U.S. Agency for International Development  
INITIAL ENVIRONMENTAL EXAMINATION  
Amendment No. 3  

Regional Energy Security Activity  
Europe and Eurasia Bureau

A. PROGRAM AND ACTIVITY DATA

<table>
<thead>
<tr>
<th>PROJECT NAME:</th>
<th>Regional Energy Security Activity</th>
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<tbody>
<tr>
<td>ASSISTANCE OBJECTIVE:</td>
<td>Economic Growth</td>
</tr>
<tr>
<td>PROGRAM AREA:</td>
<td>Infrastructure/Modern Energy Services</td>
</tr>
<tr>
<td>COUNTRY:</td>
<td>E&amp;E Bureau</td>
</tr>
<tr>
<td>ORIGINATING OFFICE</td>
<td>Economic Growth/Infrastructure and Energy</td>
</tr>
<tr>
<td>DATE:</td>
<td>August 24, 2011</td>
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<tr>
<td>IEE AMENDMENT:</td>
<td>Yes ☒ No ☐</td>
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<tr>
<td>DCN OF ORIGINAL IEE:</td>
<td>DCN: 2007-EE-004; DCN: 2010-EE-011 Amendment No. 1</td>
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<tr>
<td>PURPOSE OF AMENDMENT:</td>
<td>To extend period of performance and increase Life of Project ceiling amount</td>
</tr>
<tr>
<td>IMPLEMENTATION START:</td>
<td>FY 2007</td>
</tr>
<tr>
<td>IMPLEMENTATION END:</td>
<td>FY 2013</td>
</tr>
<tr>
<td>LOP AMOUNT:</td>
<td>$36,326,614</td>
</tr>
<tr>
<td>AMENDMENT FUNDING AMOUNT:</td>
<td>$11,300,000</td>
</tr>
<tr>
<td>CONTRACT/AWARD # IF KNOWN:</td>
<td></td>
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Environmental Media and/or Human Health Potentially Impacted (check all that apply):  
None ☐ Air ☒ Water ☒ Land ☒ Biodiversity ☒ Human health ☒ Other ☐

Environmental Action Recommended:  
Categorical Exclusion: ☒ Positive Determination: ☒  
Negative Determination: ☐ Deferral: ☐  
Neg. Deter. with Conditions: ☒ Exemption: ☐
B. BACKGROUND AND ACTIVITY/PROGRAM DESCRIPTION

1. Proposed Federal Action: The goal of this activity is to improve the energy security of select countries in the Europe and Eurasia region through support for regional cooperation in electricity, heat, energy efficiency and renewables and natural gas. Improving energy security will enhance stability, improve governance, and reduce poverty.

2. Program Overview:

The activity has three major objectives:

Objective #1: To diversify energy imports and reduce import dependence of key energy importing countries in Southeast Europe and the Black Sea region.

Activities under Objective #1 will result in: (1) increased indigenous energy production (or improved efficiency on energy use) of 5% in oil and gas importing countries; (2) projects approved to reduce dependency on Russian gas imports in selected countries by 10%; (3) investments and IFI financing mobilized of at least $300 million.

USAID implementers will promote collaboration among Government officials and policy institutions of key E&E energy importing countries on key energy security policy and investment issues. It will build on the Southeast Europe Energy Demand Planning process that has developed detailed common energy models to consider growth in energy demand and potential strategies and investments to improve efficiency, substitute alternative fuels, and introduce new technologies and business models. It will support the planned Energy Community Task Force program for energy efficiency. This work will also incorporate concerns with respect to the impact of higher energy prices and supply constraints on poor and vulnerable populations.

The activities under this objective involve capacity-development in energy security policy areas. Physical infrastructure investment, pilot demonstration projects or detailed project-specific engineering feasibility studies are not envisioned.

Objective #2: To develop a harmonized, effective regulatory framework to promote gas supply diversification and related investments as well as an expanded and efficient regional gas market in the Energy Community.

Activities under Objective #2 will strengthen the capacity of the Athens Energy Community Regulatory Board and national regulatory systems in gas and enhance planning and investment in gas diversification projects. Special attention will be given to the potential for expanding LNG supplies as a medium-term diversification option and US regulatory and industry partnerships will be developed with interested countries. This effort will be coordinated with both the new Energy Community Gas Forum, the Athens Energy Community Regulatory Board and the World Bank’s planned $1 billion Gas Sector Adjustable Program Loan.
The activities under this objective involve institutional development of regulatory institutions responsible for natural gas, both nationally and regionally. USAID’s role will focus on legal and regulatory development of gas markets and complement the infrastructure loan activities of the International Financial Institutions and private sector.

Objective #3: To develop a competitive and transparent regional electricity market in the Energy Community that is well-integrated with the Western Europe’s electricity market and progressively expands to include Black Sea countries.

