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DEPARTMENT OF COMMERCE

International Trade Administration

Energy Efficiency Trade Mission to Russia

AGENCY: International Trade Administration, Department of Commerce

ACTION: Notice

MISSION DESCRIPTION

The United States Department of Commerce (DOC) International Trade Administration (ITA), U.S. Commercial Service (CS) and Department of Energy (DOE) are organizing an Energy Efficiency Trade Mission to Moscow and St. Petersburg on June 4-7, 2012, to be led by a senior-level U.S. government official. Participating entities will have the option of additional meetings with business prospects in cities nearby Moscow and St. Petersburg.

Russia, with a population of over 140 million and a seriously inefficient energy infrastructure is a promising market for the sale of U.S. energy efficiency products and services. Russia presents lucrative opportunities for U.S. energy efficiency companies due to a critical need for significant investments in the sector. The trade mission will target a broad range of technologies to improve energy efficiency including electricity transmission infrastructure, smart grids, energy storage, road construction materials and green building. Companies which provide environmental goods and services (especially for water treatment and water efficiency) that reduce the environmental impact of industrial processes and energy generation are encouraged to apply for this mission.

This mission will contribute to the efforts of Business Development and Economic Relations and Energy Working Groups of the U.S.-Russia Bilateral Presidential Commission (https://www.usrbc.org/goverment/presidential_commission/).

This mission will help participating firms gain market insights, make industry contacts, solidify business strategies, and advance specific projects, with the goal of increasing U.S. exports to Russia. The mission will include one-on-one business appointments with pre-screened potential buyers, agents, distributors and joint venture partners; meeting with national and regional government officials; and networking events. Participants in this official U.S. industry delegation will enhance their ability to secure useful meetings in Russia.

COMMERCIAL SETTING

Russia, one of the world's fastest growing developing economies, presents promising opportunities for U.S. companies that offer products and services in the clean technologies industries. New legislation and national goals addressing energy inefficiency and climate change, and the need to improve environmental services to the general public are creating a demand for energy efficient products and services.

ENERGY EFFICIENCY

Russia's President Dmitry Medvedev identified energy efficiency as a top priority for modernizing the Russian economy and affirmed that energy efficiency and conservation are among the five strategic priorities for Russia's technological development.

Russia is aiming to reduce GDP energy intensity 40% by 2020 from its 2007 level. GDP energy intensity is currently 2.5 - 3.5 times higher than countries in Europe. Russia currently ranks among the top 25 energy intensive countries in seven major areas of economic activity: agriculture, hunting and forestry, construction, manufacturing, transport, storage and services. Russia is seeking to diversify and grow its energy sources for these sectors.

New energy efficiency legislation in Russia passed in 2009, which established standards for the regulation of energy consumption to increase efficiency and encourage energy savings. For example,

the law introduced restrictions on the sale of incandescent light bulbs, set requirements for providing energy efficiency information on product labels, and also set guidelines on mandatory commercial inventories of energy resources, energy efficiency of new buildings, and reductions in spending on energy resources. The law also introduced mandatory energy evaluations for the most energy-intensive entities and set out guidelines for transition to long-term tariff regulation and the establishment of a common inter-ministerial energy efficiency information and analysis system.

Also in 2009, the Russian Government implemented a new climate change policy. With the primary goal of lowering greenhouse gas emissions, the policy acknowledged the mitigation of climate change as one of the major long-term elements of security of the Russian Federation and placed global climate change, both in its national and international dimensions, among the Russian Federation's policy priorities. In accordance with this policy, all regional and municipal programs must increase the use of energy efficient technologies and secondary energy sources and/or renewable energy sources with specific energy saving targets to be met within the next 15 years.

Smart Grids: Russia is demonstrating its interest in implementing smart grid technology through cooperation with the United States under the auspices of the U.S.-Russia Bilateral Presidential Commission's Energy Working Group. This cooperation aims to help Russian utilities reduce harmful emissions by enhancing their ability to help consumers use energy more efficiently; integrate and deliver renewable energy; and more efficiently generate, transmit, and deliver electricity to consumers.

