



United Nations Economic Commission for Europe



Global Sustainable Electricity Partnership

Main Conclusions and Summary of Discussions

High-level Dialogue on Strengthening Public-Private Partnerships for Sustainable Energy and Energy Efficiency

November 12-13, 2013

Metropol Palace Hotel
Belgrade, Serbia

- 57 participants from 21 countries
- Participating GSEP companies: Edison (EDF), Enel, Iberdrola, JSC RusHydro, RWE, SGCC
- Opening of the High-Level Dialogue by Mr. Dejan Trifunovic, Assistant to the Minister on Renewable Energy Sources and Electro-Energy, Ministry of Energy, Development and Environmental Protection, Serbia.

Objectives

The GSEP/UNECE global high-level dialogue series on PPPs in the sustainable electricity sector is a concrete action that supports the goals of the UN the Secretary-General's Sustainable Energy for All initiative, launched in 2012.

Through a combination of high-level dialogues and expert workshops, the Strengthening Public-Private Partnerships workshop program was designed to assist UN Member States in identifying enabling policies and regulations that best promote the deployment of renewable and low-carbon emitting energy sources and energy efficiency and grid modernization, as well as help in the implementation of international best practices in public-private partnerships for the electricity sector.

Panelists and speakers

- Mr. Nenad Illic, Deputy Chairman of the Commission for Public-Private Partnership, Serbia
- M. Lazar Gechevski, Director, Energy Agency of the Republic of Macedonia
- Mr. Aleksei Fedorov, Head of Energy Policy Dept. Ministry of Economy, Republic of Belarus
- Mr. Branko Terzic, Executive Director, Deloitte Center for Energy Solutions and member of the Privy Council for the Royal Family of Serbia
- Mr. Carlos Sallé Alonso, Director of Regulation, Iberdrola S.A.
- Mr. Mikhail Kozlov, Director of Innovation and Renewables, JSC "RusHydro"
- Mr. Yunpeng He, Deputy Director General – European Office, State Grid Corporation of China
- Mr. Martin Sobek, Senior Investment Officer, IFC, World Bank Group
- Mr. Karl Kraus, Member of Executive Board, RWE East
- Mr. Andrea Testi, Head of Power International Business Unit, Edison
- Ms. Viviana Vitto, Head of Portfolio Management and Market Analysis – Carbon Strategy, Enel
- Mr. Zazimko Vadim, Head of the Expert Group – Financing of Energy Efficiency Projects, Russian Union of Industrialists and Entrepreneurs
- Dr. Thomas Klopfer, Head of Strategy, RWE East
- Ms. Margarita Danilova, Chief Expert, Public Funding Management, JSC "RusHydro"

- Mr. Miroslav Kukobat, Head of Unit, Senior Expert, Energy and Infrastructure, Regional Cooperation Council
- Mr. Nebojsa Arsenijevic, Balkans Renewable Energy Program Manager, Europe & Central Asia – Advisory services, IFC, World Bank Group
- Ms. Jelica Grujic, Head, Foreign Investment Promotion Agency of Bosnia and Herzegovina
- Ms. Gabriela Cretu, Electricity and Renewable Energy Expert, Energy Community Secretariat, Austria
- Mr. Sergei Kiriushin, Head of Administrative and Legal Department, SGA Center of Energy Conservation and Energy Efficiency of the Leningrad Region, Russia
- Dr. Xing Lu, Senior Research Fellow, Energy Research Institute, State Grid Corporation of China
- Mr. Nigel Davies, Managing Director and Founder, Wyn River Limited
- Mr. Geoffrey Hamilton, Chief, Cooperation and Partnerships Section, UNECE
- Mr. Branko Milicevic, Programme Officer, Sustainable Energy Division, UNECE
- Dr. Luis-Martin Kraemer, bofest consult GmbH
- Ms. Martine Provost, Executive Director, GSEP

