

**Project "Introduction of Energy Management System Standard in Ukrainian Industry"
(UKR IEE Project - 120321)**

7th Project Steering Committee Meeting

MINUTES OF THE MEETING

Date: June 26, 2023,
Time: 9:30 – 11:00 Kyiv time
Venue: online, ZOOM conference
Language: English

Number of PSC institutional members: 6
Number of present PSC institutions: 4
Number of observers: 2
Number of invited speakers: 1

Total number of PSC meeting participants: 11

No	Steering Committee composition
1	UNIDO
2	GEF Operational Focal Point, OFP, Ministry of Environmental Protection and Natural Resources (MEPNR)
3	Ministry of Economy of Ukraine (ME)
4	State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE)
5	UNIDO Focal Point in Ukraine (?)
6	Resource Efficient and Cleaner Production Centre (RECPC)
7	Ukrainian Chamber of Commerce and Industry (UCCI)
8	Ukrainian Union of Industrialists and Entrepreneurs. (USPP)

Introduction

The 7th Project Steering Committee (PSC) meeting was attended by:

1. State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE)
2. Ministry of Economy of Ukraine (ME)
3. Resource Efficient and Cleaner Production Centre (RECPC)
4. UNIDO
5. UkrGasBank as invited cooperation partner / financial partner

The UNIDO Project Management Unit (PMU) sent electronic invitation to PSC members one week ahead of the meeting:

- Please see Addendum 1 for the full and detailed list of participants
- Please see Addendum 2 for the final meeting agenda
- Please see Addendum 3 for presentation delivered during the PSC

Proceeding and Discussions

The meeting started at the planned time with opening remarks by Mr. Serhiy Porovskyy, UNIDO, Principal Expert on Energy Efficiency (EE) Policy and Financing. After welcoming and acknowledging presence of PSC members Mr. Porovskyy formally started the meeting.

Mr. Porovskyy highlighted that main focus of the PSC meeting was to present, discuss and decide on the possible extension of the UKR IEE Project in order to enable continuous operation of the Loan Guarantee Fund (LGF) as well as support to Ukrainian government and industry.

The processing of the 1st part of the PSC Meeting was agreed that after a brief overview presentation on challenges, suggestions, and sustainability strategy of the LGF by Mr. Serhiy Porovskyy; the inputs from the representatives of UKRGASBANK (UGB), and the Head of SAEE Mrs. Zamazieieva – the PSC will run the decision on the subject of the project extension.

Mr. Porovskyy provided an overview of the project work for the development and operation of the LGF and elaborated on the even greater importance of such financial instrument in the current war situation in Ukraine. He recalled that the objective of the LGF is to facilitate the development of EE market and access to capital for industries, especially for energy management systems (EnMS) and energy system optimization (ESO) implementation. Since currently most Ukrainian industries are in a “survival mode”, this requirement is currently lifted and the LGF allows to proceed with any EE measures they can do at this time.

Relevance: Access to capital and cost of capital are known as major barriers for the Ukrainian borrowers and financial system due to perception of high risks. One of the identified related obstacles is high level of collateral. ADDITIONAL: coverage of financial and investment risks is specially required during high volatility/low predictability situations like military aggression. (Industries are damaged during the course of war and invasion on the territory, attacks by Russians on the infrastructure, on industrial objects. A lot of industries have lost their assets. Survey we have performed in 2022 shows that 80% of industries have been affected and lost part of their business. But LGF work for the companies which have not been closed and continue to work).

Uniqueness: First of the kind for UNIDO project (and a UN agency project) in Ukraine. Promotes use of guarantee-based instruments. This is very important for Ukraine because the requirement of collateral is one of the most powerful barriers which prevent development of EE projects in industry. Risk lifting is also very important (LGF covers all the risks). The limiting thing is the size of this instrument is that we were able to allocate only 1,5 M USD to serve as guarantee for loans issuance.

