

RUSSIAN ENERGY SURVEY: 2002

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SYNOPSIS OF THE ENERGY EFFICIENCY CHAPTER

Energy Efficiency Policies

From 1995 to 2000, Russia gradually put into place a legal and regulatory structure to promote energy efficiency. It still had not achieved much success when the period ended. The IEA fully supports the Russian Energy Strategy *Main Provisions* emphasis on reforming the energy price structure as the key to stimulating rational and efficient energy use. A new Federal program, “Energy Efficiency Economy”, designed as the main mechanism in the Energy Strategy to improve energy efficiency, in line with the goals of the *Main Provisions*, is currently being discussed by the Russian government. The Russian Energy Strategy estimates investment needs in the order of \$40 to \$70 billion over the period from 2001 to 2020. In Russia’s unattractive investment environment, efficiency investments should be concentrated in priority areas and sectors where the greatest gains can be made. Low-cost investments can increase consumers’ awareness and ability to control their energy consumption. These include the continued introduction and enforcement of standards and labels, metering and building codes and the wider dissemination of information.

Russia’s Energy Efficiency Potential

Russia’s economic growth depends both on its vast natural resources and on their efficient use. The *Main Provisions* foresees a reduction in the annual energy consumption growth of about 45 percent by 2020. The energy sector accounts for an estimated 40 percent of this potential saving, with another 30 percent from industry, 20 percent from the residential sector, 7 percent from transport and 3 percent from agriculture. Residential gains are difficult, however, compared with those in the energy or industrial sectors where targeted programs can yield quick and large results. This points to the need for priority setting among publicly financed efficiency investments. Better end-use energy data is needed for this. The fact that these estimates are almost identical with those in the 1995 Energy Strategy based on studies carried out in 1993, underscores the need for better end-use energy data. By 2001, the situation has changed in terms of industry structure and access to energy-efficient technology and information. Furthermore, tougher budget constraints, to deal with the non-payment problem, were increasingly enforced and felt. These factors should enhance Russia’s energy efficiency potential.

Barriers to Energy Efficiency Investment

The lack of both private and public finance is a key problem. Investment barriers include low energy prices, lack of competition in the electricity and heat sector and lack of consumer control coupled with a system of billing (on a per-resident basis) which provides little incentive for efficiency. On a more macro-economic level, the major barriers, which continue to hamper investment, include the lack of contract enforceability and an unstable investment environment. Mechanisms are needed to provide investors with greater stability and reduce the fiscal and legal risks of long-term investment. A stability mechanism like that provided by production sharing agreements for investments in the upstream oil sector could help minimise the risks of investing in energy efficiency. The Kyoto Protocol could embrace the attractiveness of some energy-efficiency investments through the use of its “flexible mechanisms”, especially Joint Implementation.

Energy Efficiency: A Regional Approach

A regional approach to energy efficiency is essential. The energy situation in each region depends on its natural resources, its distance from main distribution networks and its energy consumption. Reducing energy use is increasingly seen as a way to reduce regional expenditures and free limited budget revenues, and to foster industrial competitiveness. It can also reduce pollution and improve the comfort, health and safety of citizens. Heat and power subsidies alone absorb 25 to 40 percent of scarce regional and local budgets. Since 1995, many regional administrations have developed legal, regulatory and institutional frameworks for energy efficiency. By mid-2000, 33 regions had energy efficiency laws in place, and 13 more were formulating them.

This synopsis summarizes a chapter from a book entitled *Russian Energy Survey – 2002*, published by the International Energy Agency (Paris). ISBN 92-64-18732-4. E-mail address to order the book is books@iea.org. Website of IEA is www.iea.org/books.