



EXPANSION OF THE EU4ENERGY PROJECT TO CENTRAL ASIA PILOT PHASE – PROPOSAL OF THE ENERGY CHARTER SECRETARIAT

The Energy Charter Secretariat as an implementing partner of the EU4Energy Project for the Component 3 (Armenia, Azerbaijan and Belarus) could be instrumental in enhancing energy cooperation between the EU, its Member States and the countries of Central Asia. As part of the consultation on the EU strategy for Central Asia, the Secretariat has organised three meetings in February, April and September 2017 with the representatives of the relevant Ministries and Embassies in Brussels where all states of Central Asia clearly expressed their interest in energy cooperation with the European Union on the basis of the jointly shared principles of the Energy Charter.

As an outcome of these meetings, it is proposed to expand existing EU4Energy project for some of the countries of the region to provide them technical assistance in the legislative and regulatory framework and implementation of policy recommendations. Current proposal is to start the implementation of the pilot phase with limited activities for selected countries before the decision on a full scale technical assistance project is made by the European Commission.

Objectives:

- Enhancing EU's strategic communication in Central Asia by raising visibility and outreach of the EU's regional strategy Asia and its outcomes.
- Facilitating economic growth through the promotion of reliable and attractive investment climate in Central Asia as well as exchange of best practices, lessons learnt and know-how;
- Contributing to the good governance in the energy sector by developing sound regulatory frameworks and transparency initiatives;
- Enhancing energy security and regional stability by promoting regional integration and cooperation;
- Support to implementing priority recommendations, stemming from EU4Energy Component 2.

Proposed Approach:

The Secretariat proposes to implement a pilot phase as a bridge between specific needs of the countries and objectives of the potential full scale project. This would also allow assess the commitment of partner countries to progress with the necessary reforms in the energy sector.

It is proposed to include the following countries in the pilot phase – Kyrgyz Republic, Turkmenistan and Republic of Uzbekistan – which sent their formal requests to the EU delegations in respective capitals or to the European External Action Service. The duration of the pilot phase is proposed 18 months starting as of July 2018. Estimated budget is provided in the annex and utilises the synergies with the Energy Charter activities on Energy Investment Risk Assessment (EIRA) and EU4Energy project in order to achieve savings on management, administrative and consultancy costs.

The following proposed activities are based on the priorities for cooperation submitted by the countries in March-April 2017 to the Secretariat. These activities are tentative and subject to further agreement with the recipient countries.

Proposed Programme of Work (July 2018- December 2019)

| | Activities | Indicators/Sources of verification | Results/Outcomes |
|------------------------|---|---|--|
| Kyrgyz Republic | | | |
| KG 1 | Energy Efficiency – Support to establish Institutional framework for the Implementation of the energy efficiency policy | | |
| KG 1.1 | Facilitate inter-agency and stakeholders discussion to analyse specific roles and responsibilities of various stakeholders in implementing energy efficiency policies | Establish a stakeholders consultation working group and organise at least 2 meetings | Working group is established and operational |
| KG 1.2 | Organise capacity building on Energy Efficiency Governance | National capacity building workshop on energy efficiency governance | 2-3 days workshop organised |
| KG 1.3 | Develop recommendations for setting up the most appropriate institutional framework in line with the best EU and international practices | Prepare report analysing roles and responsibilities of various government agencies on energy efficiency policy and Provide recommendations on the necessary institutional set-up (e.g government agency, department, etc) including resource allocation(number of staff, budget) | Report is developed and presented |
| KG 2 | Investment Climate - Develop Energy Investment Risk Assessment Report (EIRA) | | |
| KG 2.1 | Data collection and validation in line with the existing EIRA methodology | Collection of all necessary data and information based on the questionnaire, its validation and clarification | Data collected and validated |
| KG 2.2 | Develop draft country risk profile and indicators | Prepare extended country risk profile including recommendations on overcoming identified risks on investment in the energy sector | Draft country risk profile is developed |

