Energy as of February 17, 2016	Ukrainian
99	Activity 4	February	Presentation for training on use of TIMES Ukraine	Ukrainian
100	Activity 4	February	Report on participation and discussion and support for preparation and presentation of INDC on the national level and in case of necessity on international level	Ukrainian
101	Activity 4	February	Ukraine LEDS Action Plan Gantt Chart	English
102	Activity 4	February	Report on Development of Draft Regulatory Act on Concept of Implementation of State Policy on Climate Change and Contribution to Training on MRV	Ukrainian

#	Activity	Month	Report Title	Language
103	Activity 4	February	PROGRESS REPORT for February on consulting services provided under the framework of the Project (Institute for Environment and Energy Conservation)	Ukrainian
104	Activity 4	February	Model GHG Calculation Boiler - Example	Ukrainian
105	Activity 4	February	Additional information on USAID project "Development of Draft Monitoring Plant"	Ukrainian
106	Activity 4	February	Draft Proposal on a Standard Template for Monitoring Stationary Fuel Combustion	Ukrainian
107	Activity 4	February	Presentations for Heating Utilities Training	Ukrainian
108	Activity 4	March	The Center for Climate Strategies: Master Catalog of Low Emissions Development (LEDS) Policies & Actions	English
109	Activity 4	March	The Center for Climate Strategies: Ukraine LEDS Process	English
110	Activity 4	March	Draft Energy Strategy of Ukraine till 2035	Ukrainian
111	Activity 4	March	Key macroeconomic and sectoral indicators forecast for Ukraine (2015-2050) (GDP scenarios)	English
112	Activity 4	March	Ukraine LEDS Action Plan. Annex: Residential, Commercial and Institutional Sector. (Draft GHG Inventory and BAU Forecast Summary)	Ukrainian
113	Activity 4	March	Ukraine LEDS Action Plan. Annex: Residential, Commercial and Institutional Sector. (Draft GHG Inventory and BAU Forecast Summary)	English
114	Activity 4	March	Presentation for USAID: ENERGY STRATEGIC PLANNING IN UKRAINE: Energy-Economy-Environmental optimization TIMES-Ukraine model	English
115	Activity 4	March	Resolution of the National Academy of Sciences of Ukraine on Measures to Implement UN Paris Agreement Results	Ukrainian
116	Activity 4	March	Analysis of the Actual Possibility of Conducting GHG Inventory and Sequestration in the Special Status Territories	Ukrainian

D. SCHEDULES AND MILESTONES

The list of milestones for Quarter 10 of the project and completion status are presented below:

Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment

Task/Milestone	Deadline	Completion Status	Comments
Task 1.1. Developing Enabling Legislative and Policy Environment			
M 1.1.4. Law on National Regulatory Commission on Energy and Communal Services adopted by Rada.	February 29, 2016	In progress	The draft law was prepared for the first reading.
Task 1.2. Assistance to National Energy & Communal Services Regulatory Commission (NECSRC)			
Sub-task 1.2.4. Developing Utility Benchmarking			
M 1.2.4.1. New regulatory reporting taught to utilities.	April 30, 2016	In progress	Adoption of the decree is pending and training postponed.
Sub-task 1.2.3. Improving Heat Tariff Setting			
M 1.2.3.1. Investment methodology approved by relevant governmental bodies.	Feb. 28, 2016	In progress	Draft decree will be prepared in April 2016.
M 1.2.3.2. Quality of Services assurance mechanisms enacted by NECSRC.	Feb. 29, 2016	In progress	Draft report will be finalized in April 2016.
M 1.2.3.3. Basis for RAB incentive tariff regulation established	Jan. 30, 2016	In progress	Draft report will be finalized in April 2016.
Task 1.4. Supporting Energy Efficiency Standards			
M 1.4.2. Standard on Energy Audits in Buildings approved.	March 31, 2016	In progress	The delay is caused by changes in the approval system.