In 2010, the Energy Working Group, including the U.S. Agency for International Development and the U.S. Department of Energy and their Russian counterparts, developed a two-year work plan during a visit by Russian industry, technical and government officials to Texas and Washington, D.C. The work plan encompasses utility partnership exchanges, business roundtables, and a joint assessment of regulatory and other barriers to the introduction of smart grid technologies and systems. From these

exchanges, it became clear that U.S. companies are enthusiastic about exploring opportunities in Russia as this large system modernizes its transmission and distribution infrastructure.

In addition to work on capacity building and policy development that is already underway in Russia, a number of recent agreements and investments reflect the emerging opportunities in the electricity infrastructure sector. In the run-up to the 2014 Sochi Games and beyond, Russia will look to invest in technologies, equipment, and services that will ensure needed improvements to the efficiency, reliability, and reach of its transmission and distribution system.

In May 2011, San Diego Gas & Electric Company, the city of San Diego, Belgorodenergo, (the Belgorod region energy company) and the Belgorod Regional Administration signed a Memorandum of Understanding to cooperate on the deployment of smart grid technologies. Also in 2011, U.S. Secretary of Energy Dr. Steven Chu and Russian Minister of Energy Sergie Shamtko agreed to expand the program.

The Interregional Grid Distribution Company (MRSK), a major Russian electricity distributor, is running and developing a smart grid as a pilot project. This project in the city of Belgorod in Belgorod Oblast near the Ukranian border, builds on MRSK's project of the past few years of improving city street lighting controls, automating distribution networks, and installing neuron automated electricity metering systems. The project began with two districts of Belgorod and will expand to the entire city in three to five years, and eventually smart grid elements will be installed throughout the Oblast. Representatives from Moscow's Information Technologies Company note that Belgorod now has 35,000 smart meters and an installed system integrator.

The major Russian transmission grid operator, Federal Grid Company of Unified Energy System, (FSK) has developed a five-year plan, the first three years of which will be dedicated to developing a smart grid systems model, along with a regulatory framework, and new equipment and training. In the second phase of the plan, FSK will develop several pilot projects.

Green Building: Green building is a nascent sector in the Russian economy, though interest in these technologies is rising as domestic consumer energy prices rise and people and organizations become more conscious of spending and the positive effects of a healthier environment. Green industry experts believe that 2010 marked a significant increase in green building activity in Russia. Following approval of the energy efficiency legislation, the Russian green building community has been playing an increasingly active role in promoting awareness of green building concepts in the traditional construction sector, and supporting expansion of green standards.

There is great potential to improve efficiency in Russia's residential, commercial and public buildings. Energy used in buildings is directly responsible for 1/3 of energy end-use in Russia. New thermal insulation standards have been put into place to meet thermal performance and heat efficiency requirements. Opportunities exist in the rehabilitation of existing buildings for products in heat and water saving technologies including wall insulation, efficient faucets and windows, window heat reflecting films, door weather stripping, insulation for pipes, radiator heat mirrors and lighting systems in public buildings. Green building construction and practices are becoming more popular in the planning, design and construction of infrastructure, road building and other construction and building projects.

Some of the perceived drivers of sustainable property development in Russia include: the increasing perception by investors that green certification (BREEAM, LEED or DGNB) represents lower investment risk in these buildings; demand from international corporations for green offices due to international policies and standards; increasing government-led initiatives towards sustainability – energy efficiency and innovation; the attractive prospect of higher rental and sales levels in green certified buildings due to a growing demand, following increased awareness of green building concepts and anticipated increases in energy prices.

Road Infrastructure: Due to the rapid increase in the number of private vehicles in Russia, road transportation is a growing energy consumer. Products needed include road surfaces that lower CO2 emissions, mass transit systems traffic management and sustainable asphalt paving.

MISSION GOALS

The goal of the Energy Efficiency Trade Mission to Russia is to promote the export of U.S. goods and services of the energy efficiency sector by: 1) introducing U.S. participants to industry representatives and potential clients and partners; and 2) introducing U.S. participants to Russian government officials in Russia to learn about policy initiatives that will impact the implementation of energy generation, energy conservation and environmental projects.