Activities under Objective #3 will continue efforts to plan and promote investments to strengthen the regional electricity grid, integrate Balkan and Black Sea electricity systems to enhance trade and reliability; develop the capacity of the Athens Energy Community Regulatory Board and national regulatory systems for electricity and heat; create a Regional Coordinated Auction Office for Transmission Capacity Allocation and a Regional Balancing/Spot Market; establish a formal market monitoring system for the Energy Community; put in place policies and programs for low income energy assistance and social protection in the Energy Community.

As with Objectives #1 and #2, this component will finance policy, planning, training, and institutional/regulatory development activities. Technical analyses are oriented towards regional systems analysis and will take into account strategic environmental characteristics of different options.

The above description assumes full or near-full funding of the $6 million, 3-year program. Under a medium funding level, all three components would be scaled back, particularly with respect to Objective #1 and #2 activities. Significant cuts would reduce our focus to mainly regulatory issues related to regional electricity and gas market development, with priority attention to completing the regulatory and institutional development of the regional electricity market.

This activity is implemented through several award mechanisms each with its own Supplemental IEE. In addition, two subactivities have been the subject of individual IEE amendments. Supplemental IEEs for this activity include the following:

- Eastern Europe Energy Efficiency and Environment Partnership, DCN: 2010-EE-015
- Improving Housing Energy Efficiency in Macedonia, DCN: 2010-EE-014
- Shale Gas Initiative, Ukraine DCN 2011-EE-005
- Balkan and Regional Energy Market Partnership Program, DCN-2011-EE-010
- Low Income Residential Energy Efficiency Network, DCN 2011-EE-012

C. COUNTRY AND ENVIRONMENTAL INFORMATION (BASELINE INFORMATION)

Country and environmental baseline activity for the Amendments and Supplemental IEEs for each of the award mechanisms listed in Section B2 applies.

D. EVALUATION OF ACTIVITY WITH RESPECT TO ENVIRONMENTAL IMPACT POTENTIAL
Evaluation of activities with respect to environmental impact potential for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section D of each.

E. RECOMMENDED ENVIRONMENTAL ACTIONS

1. Recommended Environmental Determination:

Environmental threshold decisions for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section E of each.

2. Conditions

Conditions for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section E of each.

3. Mitigation Measures

Mitigation measures for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section E of each.

4. Monitoring and Reporting

Monitoring and reporting requirements for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section E of each.

F. MANDATORY INCLUSION OF ENVIRONMENTAL COMPLIANCE REQUIREMENTS IN SOLICITATIONS, AWARDS, BUDGETS AND WORKPLANS

- Appropriate environmental compliance language shall be included in solicitations and awards (this includes the listed “limitations” for Categorical Exclusions) for this activity with an appropriate level of funding and staffing to satisfy the environmental compliance requirements set forth in this IEE.
- Solicitations shall include Statements of Work with task(s) for meeting environmental compliance requirements and appropriate evaluation criteria.
- Environmental mitigation and monitoring requirements, if available, shall also be included in solicitations and awards.
- The implementing partner will incorporate conditions set forth in this IEE in to their work plans.
- The USAID Mission will include an indicator for environmental compliance as part of the project’s performance monitoring plan.

G. LIMITATIONS OF THE IEE:
Limitations for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section G of each.

H. REVISIONS:

Pursuant to 22 CFR 216.3(a) (9), if new information becomes available that indicates that activities covered by the IEE might be considered “major” and their effect “significant,” or if additional activities are proposed that might be considered “major” and their effect “significant,” this environmental threshold decision will be reviewed and, if necessary, revised by the Mission with concurrence by the BEO. It is the responsibility of the USAID COTR/AOTR to keep the MEO and BEO informed of any new information or changes in the activity that might require revision of the IEE.

I. RECOMMENDED ENVIRONMENTAL THRESHOLD DECISION (Threshold Decisions should be the same for connected actions).

Limitations for each of the Amendments and Supplemental IEE’s associated with this activity is binding as described in Section I of each. Please see the following for threshold decisions for each of the award mechanisms falling within this broader activity:

- Eastern Europe Energy Efficiency and Environment Partnership, DCN: 2010-EE-015
- Improving Housing Energy Efficiency in Macedonia, DCN: 2010-EE-014
- Shale Gas Initiative, Ukraine DCN 2011-EE-005
- Balkan and Regional Energy Market Partnership Program, DCN-2011-EE-010
- Low Income Residential Energy Efficiency Network, DCN 2011-EE-012

USAID Approval of Recommended Environmental Threshold Decision:

Approval: ________________________________
Jerry Bisson, Director, EE/EG

Preparer: ________________________________
Robert F. Ichord, Director, EE/EG/E&I

Concurrence: ________________________________
Barbara R. Britton
E&E Bureau Environmental Officer

Distribution:
IEE File
COTR/AOTR Files