Complexity: Very complex development and contractual process. Required adaptation of the design for the financial instrument, stakeholder input and endorsement, financial partner selection, and adaptation of procedures at UNIDO HQ level.

Mr. Porovskyy briefly recalled main features of the LGF:

- **TYPE:** Revolving guarantee Fund, Portfolio based (cross-)guarantee;
- **SIZE:** 1.5 mio. USD (as a portfolio guarantee coverage cap provided by UNIDO/GEF);
- **LOAN MAX SIZE:** 150,000 USD equivalent per Borrower;
- **LOAN CURRENCY(IES):** UAH, USD, EUR;
- **REPAYMENT PERIOD:** up to 18 month
- **COLLATERAL:** **NOT required** (the main benefit of a fully guaranteed loan);
- **INTEREST RATE:** 13% UAH, 4.5% USD; 4% EUR (lower than market rate)

The discussion continued about adjustments being considered after consultations with UGB and market stakeholders, as well as taking into account LGF operations and performance since its launch. Mr. Porovskyy highlighted that despite the COVID-19 pandemic and moreover - the war after, loans issued under the LGF had performed well without any default cases. Adjustments to the LGF being considered include an increase of

the loan maximum amount that could be guaranteed to 500,000 USD and an extension of the guarantee validity.

Mr. Porovskyy outlined the possible schedule for project and LGF extension.

What we suggest for the PSC to consider: take the decision about project extension and extension specific of the LGF (contract with UGB).

- In up to 3 months, we can initiate the process of the project extension in accordance with the Ukrainian procedures (Cab of Ministers Decree No 153) and in parallel separately we will reconsider the contracts between UNIDO and UGB, UNIDO and CITI Bank as a cross-guarantor. But just to highlight that we are not able to extend contracts with UGB and with CITI Bank without extension of the project.
- The first batch of loans can be fully issued in six months (the SAEE support is required).
- Till June 2024 we will develop a sustainability strategy for the LGF (how to enable continuation of the LGF operation when UNIDO will have to step out).

Mrs. Anna Zamazieieva, the Head of State Agency on Energy Efficiency and Energy Saving of Ukraine (SAEE) was invited to take the floor.

Mrs. Zamazieieva expressed gratitude for UNIDO and URK IEE Project support to SAEE and development of Ukraine's market for industrial energy efficiency. **Mrs. Zamazieieva expressed SAEE's full support to the URK IEE Project and especially its financial instrument.** As a professional in financial instruments (Mrs. Zamazieieva was formerly the President of the National Association of the Financial Companies) she stressed that the LGF is very important for Ukraine today. SAEE is developing the National Decarbonization Platform and for one of its blocks SAEE used the experience and modality of the LGF. Thus, SAEE supports the continuation of LGF operation and hopes that we will be able to scale-up supporting instruments such as LGF for the benefits of the industries on their way to implement of EE measures. Though LGF is very small compared to the needs of Ukraine industrial sector, especially under the circumstances of the ongoing war and consequences of Russian aggression, SAEE is ready to discuss and support the scaling-up of the LGF to the benefit of Ukrainian industries, businesses and market.

Mr. Porovskyy invited then Mr. Viktor Duma and Mr. Oleksii Savin of UGB to provide their input about LGF operation and needs to enable UGB to continue LGF operation.

Mr. Oleksii Savin, Director of the Department of the Ecological Engineering at UGB was invited to take the floor .

Mr. Savin expressed his gratitude to UNIDO for the partnership in the LGF which helps Ukrainian enterprises to implement EE measures. This project is important for Ukrainian businesses especially given the global and Ukrainian challenges of recent years: rising temperature, war, and COVID-19 pandemic. Currently the LGF and this type of instrument have become critical since more and more companies have suffered and require financial assistance through preferred lending during the period of war and post-war recovery. Starting June 2022, the National Bank of Ukraine introduced additional obstacle for companies to sustain the entrepreneurial activities in investing cutting cached technologies. However, we expect this rate to start decreasing this year. This is preferred loan with preferential terms trough joint programs with IFIs. For them the issue of final condition collateral for loans remains relevant.