Activity 2: Promote Investment in Clean Energy Technologies and Applications

Task/Milestone	Deadline	Completion Status	Comments
Task 2.2. Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects			

M 2.2.2. SEAPs adopted in pilot cities.	April 30, 2016	In progress (partially completed)	The delay is caused by elections and management changes.
M 2.2.3. Private investors and IFIs receive up-to-date information on promising long-term investment projects in pilot municipalities.	Mar. 31, 2016	In progress (partially completed)	The SEAPs and investment project catalogues have not been finalized (see above).
Task 2.3. Introduction of Energy Management Systems			
M 2.3.1. Local capacity built on Municipal Energy Management.	Jan. 31, 2016	Completed	

Activity 3: Capacity Building and Dissemination

Task/Milestone	Deadline	Completion Status	Comments
Task 3.1. Preparing a local non-governmental organization for a direct award from USAID			
M 3.1.1. Local NGOs capacity to manage grant programs improved.	Feb. 28, 2016	Completed	

Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC-LEDS)

Task/Milestone	Deadline	Completion Status	Comments
Task 4.1. Strengthening institutional capacity in planning LEDS-REDS			
M 4.1.2. Draft Elements of State Climate LEDS Policy.	Feb. 29, 2016	Completed	
Task 4.2. Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services			
M.4.2.1. Road Map on Implementation of Municipal CE/EE Projects completed.	Feb. 29, 2016	Completed	

E. PROBLEMS

The list of key problems (challenges) affecting MERP implementation are presented below:

- A number of significant political and social events that caused instability in GOU counterparts (management changes) and the restructuring of GOU agencies;
- Lack of finance and limited capacity at the local (municipal) level do not allow for effective (rapid) implementation of EE projects identified in SEAPs, and affect the implementation of energy management;
- The macroeconomic situation (interest rates, currency exchange) has a considerable effect on commercial and IFI lending and investment;
- Lack of political will at the central governmental level to implement tariff setting methodologies and other regulatory acts (for example those that may potentially lead to tariff increases).

Despite the above factors, the Project continued making very good progress in accomplishing the SOW and corresponding Work Plan.

F. PLANS

Activity 1 - Planned Activities in Quarter 11

Task 1.1. Developing Enabling Legislative and Policy Environment

- Assist GOU High Level Working Group with implementation of GOU reform agenda on EE and RE.
- Assist GOU with implementation of National Action Plan on RE by developing sub-laws, incentive mechanisms, and methodologies.
- Assist MinRegion and SAEE with implementation of Comprehensive Action Plan of substitution of natural gas with local alternative fuels.
- Assist GOU in review, approval and implementation of National Action Plan on EE by developing sub-laws, incentive mechanisms, and methodologies.
- Provide regular assistance to Verkhovna Rada Committee on Housing and Communal Services in development of draft laws on HOAs and housing management needed to support end use energy efficiency.
- Assist in development of sub-laws and regulations on HOAs and housing management needed to support end use energy efficiency.
- Develop and assist Rada Committees on adoption of changes to Land Code concerning transfer of land plots to co-owners of multifamily buildings.
- In coordination with EU and EBRD, support MinRegion in adoption of Draft Law on Energy Efficiency in Buildings by Rada.
- Assist with adoption of Draft Law on Commercial Metering
- Assist Rada committees with adoption of amendments to housing and communal services legislation.
- Assist Rada Committee on improving and adopting Draft Law on National Regulatory Commission on Energy & Communal Services.
- Assist GOU in amending legislation to mitigate legal contradictions resulting from adoption of Law 1198 "On Introducing Changes Aimed at Improving Payments for Energy Sources to Certain Laws of Ukraine."
- Provide regular assistance to MinRegion and SAEE expert groups to initiate and develop legal and regulatory documents on municipal EE.

Task 1.2. Assistance to National Energy & Communal Services Regulatory Commission (NECSRC)

- Based on existing capacity building plan (CBP) for CY2015 assessment of training needs CBP for CY2016 conduct training seminars for NECSRC, including Regional Offices (licensees when determined as necessary) on areas of capacity building according to agreed curriculum.
- Conduct events for exchange of experience (internship abroad, training in international schools for regulators, initiation and implementation of bilateral partnerships with other regulators in international associations).

Sub-task 1.2.3. Improving Heat Tariff Setting

- In coordination with WB/SIDA and EBRD, assist NECSRC & MinRegion with improvement of investment methodology.
- Develop legal and regulatory acts on implementation of quality system for communal services.
- Develop service quality monitoring methodology, considering recommendations of NECSRC and international consultants.
- Develop tools to automate monitoring quality of communal services.
- Test and introduce tools to automate monitoring of service quality for utility companies and NECSRC.
- Conduct workshop for NECSRC staff on using tools for automated monitoring of quality of communal services and their results.

