

NEW TECHNOLOGIES ARE THE SOLUTION TO HOUSING AND UTILITIES PROBLEMS



Press office of the Government of Russian Federation

The meeting of the Presidential Council for Economy Modernisation and Innovations of Russia, chaired by D. Medvedev, Prime Minister of the Russian Federation, was held on 1 October 2013 in Klimovsk, near Moscow.

The session was dedicated to innovative development in the housing and utility sectors and took place at Klimovsk Pipe Plant. Before the session, Dmitry Medvedev had visited production shops and learnt about modern pipe production methods for gas, water, and sewerage, as well as the production process for fittings and plastic manholes used for utility pipeline construction.

Dmitriy Medvedev pointed out that housing and utility infrastructure is possibly the most complicated area of the national economy. Even though we have vast resources, we lose a significant part of these resources during transportation: 27% of water, and not less than 15% of heating (which is why the meeting was held at a modern plastic pipes plant). Consumption of energy resources by housing and utility enterprises on average is 25–30% and can sometimes be 50% higher than in advanced European countries.

The PM pointed out that about 60% of fixed assets are past their operating life. This means an increased

number of emergencies, increased losses, and very high operating costs. Funds are used for ongoing maintenance, while modernisation is financed by any remaining funds. This is one of the most important challenges we must overcome.

The Government participates in housing and utility infrastructure modernisation using Federal Special Purpose Programmes via the Housing and Utility Reform Fund. Despite the shortage of funds they must work efficiently and encourage deployment of modern technologies, and of durable and energy-efficient materials.

D. Medvedev said that this industry does not presently attract invest-

ment. The formation of a legislative basis for regulating the housing and utility sector has to be completed to increase private investment. Subjects of the Federation advised to take part as regions will have to adopt water and heating supply schemes, complete accounting of communal infrastructure objectives and take long-term tariff solutions. It is necessary to pay special attention to innovative technologies to avoid tariffs increase as they are the main key to a cost-effective solution.

The PM also made a point about technical regulation issues. Dmitry Medvedev thinks the norms, standards and rules are changing and need constant upgrading as it is necessary to give new technologies and materials a chance. On the other

hand, performance requirements should be toughened, as well as the safety and reliability of the infrastructure as a whole.

Support from the Government is given to innovations through the well-known Development Institutes. About 53 billion rubles was invested in housing and utility infrastructure projects in 2011 and 2012–2013. Over 2 billion was invested in direct support of research and development and cooperation programmes between higher education institutions and hi-tech industry.

Next Mr. Slyunyaev, Minister of Regional Development, gave his speech. He said that innovations in housing and utilities are two times lower than average in Russia, and that they're the lowest compared to

other types of economic activities. Relative share of innovations, goods and services in housing and utilities is 0.4 % and has contracted 4 times since 2009.

The Minister highlighted the fact that modern technologies are rarely used and that innovations themselves don't improve quality in the housing and utility sector. That's in spite of the fact that the turnover of the housing and utility industry is over 4 trillion rubles a year. There are over 36,000 enterprises and companies operating in the sector.

The Minister cited the main reasons for low innovation activity in the housing and utility sector, and talked over some ways to improve technical legislative regulation and deployment of management innovations. At the



end, he observed that the housing and utility industry (with a necessary investment – estimated at 9 trillion rubles) can be considered as an infrastructure megaproject with a colossal social and economic impact. But this project is impossible without the right governmental funding and support measures.

Mr. Chibis, Executive Director of Development at the Non-commercial Housing and Utility partnership, spoke on behalf of the expert council working group. He suggested that the efficiency growth potential of the industry is not less than 40%. It could be estimated as a saving of 360 million rubles which makes two-thirds of the required annual investment in water and heating supply.

A transition to long-term tariff regulations, allied with savings retaining schemes with energy service companies, and the introduction of concessions from 2014 will all help create conditions for financing and an economically-motivated deployment of innovative technologies.

Mr. Chibis also pointed out that it is necessary to promote a reduction in consumption. Fixed overall payment and savings will present an opportunity to invest money in industry development. He suggested that the implementation of pilot projects in different regions in 2014 would show the actual results of innovations deployment.

B.F. Vainzikher, General Director of Complex Energy Systems CJSC, spoke about a project in the Kirovskiy District of Perm. There are over 1.3 thousand buildings, half of which are low rise, with about 130 thousand people. 75% of networks are worn out altogether, some of them are un-owned networks; about 55% of residents experience excessive heating while 20% are constantly without heating. The idea of the project is to simultaneously install individual heat supply stations with a full renovation of heating distribution networks. This

will eliminate the problem of hot water supply cutoffs, reduce losses from the present 26% to 10%, and radically reduce emergencies. Moreover, the volume of heat consumption by an average resident will reduce by 20%. The project estimate is 1.5 billion rubles. 1 billion will be paid off by energy efficiency. 450 million is needed to install individual heat supply stations in low rise buildings where energy services contracts cannot be recovered.

