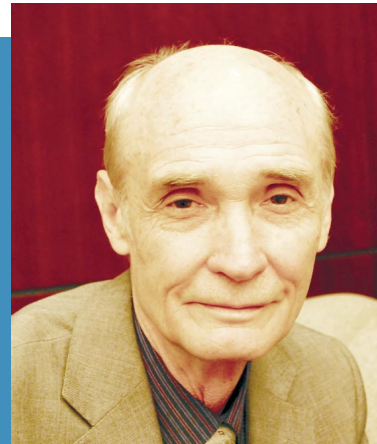


MUNICIPAL HEAT SUPPLY NEEDS A MARKET APPROACH

The basic consumer of municipal heating services in Kazakhstan is residential sector that accounts for about 40% of supplied energy. The better part of residential buildings was constructed in the last century by projects and of building materials relevant for the then economic conditions, which have changed ever since. The country is developing market economy determining the cost of goods and services.



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The residential sector consumes a lot of energy for heating due to outdated design and considerable deterioration. Indeed, the age of high-rise residential buildings in our cities is 30+ years. On average, such buildings consume 243 kWh of energy for heating per square meter of dwelling space a year. For comparison, in European countries with similar climatic conditions, the heat consumption of residential buildings is 80-130 kWh/m²/year, i.e. two or three times lower than Kazakhstan's indicators. European countries are switching to heat consumption standards for buildings of 60-70 kWh/m²/year.

The situation in energy efficiency of communal energy supply enterprises in Kazakhstan is none the better with losses during transportation and distribution of energy reaching 30-40%. This is about twice as many as in European municipal heating supply.

Kazakhstan is a world leader in high specific energy consumption. Energy costs are reflected in the cost of Kazakhstani goods making them, consequently, less competitive. Inefficient use of energy also has a negative impact on the environment, urban air quality; it increases emissions of greenhouse gases that are the subject of the Kyoto Protocol signed by Kazakhstan.

The 2011-2020 Housing and Municipal Services Modernization Program is under way in Kazakhstan.

The Program envisages financing of the renovation and heating modernization of houses, repair of heating systems. The financing is planned to be provided from the state purse and by private investments. It is planned to use quality modern construction materials and technologies. To promote energy efficiency of communal heating supply enterprises, the Law of the Republic of Kazakhstan «On energy efficiency and conservation» provides for tougher requirements to energy consumers. Raising heat supply tariffs along with measures on establishing financial mechanisms within the framework of the 2011-2020 Housing and Municipal Services Modernization Program and installation of heat meters in residential buildings paves way for attracting investment in heating modernization and gives green light to new businesses to open in the energy efficiency area based on energy supply companies.

The most vulnerable category of citizens is to be supported by the Government that has a practical mechanism of financial support of low-income population, which, however, needs be free from redundant bureaucracy. The tariff regulation should ensure balance of interests between the service providers - monopolists and consumers. This work is carried out by the Agency for regulation of Kazakhstan's natural monopolies. The bigger number of private businesses in communal heating supply in Kazakhstan will show real progress in this direction.