- Assist NECSRC to develop statistical reporting forms for collecting information on service quality and creation of information database.
- Assist NECSRC to develop mechanisms for service quality assurance in new tariff model.
- Develop recommendations on incorporation of special issues (such as reduction of losses, penalties for gas and electricity of licensees, foreign exchange risks, etc.) in tariff model.
- Assist NECSRC to improve drafts of Regulator’s resolutions on tariff calculation and setting tariffs for heat energy produced from non-traditional and renewable energy sources, considering comments received during official publication.
- Develop assets evaluation methodology for natural monopolies in DH and water/wastewater sectors (as regards identification of aggregated value indicators for Regulatory Asset Based (RAB) incentive tariffs).
- Assist NECSRC with gradual introduction of RAB incentive tariff regulation for heat and water utilities:
 - Improve current legislation on incentive tariff regulation
 - Develop approaches to determine long-term parameters on incentive tariff regulation (targets and others).
 - Test incentive tariff calculation by licensees.
- Assist NECSRC to improve current legislation on tariff regulation and investment
- Assist NECSRC to establish transparent system of tariff setting and regulatory decision making.
- Organize and conduct pilot survey on consumer readiness to pay for utility services (electricity, gas, heat supply, water and wastewater).
- Conduct seminar on findings of surveys on consumer readiness to pay for utility services.

Sub-task 1.2.4. Developing Utility Benchmarking

- Assist and support NECSRC to improve drafts of regulatory reporting forms by licensees, considering results of testing by licensees.
- Develop methodological recommendations on accounting for licensed types of activities.
- Develop amendments and comments to current legislation on accounting for licensed types of activities
- Train utilities under NECSRC on how to apply new regulatory reporting according to agreed training curriculum.
- Develop mechanism to use benchmarking indicators based on analysis of best international practice.
- Train NECSRC staff (including Regional Offices) on introduction of benchmarking system.
- Perform generalized comparative analysis of licensees based on proposed key performance indicators.
- Improve approaches to clustering for water and wastewater companies.
- Develop methodological recommendations for calculating key performance indicators in water and wastewater sector.
- Develop recommendations on publishing benchmarking results.

Task 1.3. Supporting Improvement of Social Safety Net for Vulnerable Population

- Enhance coordination on social protection of low-income consumers with WB team and GOU working groups on social protection.
- Assist GOU, (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.
- Provide capacity building to Ministry of Social Policy and its regional offices on enforcement of new social protection mechanisms.
- Monitor efficiency of new system of subsidies based on data collection in partner cities and Regional Offices of Social Protection.
- Organize round table discussions with GOU on efficiency of new subsidy system and recommended changes to system of privileges.

- Develop proposals on improvement of social housing norms and norms of consumption of housing and utility services.
- Develop concept paper for encouraging low income families, housing subsidy recipients, to implement energy efficiency improvements.
- Develop concept paper for transition to monetized targeted assistance to consumers of housing and utility services.
- Assist GOU to reform system of privileges granted for payment of housing and communal services.
- Develop concept paper for integration of privileges in housing subsidy program and for transition to single, targeted assistance program, under which subsidies are granted for payment of housing and utility services.

Task 1.4. Supporting Energy Efficiency Standards

- Support dissemination of energy management certification program.
- Assist MinRegion in finalizing and approving Standard on Energy Audit of Buildings.
- Support development of new EE standards

Task 1.5. Public Information and Awareness

- Maintain regular coordination of PR activities with MinRegion PR WG, CabMin, donors, GOU Committee of Reforms, and USAID Office of Transition Initiatives (OTI).
- Cooperate with advertising agencies to develop design of outdoor and video PSAs, advertisements for social media and other information materials.
- Develop information materials (including video PSA) on EE/AE, necessity to bring tariffs to economically grounded levels (understanding of these steps is a guarantee of effective work of communal enterprises) and social protection measures for low income consumers.
- Conduct targeted outreach to low income residents and vulnerable groups in support of Ukraine's tariff regulation reform and social safety net.
- For media, hold expert energy briefings followed by training on range of story options, including: social issues, EE lifestyle, alternative energy resources, OSBB and tariff reform.
- Support media program (on TV and radio) to promote themes of CE/EE; explain changes related to tariff reform and social safety net.
- Disseminate range of information related to CE/EE, social safety net and tariff reform through
 - TV and radio media.
 - Round tables and expert opinions.
 - Call in shows.
 - Analytical articles in electronic and printed media
- Promote topics through social media, MERP websites, partners' web sites and FB pages.
- Cooperate with local HOA Resource Centers, communal service enterprises, Regional Social Protection Offices, AUC regional offices and Bibliomist Project to distribute information materials among residents of municipalities.
- Cooperate with manufacturers of EE materials and equipment, such as Henkel, Danfoss, Rehau, Vekka and others, to set up information/exhibition corners at HOA/CE Resource Centers and libraries.
- Support wide outreach campaign through range of activities in partner cities, such as Energy Efficiency Days, USAID Field Days, Sustainable Energy Weeks, public hearings.
- Develop range of materials and educate citizens on benefits of ownership (Condominium development) as primary motivating force for energy savings in HOAs through support of pilot Community Based Marketing Campaign in Lviv.
- Conduct contest for most effective EE measures in residential buildings among residents of multi-apartment buildings, including HOAs, in MERP partner-cities.
- Hold joint training session to educate journalists on issues related to CE/EE to involve them in energy education reform and to stimulate them to work with public on these questions.