B.F. Vainzikher highlighted that this project can only be implemented with one heating supply company and it would not need government financing if the price was set at the level of an alternative boiler house.

E.S. Arapov, Head of Orenburg administration, explained investment dynamics in the utility infrastructure of Orenburg. The volume of financing has doubled within 2 years reaching 1.6 billion in 2013, with half of all investment coming from non-governmental sources. Innovation projects in water and heating supply, including solid household waste processing and trenchless technologies were presented. A 23% decrease in electricity consumption in the Orenburg utility sector within the period 2010–2013 is clear evidence of effective measures.

There were further lively discussions around the hot innovations issues in the housing and utility sector, including tariff regulation and the conditions of private and government partnerships. There were many interesting suggestions made by A. Melnichenko (EvroKhim), A. Abramov (Evraz Holding) and A. Chuvaev (Fortum). Mr. Novak, Minister of Energy and S. Novikov, Head of Federal Tariff Service answered numerous questions, while many innovative products were presented by E. Pupyrev (MosvodokanalNIIProekt) and M. Gorilovskiy (the POLYPLASTIC Group).

A. Dvorkovich and D. Kozak, Deputy Chairmen of the Government,

A. Belousov, Assistant to President of the Russian Federation, Ministers M. Abyzov, D. Livanov, A. Ulyukaev, A. Nikiforov, R. Minnikhanov, President of Tatar Republic, D. Pestov, Deputy Chairman of the Government of Moscow Region, V. Vekselberg, President of Skolkovo Centre, F. Karmazinov, General Director of Vodokanal of Saint Petersburg, K. Tsitsin, General Director of the Housing and Utility Reform Fund, A. Menshov, Chairman of the Board of deputies of Klimovsk, S. Nikitin, General Director of the Strategic Initiatives Agency and many others took part in the session.

Over 50 participants had a chance to visit the exhibition of innovative pipe products hosted by the POLYPLASTIC Group: plastic pipes with diameters up to 3 metres, fittings and accessories, plastic manholes, valves etc. were all on display. Specialists answered the questions of high profile guests who were genuinely interested in the unusual and varied range of plastic products.

Following the session, relevant ministries were tasked to draft proposals on improving tariff policy which will be implemented in the heating supply sector from 1 July 2014. The proposals are expected to contain economically justified maximal price levels for heating energy, corresponding the price of the energy from an alternative source using the best available technologies.

The Federal Tariff Service, the Ministry of Energy and the Ministry of Regional Development were asked to assess the effectiveness of the heating energy tariff regulations for heating supply organisations and the possibility that they could independently set the price for energy supply within the set frame of tariffs (including long-term contracts for heating supply). A report to the Government will follow.

The Federal Tariff Service, the Ministry of Economical Development,

the Ministry of Energy and the Ministry of Regional Development must prepare initiatives on changes in the legislation of the Russian Federation for heating supply, water supply and distribution. They must ensure transfer of the regulated companies to long-term tariffs within the financial year before 1 January 2016 – or within a financial year for organisations switching to long-term tariffs in 2014. And it all needs to be done without security constrained tariffs for heating energy, thereby limiting the index of tariff changes in water supply and distribution based on an average set for Russian Constituencies.

The Ministry of Regional Development, the Ministry of Energy, the Federal Anti-monopoly Service, Gosstroy, Rosstandard, the Russian Federal

Consumer Rights Protection and Human Welfare Control Service in cooperation with the Ministry of Finance and the Expert Council of the Government of the Russian Federation, the Analytic Centre under the Government of the Russian Federation and development institutes looking to deploy new technologies had to present coordinated suggestions (Roadmap Project) on modernisation of technical regulation in the Housing and Utility sector before 4 December 2013. They had to provide increased reliability and energy efficiency for utility units, and energy efficiency for newly built capital construction units with gradual toughening of the indicators up to 2020.

The open annual directory of the best available technologies, typical technology solutions in construction

and the modernisation of housing and utility sector (containing information on prices, and finance models for deployment of such technologies) must be published before 1 July 2014.

Rosstandard, the Russian Federal Consumer Rights Protection and the Human Welfare Control Service and Gosstroy should be guided by the necessity of new technologies deployment contained in the directory when drafting regulating documents. Before 1 November 2013 the Ministry of Economy, the Ministry of Energy, the Ministry of Regional Development and the Federal Tariff Service must work out suggestion on investment capital revenue to try to stimulate private investment and innovation technologies in heating supply, water supply and distribution.

