

## JASE-World's Energy Efficiency Proposal for Russia Energy Sector

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### 1. Outline Introduction of JASE-W

JASE-W was established under the auspices of the Nippon Keidanren [Japan Business Federation] in 2008 with a public-private collaboration to diffuse Japan's energy conservation manufactured goods and technology widely in the world. Currently, in addition to the 60-odd private firms centered on the participating firms in Keidanren, there is the participation as observers, besides the Ministry of Economy, Trade and Industry, of Japanese public institutions (JBIC, JICA, DBJ, NEDO, and JETRO, etc.). For the participating firms, in addition to the technology sector for energy conservation, solar, geothermal, and waste power, a public-private coordination working group (WG) was put together; at such a WG there is investigation for the formation of specific proposals, including the staging of regular monthly meetings, and it has undertaken the dispatch of missions. To date, the Russian and Indian governments, etc., have participated in policy dialogue on energy conservation and new energy with Nippon Keidanren, and with public and private sectors as one, they have executed moves toward formation of proposals on energy conservation and new energy. In addition, there have been city-hall energy conservation improvement projects aimed toward Vietnam, moves on a fund for the development of geothermal energy in East Africa, and for geothermal energy aimed at the South Pacific Islands; taking the long-term perspective, at individual firms proposals have been made for an optimization via "all Japan", utilizing the functions of Japanese and overseas public institutions for projects and concepts which they cannot deal with. Japan's announcements currently at JASE have been specific proposals and discussions aimed toward the Ministry of Energy of the Russian Federation, gas supply and electricity generating companies, and some local governments.

### 2. The Necessity and Potential of the Energy Conservation Business in Russia

The target for raising energy efficiency in Russia was set at 40% by 2020, based on Presidential Decree No. 889, the framework was constructed via Federal Law No. 261 using that, and measures were introduced including the introduction of measuring instruments for energy conservation within a Federal Program.

Moreover, in April last year, at the Russia-Japan Collaboration Committee which was held in Vladivostok in the Far East, according to the CENEf documentation presented by Director Mitreykin of the Ministry of Energy of the Russian Federation, it was shown that in the electricity and public sectors there is potential for energy conservation, with the respective ratios being 22% for 2012, and 31% up to 2020.

Also according to the "RusEnergy" analyst Kulichikhin, the share of the revenue of oil and gas in the federal budget was 46%, the share of fossil fuels and electricity in exports amounted to 70%, from 2016 oil production began to decrease, and partial tax incentives are effective in the development of new oil fields and gas fields and the potential was pointed out of worsening the economic performance. In such an environment making the existing oil and gas consumption side more efficient will not only have the effect of reducing CO<sub>2</sub>, but it is considered it will lead to the adding of effective oil and gas reuse.

At the Third Russia-Japan Collaboration Committee which was held in Tokyo in September 2013,

representatives of Russian electricity generating companies and local governments together undertook discussion on various ideas concerning energy conservation and new energy, and taking that on board JASE in November dispatched a mission to Russia and undertook discussion on the potential for energy conservation business with electricity generating companies, among others.

In December 2013 when the (then) Minister Motegi of the Ministry of Economy, Trade and Industry was visiting Russia, with Minister Motegi and Minister Novak of the Ministry of Energy of the Russian Federation sitting alongside, JASE and the Russian Direct Investment Fund (RDIF) cooperated and signed an MoU for further examination of a scheme to introduce Japan's high-efficiency cogeneration systems to Russia's electricity generation companies. At that time, Minister Motegi emphasized the importance for Russia's energy policy, such as the case of changing over existing gas electricity generation and cogeneration facilities to highly efficient thermoelectric supply systems, and explained that the fuel economy effect achieved is an energy conservation effect equivalent to just under 30 % of Russia's annual gas export volume.

In November 2014 and July 2015, JASE dispatched public-private collaboration missions to Russia twice, and they undertook discussions on the ESCO proposal with Gazprom, a gas supply company and at the same time an electricity generating company, and currently they are examining visiting Russia to have further detailed discussion.

### 3. Content of the Proposal

After the setting up of an energy service company (ESCO) in Russia by the Japanese and Russian sides, at such a local company they procured Japanese (or third-country) equipment as well as plant. By introducing such equipment to Russian electricity generating firms, they have realized energy conservation outcomes. At ordinary ESCO firms, from the viewpoint of companies where it is introduced they recover the results of energy conservation effects, and from the viewpoint of the reduced fuel costs they recover the reward for success of such equipment and energy conservation fees; in this scheme there is the proposal to continue allocating part of the recovered costs by ESCOs reselling of reduced fuel spot goods to receiving third parties. The necessary funds for such business are envisaged as financial support from the investment of firms participating in the project, and from Japanese public institutions.

It is hoped that this proposal, along with revamping the heat supply system in the economically fundamental electricity sector and at the local government level by substituting Japanese (or a third country's) state-of-the-art equipment for Russia's already plainly decrepit turbines and CHP (combined heat and power) boilers, will promptly halt the wasting of precious energy resources, as well as continuing to activate Japan's other transactions with Russia.

The Japanese government, in order to examine the potential for this business in the Russian Far East in particular, has been undertaking surveys, including field surveys, since summer 2015, and I would like there to be a contribution to the formation of proposals based on these survey results.

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