Activity 2 - Planned Activities in Quarter 11

Task 2.2. Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects

- Support SEAP adoption in second group of cities.
- For each pilot city, prepare catalog of CE investment projects to reduce CO2 emissions.
- Present catalog to stakeholders and to public in partner cities with recommendations on sources of investment for listed projects.
- Based on catalogs prepared for each pilot city, create unified catalog with most attractive CE projects for IFIs and private investors under PPP arrangements.
- Provide assistance and capacity building to project implementation units (PIUs) in second group of cities on international procurement.
- Develop concept paper on information portal (online newsletter) to inform key stakeholders (municipalities, utility companies, IFIs, private investors, ministries) on new opportunities for investment.
- Design and maintain information above portal for updating key stakeholders on new investment opportunities.
- Prepare investment proposals (pre-feasibility studies, business plans) on EE and CE projects for partner cities.
- Conduct energy audits for key municipal service areas, key utility companies and CO2 producers to identify most promising long term investment proposals.
- Provide assistance (trainings and field support) to the municipalities on monitoring of SEAPs implementation in accordance to CoM methodology.
- Conduct workshop on expanding scope of functions of Clean Energy Advisory Centers (CE ACs) to attract investments for clean energy projects in residential buildings.
- Assist Clean Energy Advisory Centers with legal, technical, economic, ecological, and other key issues regarding attraction of investments to clean energy projects in residential buildings.
- Support implementation of CE demonstration projects in residential buildings.

Task 2.3. Introduction of Energy Management Systems

- Assist partner cities in preparing energy management documentation, procedures and tools according to ISO 50001 requirements.
- Assist cities and utility management in establishing energy management function with description of roles and responsibilities of energy managers.
- Monitor and support energy management function performance.
- Support certification of 2 cities in Energy Management in accordance with ISO 50001.
- Organize dissemination of this experience to other cities in region through round tables, webinars and other dissemination tools.

Task 2.4. Development Credit Authority (DCA) Loan Guarantee

- In cooperation with Bank Lviv and Procredit Bank agree training schedules for head and regional bank offices.
- Based on the training schedules, conduct seminars to support utilization of USAID DCA for energy efficiency, including those on assessing accuracy of reports on energy audit of public and multi-family residential buildings.
- Conduct joint training seminars and round tables with Bank Lviv and Procredit Bank for HOAs and SMEs on end use energy efficiency to build demand for commercial lending from the Banks.
- Conduct monitoring of utilization rate of USAID DCA with Bank Lviv and Procredit Bank, and provide recommendations on improvements.
- Assist Bank Lviv to analyze business plans from industrial undertakings, small and medium sized enterprises, under EE loan financing program “Energy Saving.”
- Assist Bank Lviv, and if requested Procredit Bank, to become part of national and regional programs of cheaper loans for HOAs.

- Conduct joint public events with Bank Lviv and Procredit Bank to promote energy efficiency improvements.

Task 2.5. Support Mechanisms that Mobilize Private Sector Investment

- Conduct pre-feasibility studies needed for energy performance contract (EPC) financing by IFIs and private investors in partner cities.
- Support implementation of EPCs.
- Assist with investment attraction and implementation of municipal EPCs.
- Assist with preparation of legal, financial and environmental documentation needed for EPC.
- Prepare pre-feasibility studies for bio-fuel projects.
- Support preparation of CE PPP projects by conducting energy audits, pre-feasibility studies and developing concepts of PPP arrangements for CE projects for selected partner cities, and discuss them with key stakeholders.
- Initiate development of document set required for CE PPP projects.
- Conduct training seminars on PPP in CE projects for selected partner cities.
- Assist selected cities to initiate and implement PPP for CE projects.
- Organize public discussions on proposed PPPs.
- Prepare catalog of CE PPP projects identified during implementation of MERP, and distribute it to potential investors and IFIs.