During the existence of the LGF program, 3 pilot loans have been issued and all these clients have been consistently and functionally fulfilling their obligations without any delays. Thus, the modality proved to be an ACTUAL REVOLVING MECHANISM. The program with UNIDO not only helps them to get the loan, but also reduced the interest rate due the lower lending risk.

However, in the current situation in Ukraine, corporate clients are in high demand for a modernization particularly with a financial period of 3-5 years. For such companies considering the significant complicated logistic of equipment delivery, guarantee mechanism is critically important. At the same time these companies have much higher demand for financing than the current program's cap, at least 300,000-500,000 USD.

Considering the above Mr. Savin stated that UGB would recommend to:

- (1) extend the period of the guarantee mechanism,
- (2) increase the guarantee amount,
- (3) change the maximum limit of the guaranteed amount per beneficiary (for example to 5 hundred thousand USD) and
- (4) extend the guarantee validity period to 36 months.

Mr. Savin concluded by stressing that the cooperation with UNIDO for the LGF is now more necessary than ever and it will be the same in the post-war period for business recovery and the implementation of modern energy efficiency technologies and energy management at enterprises. We have to continue the LGF program.

Mr. Viktor Duma, Deputy Head of External Relations of UGB took then the floor to recommend the longest possible extension of the project and of the LGF. Mr. Duma underlined the critical importance of increasing the overall size of the LGF, as already mentioned by Ms. Zamazieieva and reaffirmed UGB fully support to the extension and existence of the LGF as a financial instrument critical for Ukraine and its businesses at this time.

Mrs. Zamazieieva took over the floor again and got the attention that SAEE has analyzed all risks and barriers what have the commercial banks in Ukraine when they work with the energy efficiency agreements and we have created our national decarbonization platform. We got from the National Bank of Ukraine the license for financial loans for industries, for private people, for leasing. And we want to continue this project and work together. We are not competitors with commercial banks, we support each other and I hope we continue this program in Ukraine and increase this amount.

Decision taking:

Mr. Porovskyy called on PSC members to state their view on a possible extension of the project by 24 months.

Approval and inputs

Mr. Andrii Vorfolomeiev, Director of the Resource Efficient and Cleaner Production Centre (RECPC), took the floor. Mr. Vorfolomeiev mentioned that the work of the RECPC with industrial companies on energy efficiency and resource efficiency it is evident that there is strong need for financial mechanisms like the LGF, which is very important and should be strengthened. RECPC experienced also showed that besides lack of financing support companies lack also knowledge of what is available, e.g. they are not aware about existing financing schemes and products. They do not know about Government support and they know even less about different international initiatives. Mr. Vorfolomeiev stressed the importance to show and share with industries good experiences, business cases and to make this information broadly available through different networks, since these good cases could attract new companies to the LGF. We need to provide information support as much as we can, and show good practices of the industrial companies here in Ukraine.

Mr. Vorfolomeiev further acknowledged the importance of the technical assistance work on energy management and energy efficiency that the UKR IEE project work has been carrying out and how such type of support is also strongly needed now in Ukraine. For all these reasons **Mr. Vorfolomeiev expressed his support to the extension of the project.**

Mrs. Nataliia Katana, Head of International Relations of the Department of Technical Regulation, Ministry of Economy (ME), was then given the floor. Mrs. Katana expressed Ministry's appreciation for the UKR IEE project support of Ukraine's quality infrastructure, and confirmed UNIDO as a key partner for the Ministry, even in the current difficult situation connected with the martial law. Mrs. Katana praised the project for the work done and big progress made. In this regard she recognized the valuable support provided for the national adoption of international and European standards in the field of energy management and energy efficiency and highlighted that this line of work remains very important for Ukraine and the Ministry is ready for further cooperation.. **Mrs. Katana then expressed the Ministry of Economy support to the further extension of the project.**

Mr. Porovskyy concluded the first section of the meeting acknowledging the expression of support of SAE, ME, RECPC, UNIDO and UGB to a 24 months extension of the project.