MISSION SCENARIO

In Moscow, the U.S. mission participants will receive an Embassy briefing, meet with Government of Russia officials and take part in one-on-one business appointments with private-sector organizations. In addition, they will enjoy a networking event with industry leaders and multipliers. In St. Petersburg, all of the delegates will attend a networking reception and have customized one-on-one business appointments. CS staff will support U.S. participants before and after the mission.

Proposed Time Table

Monday **June 4** **Day 1**	**Moscow** Welcome briefing by the U.S. Embassy One-on-one business appointments Ministry meetings Networking reception
Tuesday	**Moscow**

June 5 **Day 2**	One-on-one business appointments
Wednesday **June 6** **Day 3**	**Depart for St. Petersburg** Welcome briefing by the U.S. Embassy One-on-one business appointments Networking reception
Thursday **June 7** **Day 4**	**St. Petersburg** One-on-one business appointments
Friday **June 8** **Day 5**	**Potential Non-U.S. Commercial Service Program**

PARTICIPATION REQUIREMENTS

All entities interested in participating in the trade mission must complete and submit an application package for consideration by the DOC. All applicants will be evaluated on their ability to meet certain conditions and best satisfy the selection criteria as outlined below. A target of 15 applicants will be selected to participate in the mission from the applicant pool. U.S. companies already doing business in Russia as well as U.S. companies seeking to enter to the Russian market for the first time may apply.

Fees and Expenses: After an applicant has been selected to participate on the mission, a payment to the DOC in the form of a participation fee is required. The participation fee will be $3,200 for large

firms and $2,650 for a small or medium-sized enterprise (SME) or small organization, which will cover one representative.*[1] The fee for an additional representative (SME or large) is $500.

Expenses for travel, lodging, meals and incidentals will be the responsibility of each mission participant, except for transportation from Moscow to St. Petersburg, which will be included in the mission fee. Delegation members will be able to take advantage of U.S. Embassy rates for hotel rooms. It is our understanding that the Department of Energy may have funds available to offset a portion of these personal expenses for the trade mission. The Department of Commerce will not be administering this potential offset, but will forward the contact information on it to mission participants.

Conditions for Participation: An applicant must submit a completed and signed mission application and supplemental application materials, including adequate information on the applicant's products and/or services, primary market objectives, and goals for participation. If the Department of Commerce receives an incomplete application, the Department may reject the application, request additional information, or take the lack of information into account when evaluating the applications.

Each applicant must also certify that the products and services it seeks to export through the mission are either produced in the United States, or, if not, marketed under the name of a U.S. firm and have at least 51 percent U.S. content of the value of the finished product or service.

Selection Criteria for Participation: Selection will be based on the following criteria:

- Suitability of the applicant's products or services to the market

[1] An SME is defined as a firm with 500 or fewer employees or that otherwise qualifies as a small business under SBA regulations (see http://www.sba.gov/services/contractingopportunities/sizestandardstopics/index.html). Parent companies, affiliates, and subsidiaries will be considered when determining business size. The dual pricing reflects the Commercial Service's user fee schedule that became effective May 1, 2008 (see http://www.export.gov/newsletter/march2008/initiatives.html for additional information).

- Applicant's potential for business in Russia and in the region, including likelihood of exports resulting from the mission
- Consistency of the applicant's goals and objectives with the stated scope of the mission

Diversity of entities participating in the mission with respect to company size, sector or subsector, and location may also be considered during the review process.

Referrals from political organizations and any documents containing references to partisan political activities (including political contributions) will be removed from an applicant's submission and not considered during the selection process. The sender will be notified of these exclusions.

TIMEFRAME FOR RECRUITMENT AND APPLICATIONS

Mission recruitment will be conducted in an open and public manner, including publication in the Federal Register, posting on the Commerce Department trade mission calendar (http://export.gov/trademissions/eg_main_023185.asp) and other Internet web sites, press releases to general and trade media, direct mail, notices by industry trade associations and other multiplier groups, and publicity at industry meetings, symposia, conferences, and trade shows. Recruitment for the mission will begin immediately and conclude no later than March 30, 2012. The U.S. Department of Commerce will review applications from the applicant pool on a first come first-served basis beginning March 30, 2012. Applications received after March 30, 2012 will be considered only if space and scheduling constraints permit.

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