Task 2.6. Preparation of Sustainable Energy Public Awareness Plan and Development of Related Materials

- Hold periodic working group meetings on communication issues to adjust information strategy and assure its successful implementation in cities.
- Assure multifaceted public awareness campaign on EE/alternative energy through development, distribution and promotion of targeted information materials (posters, brochures, info graphic, PSAs) in MERP partner cities.
- Promote themes of EE/Alternative Energy; explain changes related to tariff reform through
 - TV and radio media.
 - Round tables and expert opinions.
 - Call in shows.
 - Analytical articles in electronic and printed media.
- Conduct public hearings on SEAP to involve general public in discussion about priority areas of EE in MERP pilot cities.
- Support web sites of beneficiaries, stakeholders and partners with information materials.
- Disseminate best practices.
- Conduct contest for school children on reduction of energy consumption in MERP partner cities.
- Develop information materials (brochures/posters etc.) for MERP partner cities to show potential of various AE sources in their regions.
- Organize information corners in HOAs/CE Resource Centers
- Conduct set of workshops called "AE/CE potential in your region" for staff of city councils, business and media.

Activity 3 - Planned Activities in Quarter 11

Cross cutting (Anti-corruption)

- Conduct coordination meetings with key partners, including civil society groups, anti-corruption 'watchdog' organizations and investigative journalists.
- Conduct training on anti-corruption for local civil society representatives and journalists.
- Support legislative acts (national and local) designed to fight corruption in municipal energy sector (in coordination with Task 1.1 activities).

- Cooperate with NGOs, anti-corruption ‘watchdog’ organizations and investigative journalists or agencies in conducting advocacy campaigns to increase transparency in municipal energy and communal services sector.
- Support collection, analysis, publication and distribution of information on anti-corruption.
- Disclose information to public (anti-corruption monitoring).
- Conduct local press conferences, presentations and discussions to advocate transparency and disclosure in energy sector.

Activity 4 - Planned Activities in Quarter 11

- Provide technical, expert and advisory and support to budgetary entity “National GHG Center” of MinEcology during desk review process of National GHG Inventory Report (NIR) 1990-2013, to be conducted by international expert review team per UNFCCC requirements.
- Provide technical and expert assistance support in transport sector to National GHG Inventory Center of MinEcology during preparation of NIR 1990-2014.
- Provide technical and expert assistance support in energy sector statistics and timeline to National GHG Inventory Center of MinEcology during preparation of NIR 1990-2014.
- Continue implementation of MoU between MinEcology and MERP.
- Draft General National Strategic Vision on Low Emission Climate Policy development and relevant political statements with explanatory note.
- Draft Low Emission Climate Strategy of Ukraine per Cabinet of Ministers format with explanatory note.
- Support State Working Group on State Climate Policy under MinEcology.
- Provide administrative and technical support to regular meetings and development of draft proposals/elements for State LEDS Climate Policy.
- Develop concept paper of both LEDS sub-groups to facilitate better understanding as well as planning and implementation of LEDS for each of selected sectors (minimum 2).
- Develop, update and review instructions for concept paper for each sector (minimum 2).
- Support development of LEDS Action Plan for MinEcology within its scope and mandate.
- Support development of LEDS Action Plan for MinRegion within its scope and mandate.
- Support on-going LEDS action planning process through working and expert groups at agency and inter-agency levels.
- Participate in and contribute to expert groups, working groups and groups drafting LEDS at state and public levels.
- Develop MRV training package.
- Conduct seminars on MRV implementation in Ukraine.
- Develop concept for on-line help desk for MRV implementation in Ukraine.
- Support on-line help desk for MRV implementation in Ukraine on national and regional levels to prepare recommendations and provide assistance to operators in
- Monitoring plan development.
- Improving monitoring.
- Data collection and analysis.
- Methodologies for CO2 emission calculation.
- Develop LEDS scenarios for energy sector to further incorporate GHG emission reductions into TIMES-Ukraine modeling.
- Continue strengthening institutional capacity of state agencies to apply TIMES-Ukraine for sectoral strategic planning and LEDS purposes.

Task 4.2. Implementing LEDS-REDS through support in developing and introducing clean energy technologies and energy services

- Advise and support state bodies, existing and emerging high-level working groups, members of Verkhovna Rada and state committees on climate change issues and inclusion of climate change in their agendas.