He also informed the PSC members that the Minutes of the Meeting would be circulated later with a possibility to provide additional comments, if any.

Ms. Alyona Nevidoma, International Programme Coordinator at UNIDO Headquarters took over the floor for the second section of the meeting. Ms. Nevidoma walked PSC members through a summary of project activities and outputs progress under the different components of the UKR IEE Project (please refer to Addendum 3 for the full presentation). Ms. Nevidoma elaborated in particular on activities carried out in 2022 and 2023 such as the ongoing EnMS implementation programme in Ukrainian Industrial Parks (with synergies with UNIDO Global Eco-Industrial Park Programme) and in SE Antonov, and the re-launch of all-Ukrainian Awards "Pacesetters for Energy Management" scheduled for September 2023.

With regard to planned project activities for the next period Ms. Nevidoma mentioned that in addition to the LGF operations focus would remain on:

- (1) Completion of EnMS- ISO 50001 Implementation Programme in Industrial Parks+
- (2) Re-launch of Ukrainian Pacesetters for Energy Management
- (3) Establishment of Fund Manager and LGF Sustainability Strategy
- (4) Preparation for Final Evaluation

Ms. Nevidoma concluded her intervention presenting proposed draft resolutions of the PSC meeting, reported here below.

Proposed final resolutions of 5th Project Steering Committee meeting of UKRIIE Project:

Proposed Resolution to Approve Extension of Project Timeline due to Unforeseen Circumstances Caused by the War in Ukraine

Whereas, UNIDO has undertaken a significant project which has been affected by the unfortunate circumstances surrounding the war in Ukraine;

Whereas, the Steering Committee for this project recognizes that the unexpected nature and impacts of the conflict in Ukraine have led to substantial delays and difficulties in the execution of the planned activities;

Whereas, the project team has carefully evaluated the potential negative implications of the current situation, taking into consideration all aspects, including geopolitical, humanitarian, logistical, and operational factors;

Whereas, the project team has worked diligently and effectively under these adverse conditions, demonstrating their commitment to the successful completion of the project;

Now, therefore, be it resolved that:

- a) The Steering Committee acknowledges the unforeseen challenges posed by the war in Ukraine and its subsequent effects on the project timeline and execution.
- b) The Steering Committee appreciates the efforts put forth by the project team in their attempts to mitigate these challenges and remain committed to the project's successful implementation.
- c) An extension of the completion of the project for 24 months is hereby approved, considering the factors presented. The revised timeline will be determined in collaboration with the project team, incorporating a strategic contingency plan to address any potential future disruptions.
- d) The Steering Committee urges the project team to focus on strategies and interventions that can help mitigate the negative impacts of the current situation, while ensuring the safety, security, and wellbeing of all project team members and stakeholders.
- e) Regular status updates and reviews will be mandated to ensure that the project remains on track despite the extension, and any adjustments needed can be made promptly.
- f) The Steering Committee emphasizes the need for ongoing flexibility and adaptive management in these challenging circumstances, with the ultimate goal of successfully implementing the project in the most efficient and effective manner possible.

Mr. Marco Matteini, UNIDO Project Manager, took then the floor for few remarks. Mr. Matteini acknowledged how the context of Ukraine during the last 18 months has dramatically changed and has represented more than a big challenge for Ukraine, its people, its businesses and to some extent for projects like UNIDOs. Despite these difficulties the project has been able to continue working, thanks to the great effort and participation of its team in Ukraine and its partners and stakeholders. Considering inputs and feedback received today by SAEE, ME, RECPC and UGB colleagues Mr. Matteini expressed his full support to a 24 months project extension and mentioned that the PSC decision will be presented to Ukraine GEF Operational Focal Point for clearance.