Main conclusions from discussions

General

- There is a need for the development and dissemination of international best practices in PPPs in the renewable electricity sector. Participants welcomed the joint GSEP/UNECE's initiative to host a first conference in the Balkans, a region that is currently in the process of adapting national legal frameworks, and adopting new energy strategies including more renewable and GHG emission reduction objectives.
- PPP can provide a vehicle for solving the most prominent problem of the 21st century: to bring electricity to those who still have no access without exacerbating climate change.
- There is no blueprint and no quick win solution: One must be careful when transplanting PPP into another country environment. PPP is a continuous learning process.
- We need to get back to the basics: Use the private sector money and know-how only if it produces the best deals over the project's life. PPP may be useful to improve public services at an affordable price. A good deal must be fair with the State, the consumers and the foreign investors.
- A good project needs to be able to raise and service debt with adequate cash flow cover, and provide appropriate returns for foreign equity investment and expertise.
- Common problems are poor preparation or design, lack of local understanding and expertise, poor risk allocation including changes in the regulation as well as problems with tendering, transparency and private sector profits levels.
- States and municipalities must deliver on strategy to be attractive to private investors.
- The major impediments are the tendency of decision-makers to focus on short-term political benefits.
- The public sector often lacks skills to implement complex transactions, especially when staff changes after elections.

Policy framework

- Although money is available, the absence of a suitable policy environment creates barriers to investment.
- It is essential to have independent regulators who can guarantee a fair treatment of all investors is a key issue.
- Countries from South East Europe are currently adapting their legal framework in view of implementing the EU Renewables Directive (RES 2020) which sets binding national targets for the share of energy from renewable sources in 2020, GHG targets and climate policy goals.

Tendering process

- The tendering process is often seen by developers as too complicated, with too many bureaucratic obstacles.
- It is important to allow adequate time for the tendering process. The tendering process is proving difficult. The use of standard documents is highly recommended.
- One needs to simplify legal procedures of approving PPP projects.

- A key recommendation: reduce the transaction complexity and invite professional consultants in the tendering process. Define clear roles of all stakeholders. Risks management and risk allocation needs to be carried out by professionals.
- Pre-tender discussions should be held with potential bidders to understand the range of technical solutions available.

Private sector's key recommendations

- Long-term stability and predictability are the most important conditions potential investors are looking for. Guaranteed stable and reasonable profits over decades through PPA, although low, are even more important to unlock barriers than higher rate of returns with higher risks.
- Technical aspects of energy development are less critical than tariff design, especially when the tariffs are set below the production costs.
- Private partners must focus on their strengths.

Involvement of stakeholders

- Successful PPP calls for involving multiple stakeholders from the very beginning. Civil society should be always included.

Region-specific conclusions

- The countries of the Balkans have started a process of adopting national energy plans and developing PPP and concession laws. However, this is far from sufficient since this does not address the lack of skills and knowledge among decision-makers and public sector employees, which is a major area of concern.
- What is most needed in Serbia and the region is training, development of human capacities and assistance in PPP.
- Despite significant progress achieved on the regulation side and in defining national energy strategies, not many PPP projects were undertaken in the region.

Overall Conclusions and Recommendations

- Participants agreed that there is a need for the development and dissemination of international best practices for PPPs in the renewable electricity sector. Development of human capacities and assistance for the establishment of successful PPPs are critical for the South East Europe (SEE) countries to reach their new energy and climate objectives under SEE 2020, which is a regional response to Europe 2020 policy goals.
- The market and the legal framework of the SEE countries are transforming in order to access to the EU. As a consequence, countries of the region will have to look at the concept of pure PPPs or concessions.
- Despite of many disappointments in the past years, the momentum for PPPs has never been greater.
- The extension of the EU internal energy market to SEE countries is underway and part of the Energy Community Secretariat's mission, which is also to provide a stable investment environment, tie the contracting parties together with the EU and contribute to security of supply in Europe.
- There is potential for development of renewable energy in the region, in particular for wind energy and hydropower.
- Given the high potential of the region to translate the learning process on PPPs into concrete policy decisions and achievements, GSEP and UNECE together propose to organize in 2015, a follow-up conference in the region with a focus on these technologies.