- Provide on-going technical and administrative support to MinEcology on climate change international activities, including but not limited to UNFCCC.
- Provide technical and administrative support to State Working Group under MinEcology on UNFCCC negotiation.
- Provide technical and administrative support to State Working Group on State LEDS Climate Policy under MinEcology.
- Support GOU working groups to draft relevant legislation for LEDS.
- Provide admin and technical support to state Inter-agency Commission on UNFCCC implementation meetings.
- Identify CE/EE projects in partner cities in terms of best available technologies and GHG emissions.
- Provide legal analysis of municipal sector CE/EE project implementation support and bottlenecks.
- Identify and present best available LEDS technologies for pre-selected projects.
- Provide consulting assistance on selecting best technologies for specific projects.
- Conduct regional training seminars on CE/EE best available technologies.
- Develop road map for implementation of CE/EE projects in municipal sector.

Task 4.3. Developing uniform database on LEDS-REDS and exchanging experiences and best practices with other countries participating in EC-LEDS

- Review and develop recommendations for updates of uniform database.
- Operationalize and provide on-going technical and substantial support for LEDS database.
- Conduct study tour for state officials, policy makers, LEDS-trained expert and academia representatives on LEDS to learn best international practices.

The list of milestones for Quarter 11 of the project is presented below.

Activity 1: Improve Clean Energy Regulatory and Legislative Enabling Environment

Task/Milestone	Deadline	Comments
Task 1.1. Developing Enabling Legislative and Policy Environment		
M 1.1.4. Law on National Regulatory Commission on Energy and Communal Services adopted by Rada.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
Task 1.2. Assistance to National Energy & Communal Services Regulatory Commission (NECSRC)		
Sub-task 1.2.3. Improving Heat Tariff Setting		
M 1.2.3.1. Investment methodology approved by relevant governmental bodies.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
M 1.2.3.2. Quality of Services assurance mechanisms enacted by NECSRC.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
M 1.2.3.3. Basis for RAB incentive tariff regulation established.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)

Task/Milestone	Deadline	Comments
		Schedules and Milestones)
Sub-task 1.2.4. Developing Utility Benchmarking		
M 1.2.4.1. New regulatory reporting taught to utilities.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
Task 1.3. Supporting Improvement of Social Safety Net for Vulnerable Population		
M 1.3.2. Transparency of social subsidies to low-income consumers improved.	May 31, 2016	
Task 1.4. Supporting Energy Efficiency Standards		
M 1.4.2. Standard on Energy Audits in Buildings approved.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
Task 1.5. Public Information and Awareness		
M 1.5.3. National public awareness campaign to promote energy efficiency, energy conservation and renewable energy, implemented.	April 30, 2016	

Activity 2: Promote Investment in Clean Energy Technologies and Applications

Task/Milestone	Deadline	
Task 2.2. Assisting Municipalities with Planning, Preparing and Financing for Clean Energy Projects		
M 2.2.2. SEAPs adopted in pilot cities.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
M 2.2.3. Private investors and IFIs receive up-to-date information on promising long-term investment projects in pilot municipalities.	June 30, 2016	Amended completion date (see section D. Schedules and Milestones)
M 2.2.4. Capacity of cities of second group regarding attraction of investments from IFIs and from private investors under PPP arrangement built.	Apr. 30, 2016	
Task 2.3. Introduction of Energy Management Systems		
M 2.3.2. Energy Management Systems established in partner cities.	Apr. 30, 2016	

Task 2.5. Support Mechanisms that Mobilize Private Sector Investment		
M 2.5.1. ESCO/EPC for municipal end-use energy efficiency initiated.	Jun. 30, 2016	

Activity 4: Enhance Capacity for the GOU in Low Emission Development Strategies (EC-LEDS)

Task/Milestone	Deadline	
Task 4.1. Strengthening institutional capacity in planning LEDS-REDS		
M.4.1.1. National GHG Inventory Report 1990-2014 submitted.	Apr. 1, 2016	
M.4.1.3. LEDS Concept Papers written.	May 30, 2016	

G. PERFORMANCE INDICATORS

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 USD Sources: GOU (State Statistics Committee, Ministry of Economy, SAEE); World Bank; IEA reports	Annually ⁸	0,69 2012	n/a	0,63 2013	n/a	0,8 2014	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 percent of energy use (context indicator) ⁹	Unit: percentage Sources: GOU (State Statistics Committee and Ministry of Energy); World Bank; IEA reports	Annually	37.9 2012/ 30.4 2012	n/a	34.3 2013/ 25.9 2013	n/a	32.6 2014/ 27.2 2013	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 CO ₂ equivalent per thousand USD Sources: GOU (State Statistics Committee and Ministry of Environment); World Bank	Annually	2.99 2011	n/a	2,87 2012	n/a	2,72 2013	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														

⁸ For all context indicators MERP expects a 4 to 7 month lag for FY required M&E Plan reporting of ACTUAL numbers. Municipalities, GOU entities are only available on a calendar year (CY) basis, NOT quarterly, and even then NOT UNTIL CY annual reports are released in March-April time frame. For international organizations' index data, we expect a lag of 12 months.