Mr. Matteini mentioned that over the last 3 years the project have tried to adjust to drastically changing contexts, first the COVID-19 pandemic and then the Russian aggression to Ukraine, while remaining fully aligned with its greenhouse gas emission reduction goal and developmental objectives. The project will continue to have this adaptive management approach, which has proven useful and effective during the last years, and to keep a high-level of attention to the safety of all its personnel and stakeholders, since the situation remains very challenging and dangerous.

Final discussion

Mr. Duma asked clarifications about steps and timelines for the formal extension of the project and subsequent amendment of the LGF contracts.

Mr. Matteini explained that after the PSC meeting, UNIDO UKR IEE Project will inform the Ukraine GEF OFP of the decision and ask for clearance. With the GEF OFP clearance UNIDO UKR IEE Project team will be able to proceed with the administrative process to extend the project and in parallel to work on the amendment of the LGF contracts with UGB and Citibank Europe. All being well within 3 months all contract amendments will have been processed and signed.

Mr. Vorfolomeiev took the floor to commend the collaboration between the UNIDO UKR IEE project and the UNIDO Global Eco-Industrial Park (EIP) Program, with which also RECPC has worked. Mr. Vorfolomeiev pointed out that the implementation of EnMS is a key indicator of the Global Framework for Eco-Industrial Parks and the collaboration will be beneficial to all stakeholders involved.

Mr. Matteini agreed with Mr. Vorfolomeiev on the value of the collaboration between the two UNIDO projects and added that all companies participating in the EnMS-EIP programme that had already carried out resource efficiency assessments were requested to take out those documents and see what could/should be integrated in the EnMS, because for companies that will complete EnMS implementation work to a satisfactory level the UKR IEE project will offer up to 15,000 USD co-financing for implementing energy performance improvement measures. We hope that between the supported measures there will be some combining energy savings and other resource savings.

Mr. Matteini final comment related to planned activities for the remaining project period. He explained that focus was set on project outputs and components that either have not reached yet or are far from reaching the targets set in the project document, and remaining funds had been earmarked accordingly. Mr. Matteini mentioned that in January-February 2024 the project will know with more precision whether the project will have funds available for additional activities like further work on Ukraine's standards framework for energy management and energy efficiency.

Mrs. Katana confirmed the strong interest and readiness of ME to further collaborate in the adoption of energy efficiency standards and in strengthening capacity of Ukraine National Standardization Body and National Accreditation Agency. Mrs. Katana expressed appreciation for the project adaptive approach, flexibility and for taking into account different needs of all interested parties.

Mr. Alexey Paschenko, National Project Coordinator, took then the floor to provide some administrative updates.

Administrative Issues

Project office arrangements

Project office moved for new location – 28-B Instytutaska St. Block A, Kyiv 01021, Ukraine

Working regime

PMU work mostly on-line. Special meeting after previous arrangement according to the war situation.

PMU contacts

PMU stays in contact with Ukrainian stakeholders and provides information/clarification on EE, EA, EnMS and Project's activities (NOT incl. LGF). LGF operational management is done by Serhiy Porovskyy, UNIDO, and UkrGasBank.

The draft Minutes of the Meeting (MoM) will be circulated among all participants for comments.

Mr. Savin of UGB requested to send him more information about work with Industrial Parks.

The PSC meeting ended at 10:45 Kyiv time.

Addendum 1

6th PSC Meeting participants

No	Name	Agency/Organization, Position	PSC Status
1	Mr. Marco MATTEINI	Industrial Development Officer and the UNIDO/GEF UKR IEE Project Manager, Department of Energy, UNIDO Headquarters	PSC member
2	Ms. Alyona NEVIDOMA	International Programme Coordinator, UNIDO Headquarters	PSC Meeting Moderator
3	Mr. Alexey PASCHENKO	National Project Coordinator, UNIDO/GEF UKR IEE Project	PSC member
4	Mr. Evgenii INSHEKOV	National Training Coordinator, UNIDO/GEF UKR IEE Project	Observer
5	Mr. Serhiy POROVSKYY,	Principal Expert on EE Policy and Financing,	PSC Meeting Moderator
6	Mrs. Anna ZAMAZIEIEVA	Head of the State Agency on Energy Efficiency and Energy Saving of Ukraine SAEE	PSC member
7	Mrs. Nataliia KATANA	Ministry of Economy Head of International relations of the Department of Technical Regulation	PSC member
8	Mrs. Natalia SYBIGA	Adviser to the Head of SAEE on International Cooperation	PSC member
9	Mr. Andrii VORFOLOMEIEV	Director, Resource Efficient and Cleaner Production Centre	PSC member
10	Mr. Viktor DUMA	Deputy Head of External Relations JSB 'UKRGASBANK'	Invited Speaker
11	Mr. Oleksii SAVIN	Director of Eco Department JSB 'UKRGASBANK'	Invited Speaker

