

Project Title: Affordable Gas-Fired District Heating in Eastern Europe

Project ID (if available):

Region/Country:

ECA/Ukraine, Belarus and Moldova

Task Manager:

Peter Johansen

ESMAP Thematic Area (M – Main; S – Secondary (if applicable)):

Energy Security	S
Energy Markets	S
Energy Poverty	M
Renewable Energy	S
Energy Efficiency	S

Brief Description:

Please include a brief description of the linkage (direct or indirect) of this activity to energy services to the poor, and the linkage to the ESMAP 2005-2007 Business Plan (if such a linkage is not obvious)

The district heating systems of Ukraine, Belarus and Moldova are mostly based on natural gas firing – either in combined heat and power generation or in heat-only-boilers. The gas is being supplied by Russia and has typically been sold much cheaper than the European market price. This is now set to change after the Russian gas monopolist, Gazprom, has announced drastic price increases for a number of ex-Soviet countries. The higher gas prices are bound to result in higher prices for heating and whereas this may be an incentive to implement much needed efficiency improvements on both supply and demand side, it could also be putting many vulnerable groups at risk of being unable to afford their basic heating needs.

The purpose of this study is to assess the impact on heat prices of higher natural gas prices in these three countries and to devise strategies to protect poor households from price shocks without introducing disincentives to carry out efficiency improvements.

The main activities will be:

- **Assessment the likely impact on heat prices of the announced natural gas price increases**
- **Assessment of the systems already in place to protect vulnerable groups from energy price shocks**
- **Suggestion of a strategy to deal with the higher heat prices which includes both taking measures to improve energy efficiency and protection of the poorest households**

As a basis for the analysis the study will compile data from all three countries illustrating (i) the development in gas import prices and gas input price for DH over the last 5 years and a forecast of the prices for the next five years, (ii) the development of heating tariffs for residential consumers and the share of the tariff that relates to the gas price, and (iv) the development of the share that heating costs make up of total costs of living for registered poor families.

The study will make extensive use of existing studies related to heat pricing in the former Soviet states such as IEA’s “Coming in from the Cold” from 2004 and the World Bank’s “Coping with the Cold” from 2003.

The counterpart in the three countries will be the respective ministries responsible for the energy sector and social transfers.

The expected outcome is that policy measures are taken in the three target countries to address the impact of higher heat prices on the poorest households.

The study links up to the ESMAP 05-07 BP by focusing on energy poverty and energy security.

Delivery Schedule:

PCN Review	Jan 07
Completion draft final/formal review meeting	Jan 08
Final delivery to client	Mar 08

Outputs expected:

	Yes?	Delivery date (Quarter, FY)
Formal AAA Report	Yes	Mar 08
Informal AAA product (e.g., policy note) – indicate:		
Workshop/Conference	Yes	Mar 08
Training course/materials/knowledge products		
Others (indicate)		