⁹ First number reflects Energy Imports and the second – Net Energy Imports

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 thousands 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	239 ¹⁰	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 stoves, improved access to gas, increased number of hours of electricity service, reduced outages and reduced 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	n/a	n/a	n/a	n/a	79,69 2016	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; NECSRC; SAE	Annually	0	2	4	3	5	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> <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>														

¹⁰ Number of people, in thousands, affected by investments.

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
	Disaggregated By: Type of documents and their approval stage (based on legal score card)													
Sub-objective 1.1 Legislation that supports CE/EE investments is in force														
1.1.1	Business Environment for Energy Index (context indicator)	Unit: Aggregate Index Sources: World Bank Group leads the preparation of the BEE index in close collaboration with other MDBs	Annually	Under development by WB	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	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 or stakeholder consultation to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	Unit: Number of documents Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NECSRC; NERC	Annually	0	5	13	4	23	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 Group meetings assisted by USG to support legal and regulatory municipal energy reforms	Unit: Number of Working Group meetings Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada Subcommittee on Communal Services; Association of Ukrainian Cities; NECSRC	Semi-annually	0	8	17 (34)	8	62	8	21	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> <p>Justification: This is project level indicator measuring project efforts in coordinating GOU agencies in municipal energy reform.</p> <p>Disaggregated By: N/A</p>													
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	S 1/S2	S 1/S2	S 3/S4	S3/S4	S4	S4	S4	S4	S4	S4

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: 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</p> <p>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</p> <p>Disaggregated By: N/A</p>													
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	<p>Unit: Number of entities</p> <p>Sources: Implementing partners; Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; Rada committees; professional associations; municipalities</p>	Annually	0	8	7	8	39	7		2		25	
	<p>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.</p> <p>Justification: This is standard indicator 4.8.2-14 that measures government ability and improved capacity to implement LEDS-REDS</p> <p>Disaggregated By: Type of entities</p>													
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	<p>Unit: Number of people</p> <p>Sources: Implementing partners; GOU entities; municipalities; industry professionals and their associations</p>	Semi-annually	0	200	256	200	532	300	76	300		1000	
	<p>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.</p> <p>Justification: This is standard 4.8.2-6 GCC indicator that measures increased knowledge on GCC and LEDS-REDS</p> <p>Disaggregated: Gender</p>													
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 and projecting GHG emission reduction	<p>Unit: Number of entities</p> <p>Sources: Ministry of Energy; MinRegion; Ministry of Environment; Ministry of Economy; municipalities SAAE; SAEI; implementing partners</p>	Semi-annually	0	8	7	6	7	5	1	1		20	
	<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-	Unit: Number of companies	Annually	0	0	0	0	0	10		90		100	

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
	regulated utility companies that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	Sources: NECSRC, regulated utilities, associations of utilities, municipalities, implementing partners												
	Definition: Number of regulated utilities that applied cost-reflective methodology with incentive towards EE investments Justification: Indicator of introduction of cost-reflective tariffs that lead to EE investments in municipal utilities Disaggregated By: Geographic unit													
1.3.2	Percentage of Ukraine consumers served by GOU-regulated utilities that apply cost-reflective, incentive-based tariff(s) as a result of USG assistance	Unit: Percentage Sources: NECSRC , regulated utilities, associations of utilities, municipalities, implementing partners	Annually	0	0	0	0	0	2		18		20	
	Definition: Percentage of consumers served by regulated utilities that apply new cost reflective incentive based tariff methodology Justification: Indicator of introduction of cost-reflective tariffs that lead to better service to end-consumers Disaggregated By: Geographic unit													
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: NECSRC ; municipal utilities; implementing partners	Semi-annually	0	S1/S2	S1/S2	S2/S3	S2	S3 ¹¹	S2	S4		S4	
	Definition: National Energy and Communal Services Regulatory Commission 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 Justification: Indicator of capacity building for NECSRC; measures progress of improved regulatory capacity to support market reform Disaggregated By: N/A													
1.3.2.1.2	Transparent incentive based tariff 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	S2	S3	S2	S4		S4	
	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 Justification: Indicator of introduction and capacity building on new tariff and benchmarking methodologies needed to improve financial and operation performance of municipal utilities Disaggregated: N/A													
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	3.686.048	20,000	11.445.345	25,000		60,000	

¹¹ USAID cancelled this task.