Number of present PSC institution members: 6
 Number of present PSC members delegates: 6
 Number of Observers: 1
 Number of Invited Speakers: 2

Total number of participants: 11

FINAL AGENDA

PROJECT STEERING COMMITTEE MEETING #6

UNIDO / GEF PROJECT UKR IEE

«INTRODUCTION OF ENERGY MANAGEMENT SYSTEM STANDARD IN UKRAINIAN INDUSTRY»

PROJECT ID: 120321

Date: 26 June, 2023
Time: 9:30 – 11:00 (Kyiv time)
Format: Online (ZOOM)
Language: English

Main purpose for the PSC Meeting: update on the project activities and extension of the project for enabling further operation of the Loan Guarantee Fund (LGF) for industrial energy efficiency investments.

TIME	ACTIVITY	SPEAKER/RESPONSIBLE PERSON
PSC Meeting moderator(s): from 9:30 to 10:05 – Serhiy Porovskyy, UNIDO from 10:05 to 11:00 – Alyona Nevidoma, UNIDO		
9:30-9:45	PSC Opening: Welcome: Moderator will introduce the participants and announce PSC meeting agenda Special welcome words by SAEE Overview of the project performance and ongoing activities: UNIDO Project Manager	Mr. Serhiy Porovskyy, UNIDO, Principal Expert on EE Policy and Financing, PSC Meeting Moderator Mrs. Anna Zamazieieva, SAEE, Head Mr. Marco Matteini, UNIDO, Programme Officer and Project Manager
9:45-10:00	Discussion of the LGF ongoing strategy: Input by UNIDO, UKRGASBANK, SAEE	Mr. Serhiy Porovskyy, UNIDO Mr. Oleksiy Savin, UKRGASBANK Mrs. Anna Zamazieieva, SAEE, Head
10:00-10:05	Stakeholders' comments and decision on the project extension	PSC participants
10:05-10:25	Update on other ongoing activities by the project and expected deliverables:	Ms. Alyona Nevidoma, Programme Administrator, UNIDO, PSC Meeting Moderator Mr. Marco Matteini, UNIDO, Programme Officer and Project Manager Mr. Alexey Paschenko, UNIDO, National Project Coordinator
10:25-10:35	Special note on support to Ukraine by UNIDO with regard to the war inflicted by Russian federation onto Ukraine	Ms. Alyona Nevidoma, UNIDO Mr. Marco Matteini, UNIDO

TIME	ACTIVITY	SPEAKER/RESPONSIBLE PERSON
10:35-10:40	Administrative issues	Mr. Marco Matteini, UNIDO Mr. Alexey Paschenko, UNIDO
10:40-10:50	Summary, conclusions and decisions	Ms. Alyona Nevidoma, UNIDO
10:50-11:00	Wrap-up and closing remarks	UNIDO

ABBREVIATIONS

UNIDO	UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
GEF	Global Environment Facility
SAEE	State Agency on Energy Efficiency and Energy Saving of Ukraine
ME	Ministry of Economy
PSC	Project Steering Committee
OPF	Operational Focal Point
LGF	Loan Guarantee Fund
UGB	UKRGASBANK



Addendum 3

5th Project Steering Committee Meeting Presentation

Please see separate file