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Medvedev Pushes for Efficiency

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President Dmitry Medvedev speaking at an award ceremony for Kamaz Team racers at a truck plant in Naberezhnye Chelny, about 1090 kilometers southeast of Moscow. **Vladimir Rodionov**

President Dmitry Medvedev said Tuesday that the country needs to start thinking seriously about energy efficiency in the housing sector and promised that he would deal with governors who are "irresponsible" in delaying installation of modern utility metering equipment.

He also said he expects private investment to follow as modernization of energy transmission and measurement equipment takes place.

"[Municipal utility] organizations should have the opportunity to attract private investment — which is why we need to lift barriers to implementing energy service contracts," Medvedev said at a modernization commission session in Naberezhniye Chelny, Tatarstan.

Promoting energy efficiency is one of the priorities of Medvedev's modernization program and includes a goal to cut the amount of energy spent per unit of economic output by 40 percent by 2020.

The country is estimated to use 2.5 times more energy to produce a given amount of goods and services than the world average.

On Tuesday, the president also highlighted some of the problems that people, companies and municipalities encounter when trying to abide by recent legislation aimed at saving energy and improving efficiency. One element of the program foresees the installation of modern "smart" electricity meters that are highly accurate and allow for differentiated charging depending on the time of day.

“The law determines the deadlines for installing meters, but we do not yet have strict requirements for the quality of the meters,” Medvedev said, Interfax reported.

The Interregional Distribution Grid Companies holding has the mandate to work with the regions and install smart meters. Company head Nikolai Shvets said that of the regions that have signed agreements to have smart meters installed, not all are meeting their obligations.

The company has met with governors of 45 out of 69 regions and signed agreements with 28 of them.

“Where [the governors are being] irresponsible, give me a list of those governors so that I understand who is irresponsible and is not meeting with you ... who does not sign agreements,” Medvedev told Shvets.

Shvets said his company was planning to spend 39 billion rubles ($1.3 billion) by 2015 to install 13 million meters over the course of 10 years.

As a result, electricity will be saved in an an amount equal to that currently consumed by Tatarstan every six months, Shvets said.

“In 2011, investment to implement the program of installing smart meters is estimated at 5.5 billion rubles,” Shvets said, Interfax reported.

Shvets' company will install 50,000 meters in the Perm region as part of a pilot project.

Tatarstan's efforts to promote energy efficiency were highly praised by Medvedev, who wished to see other regions follow the example of Naberezhniye Chelny and its “progressive people.”

Russia is very far behind in terms of energy efficiency, compared with most industrialized countries.

Energy losses are an acute problem for the North Caucasus: Dagestan wastes about 33 percent, and Chechnya 34 percent, according to Shvets' estimates.

But modernization alone will not solve the country's energy efficiency problems, Medvedev said. There has to be an active promotional campaign for the government's efforts to succeed.

“People think that energy efficiency — all our talking about it — is some kind of bureaucratic fuss. They need to understand that we are doing it so that they spend less, and this needs to be repeated on TV screens and via other media outlets practically every day,” Medvedev said.

Though Medvedev mentioned private investment, he did not comment specifically on how it could help improve energy efficiency or which companies may potentially be interested in investing in related projects in the housing and public utilities sectors, which are notorious for red tape.

“Among financial institutions over the course of the next two years, major investment into energy efficiency retrofits in public buildings and energy service companies is likely to come from the IFC, the EBRD [European Bank for Reconstruction and Development] and state banks such as Sberbank or VTB,” Yana Gorbatenko, program manager at the International Finance Corporation's Cleaner Production program, told The Moscow Times.

“A few years from now, private bankers may become more comfortable with risks related to financing such projects,” she said, adding that there are already a few projects in the area, like the one run by the IFC's partner Center-Invest Bank, which is managing an energy efficiency lending program in the housing sector.

Center-Invest Bank makes loans of up to 4 million rubles for a maximum of five years to homeowner associations and companies that manage residential multifamily buildings so that they can carry out energy efficient renovations, said a statement on the bank's web site.

Loan applications require the decision of a general meeting of the residents or a guarantee from the members of the management company’s board.

“Working with energy service companies is just one of the instruments that helps attract investors,” Gorbatenko said.

This working relationship is currently risky for investors since it takes an average of four or five years — and can even take up to 10 years — to pay for itself and requires a lot of work with regional authorities.

Maintaining a good working relationship with the authorities for seven to 10 years is a hard task, which makes political risks inherent to the work of energy service companies.

An alternative way of financing energy efficiency programs in the public sector may be for the municipalities to borrow directly from financial institutions or by issuing bonds, Gorbatenko said.

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