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| KG 2.3 | Organise a workshop to present and discuss draft country risk profile and recommendations | Identify all relevant stakeholders and organise a workshop to discuss the profile and recommendations | Country risk profile is finalised and published |
| Turkmenistan | | | |
| TM 1 | Energy Efficiency - Develop principles of tariff setting in order to gradually phase out subsidies | | |
| TM 1.1 | Facilitate inter-agency discussion to identify policy priorities and analyse existing tariff setting procedures for electricity, gas and heating | Establish an inter-agency working group and organise at least 2 meetings | Working group is established and operational |
| TM 1.2 | Develop recommendations on principles of tariff setting and phase out of subsidies | Draft tariff setting methodology for electricity, heat and natural gas | Draft methodology developed |
| TM 1.3 | Conduct stakeholders consultations to discuss recommendations and next steps | Identify relevant stakeholders and organise stakeholders consultation meeting | Recommendations and next steps discussed and submitted |
| TM 1.4 | Assist in launching a public awareness campaign on energy efficiency | Organise public discussions, roundtables and workshops to address the issue of tariffs | Roundtable and workshops organised, articles published |
| TM 2 | Investment Climate - Develop Energy Investment Risk Assessment Report (EIRA) | | |
| TM 2.1 | Data collection and validation in line with the existing EIRA methodology | Collection of all necessary data and information based on the questionnaire, its validation and clarification | Data collected and validated |
| TM 2.2 | Develop draft country risk profile and indicators | Prepare extended country risk profile including recommendations on overcoming identified risks on investment in the energy sector | Draft country risk profile is developed |
| TM 2.3 | Organise a workshop to present and discuss draft country risk profile and | Identify all relevant stakeholders and organise a workshop to discuss the profile and | Country risk profile is finalised and published |

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| | recommendations | recommendations | |
| Republic of Uzbekistan | | | |
| UZ 1 | Renewable Energy - Law on renewable energy sources | | |
| UZ 1.1 | Organise inter-ministerial discussion to analyse specific country needs, internal capacity and requirements for the law | Facilitate the establishment of an Inter-ministerial working group and the organisation of 3-4 meetings | Working group is established and operational |
| UZ 1.2 | Review the draft and support finalisation of the draft law on renewable energy sources aligned to best EU and international practices | Recommendations for necessary amendments to the Draft law on renewable energy sources in line with best EU and international practices | Comments and suggestions on the draft law are provided |
| UZ 1.3 | Conduct stakeholders consultations in the process of law elaboration | Identify relevant stakeholders and organise stakeholders consultation meeting to discuss draft law | Draft law is presented and discussed |
| UZ 1.4 | Organise capacity building on renewable energy sources | National capacity building workshop on best practices on integration of renewable energy sources is organised | Workshop organised |
| UZ 2 | Investment Climate - Develop Energy Investment Risk Assessment Report (EIRA) | | |
| UZ 2.1 | Data collection and validation in line with the existing EIRA methodology | Collection of all necessary data and information based on the questionnaire, its validation and clarification | Data collected and validated |
| UZ 2.2 | Develop draft country risk profile and indicators | Prepare extended country risk profile including recommendations on overcoming identified risks on investment in the energy sector | Draft country risk profile is developed |
| UZ 2.3 | Organise a workshop to present and discuss | Identify all relevant stakeholders and organise a | Country risk profile is finalised |

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| | draft country risk profile and recommendations | workshop to discuss the profile and recommendations | and published |
| Regional Activities - Central Asia & Afghanistan | | | |
| RA 1.1 | Policy dialogue on integration of energy markets to facilitate electricity trade | Organise regional meetings with participation of regional and international organisations to discuss recent developments in the energy sectors and infrastructure projects as well as exchange of the best practices and lessons learnt | At least 2 events are organised in cooperation with donors and international organisations |

Annex - Estimated Budget

| # | Costs | Unit | # of units | Unit value (in EUR) | Total Cost (in EUR)3 |
|----------|---|-----------|------------|------------------------|-------------------------|
| 1 | Human Resources | | | | 290,000.00 |
| 1.1 | Regional coordinator | per month | 18 | 9000 | 162000 |
| 1.2 | Country coordinator | per month | 18 | 6000 | 108000 |
| 1.3 | Per diem (missions) | | | | 20000 |
| 2 | Travel | | | | 25,000.00 |
| 2.1 | Cost of airtickets | | | | 25000 |
| 3 | Equipment and supplies | | | | 10,000.00 |
| | Computer equipment | | | | 6000 |
| | Office supplies | | | | 4000 |
| 4 | Other costs and services | | | | 273,000.00 |
| 4.1 | Publications | | | | 6000 |
| 4.2 | Studies, research, consulting | | | | 200000 |
| 4.3 | Translation & interpretation for all events | | | | 12000 |
| 4.4 | Costs of conferences/seminars (including travel costs of delegates from partner countries, external speakers) | | | | 30000 |
| 4.5 | Visibility actions | | | | 25000 |
| 5 | Contingency | | 5% | | 29,900.00 |
| 6 | Sub-total (EU financing) | | | | 627,900.00 |
| 7 | Co-financing by the ECS | | 5% | | 31,395.00 |
| 8 | Total budget of the project | | | | 659,295.00 |

* - ESC commitment to co-financing increases proportionally to the funds available