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
	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 result of USG assistance	Unit: Number of documents Sources: Implementing partners; MinRegion; MinEconomy; SAAE; professional associations	Semi-annually	0	2	2	2	1	2	0 (1 under development)	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 ¹²	Unit: Million cubic meters of gas Sources: Implementing partners; GOU entities; municipalities; private partners; utilities; IFIs; commercial banks	Annually	0	0	0	70	118.7	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 5-year 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	6	5		4		15	
	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 Justification: Indicator that municipalities and utilities are moving forward productively in preparation of investment proposals and securing funding for making CE/EE improvements Disaggregated By: Geographic unit													
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	Unit: Number of plans Sources: Implementing partners; energy	Semi-annually	0	6	3 (4 under develop	5	4 (8 under developm	4	1 (5 presented ; 2 under	0		15	

¹² Indicator targets for Energy Saved use economic and energy price assumptions. If the economic situation changes dramatically (more than 20%, e.g., currency exchange rate), MERP 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
	assistance (LEDS, SEAP, other)	companies / utilities; municipalities				ment)		ent)		developm ent				
	<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 selects municipalities 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	15	4	15	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	Labor hours of training completed in technical energy fields supported by USG assistance	Unit: Number of labor-hours in training Sources: Implementing partners; GOU entities; municipalities; industry professionals and their associations	Annually	0	3,680	7,328	3,200	48,350 ¹³	2,400		1,280		10,560	
	<p>Definition: This indicator uses the following equation (number of training sessions 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	4	0	5	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> <p>Disaggregated By: Geographic unit</p>													
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	Annually	0	5	10	10	≈10 (data is being collected, survey)	10		25		50	

13 The final number can be higher, based on additional data to be received from the WB on attendance of social protection seminars held in September 2015. WB has been contacted.

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								
		associations and Resource Centers												
	<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	15	42	7	16	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 project cities</p> <p>Disaggregated By: Geographic unit</p>													
Objective 3.0: More Private Investment in Energy Sector														
3.0	Amount of investment leveraged in US 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	71.2	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 GHG emissions reduced or sequestered as a result of USG assistance in energy, industry, urban, and or transport sectors ¹⁴	Unit: 1000 metric tons of CO ₂ equiv. Sources: Implementing partners; municipal utilities; municipalities; energy service companies	Annually	0	0	0	132	224.5	157		214		503	
	<p>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.</p> <p>Justification: This is mandatory standard indicator 4.8-7. Indicator of GHG emission reduction resulting from all project activities.</p> <p>Disaggregated By: N/A</p>													

¹⁴ Indicator targets for quantity of GHG emissions use economic and energy price assumptions. If the economic situation changes dramatically (more than 20%, e.g., currency exchange rate), MERP 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
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	S3	S3-S4	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; Min-Region; Ministry of Environment; Ministry of Economy; municipalities, utilities; SAEI; SAEI; implementing partners	Semi-annually	0	0	0	2	2	4	4	4		10	
	Definition: Number of methodologies, technologies and tools developed to support CO ₂ 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		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	10.59	20		20		55	
	Definition: Measures utilization of DCA partial guarantee by the partner banks for financing of EE projects Justification: Indicator of utilization of DCA partial guarantee. Used for evaluation of efficiency of DCA program Disaggregated By: Geographic unit													
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	Unit: Number of mechanisms Sources: Implementing partners; ESCOs, private investors, municipalities	Semi-annually	0	0	0	2	1	2	0	2		6	
	Definition: Number of new financial mechanisms prepared and used at the municipal level. It includes concept papers, due diligence documents, and agreements for ESCOs/EPCs, GDAs, PPPs, others for financing of CE/EE projects													

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: Indicator of extension of financial mechanisms for CE/EE projects Disaggregated By: Geographic unit; type of mechanisms													
3.2.2.2	Number (and percentage) of GOU-regulated utility companies that achieve or pass the break-even point as a result of USG assistance	Unit: Number of utility companies Sources: Implementing partners; ESCOs, private investors, municipalities	Annually	0	0	0	10	186	180		210		233	
	Definition: Number of utilities that improved their financial performance as a result of introduction of cost recovery tariffs and participation in capacity building events organized with USG assistance Justification: Indicator of improved financial performance of utilities resulted from tariff increase and improved business operation, i.e., implementation of EE investment programs cutting losses Disaggregated By: Geographic unit													