



Proceedings from the First National Roundtable in Bulgaria

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BULGARIAN RECOVERY AND RESILIENCE PLAN: ARE WE ABLE TO CONVEY THE PLANED REFORMS WITH THE CURRENT INVESTMENT PRIORITIES?

National roundtable for financing energy efficiency investments in Bulgaria

**5 October 2021, 10:30 – 17:00
Sofia, Sofia Hotel Balkan and online**

<i>126 stakeholders</i>	<i>12 speakers</i>
	<i>20 delegates in person</i>
	<i>96 online participants</i>

3 discussion pillars:

- Financing for residential building renovation in the National Recovery and Resilience Plan (NRRP)
- Financing energy efficiency of public and industrial buildings
- Practical application of project 10 "Program for the financing of single renewable energy measures"

Main takeaways from the plenary session:

“The NRRP can be a catalyst for launching real reforms in Bulgaria. This is the Green Deal. In fact, it is the direction and core commitment of every household, every business, every municipality and the state as a whole to accelerate economic transformation. Our reality requires unity, first of all, and, secondly, finding Bulgarian-specific solutions. We must lay the foundations for this transformation ourselves. The good news is that all the reforms we have set out point to where the biggest problems are.”

Georgi Stefanov, WWF - Bulgaria

“There are many opportunities to improve the financial framework of the plan. Spending EU funds wisely is key to the success of the transition to sustainable energy. This is why we need more public pressure.”

Todor Galev, Center for the Study of Democracy

“It is important not to miss the chance to deliver a market-oriented model, because only thus we could ensure the achievement of the goals set and to a greater extent meet the huge needs of the country. Let us not rely on this plan alone to solve all the problems that have accumulated over time and are quite complex.”

Tsveta Nanyova, Bulgarian Facility Management Association

“The NRRP should be seen as a support mechanism. All of us, as a society, not only the industry, the state, the municipalities, all of us, as citizens, should think and not just identify the problems, but also look for the right solutions. This is our common concern. This is the main mechanism for recovery, and the means that will lead us to economic transformation. A change in thinking and technology will help us become a developed society with a sustainable economic and energy system.”

Dobri Mitrev, Chairman of the Bulgarian Industrial Association (BIA) Board

“NRRP should not be used for concrete tactics and towards political goals, as it concerns the destiny of Bulgaria and its population for the next 20-30 years to come.”

Valentin Nikolov, Bulgarian Construction Chamber (BCC) Executive Director

Parallel session discussions and roundtable conclusions:

Parallel session 1: Financing for residential building renovation in the National Recovery and Resilience Plan (NRRP)

Moderator Dragomir Tzanev

The session was opened by Dragomir Tsanev (EnEffect) with an overview of the part of the NRRP related to residential buildings and in particular project 9a. The emphasis was put on the Decarbonisation Fund that is foreseen in the plan, the mechanism for the repayment of energy efficiency investments through household energy bills (on-bill financing), as well as to the scheme for supporting the processes of complete renovation of residential buildings (one-stop-shops). An intense discussion broke out already during the presentation the participants started.

It was noted that an opportunity to make the necessary legal changes related to the implementation of the envisaged reforms in a timely manner has been missed. Examples cited included introducing a definition of energy poverty and allowing on-bill financing (OBF). There was additional criticism at the concept of one-stop-shops being outsourced to municipalities, as this will be an additional obligation for them – being mediators in the complex path of housing renovation, including contractor selection, process control, quality checking, dispute resolution and much more.

A number of reservations were raised by participants regarding the specific targets set - renovating only about 1000 buildings of the entire building stock, regardless of the financial status of the owners, and not achieving the national targets - both due to the high grant

component resulting in a small number of buildings covered, topped with an insufficient target savings of only 30%. The participants also shared their perplexity at the declaration that project is aiming to build a sustainable market mechanism, given that the vast majority of the resource was earmarked for a 100% grant, without co-financing or any view to the creation and development of any accompanying integrated services

Based on the discussion and the obstacles outlined, the following calls to action and topics for further discussion emerged:

- There is a need to gradually transform the financing of energy efficiency measures in residential buildings towards reducing the grant component and replacing it with a sustainable financing model.
 - To this end, the participants set themselves the task of preparing a roadmap to systematize and identify each necessary stage of the process, as well as to create a regulatory framework in line with EU legislation. It was agreed upon that, by outlining the steps of transformation, the expert community could help the successful and sustainable implementation of the necessary changes.
- Horizontal measures are needed to improve communication, to establish a performance tracking system, to train construction professionals and workers, to collect more data based on energy performance, and to increase the quality control.
- It would be good to raise citizens' awareness of the multiple benefits of energy efficiency measures. At this stage, the cooperation with the national and local media needs to be improved in order to put this issue on the public agenda.
- The concept of procurement needs to be reconsidered when applying the "one-stop-shop" concept due to its incompatibility with building networks of trusted providers (possibly with a reduction of the grant component below 50%).
- Particular attention should be paid to the methods of reporting and verification of the energy savings.

Parallel session 2: Financing energy efficiency of public and industrial buildings

Moderator Marko Markov

The session was opened with a presentation by Marko Markov (Econoler), who outlined the characteristics of investment project 9b of the NRRP as the main source of funding for EE rehabilitation of the non-residential building stock in the period 2022-2026. Mr. Markov took the time to comment on the need for an update of Regulation RD-16-347 of 02.04.2009 as a potentially effective tool to promote the market for ESCO services in the public buildings sector. At the end of the presentation, the importance of the future National Decarbonisation Fund for the overall development of the energy efficiency financial instruments market in Bulgaria was also discussed.

After Marko Markov's presentation, Ms. Zoya Vassileva from Matig Management Partners presented available tools for applying a standardized approach to financial assessment of EE projects in the building sector and to the determination of the required amount of grant support in the financial structuring of such projects.

Following the two presentations, the session continued with a lively discussion with the active participation of the representatives of Energy Efficiency and Renewable Sources Fund (EERSF), National Trust EcoFund (NTEF), Fund of Funds, Gabrovo Municipality, with numerous questions and comments from the online participants.

The following conclusions were drawn to inform the set up for further discussion:

- Public resources should be allocated carefully and in view of the real needs of the beneficiaries, establishing a tailored approach for the use of grants to reap the greatest possible benefits for the Bulgarian economy.
- Certain changes and synchronization of the existing legal and regulatory framework with the objectives and tools of the LTRS are required. For example, in addition to adjustments to Ordinance RD-16-347 to incentivize Bulgarian municipalities to use the mechanism of Energy Performance Contracts (EPC), changes to the Municipal Debt Law can be introduced to remove or diminish the limitation on the amount of EPC (at 15% of the average annual amount of reported capital expenditures at the moment).
- There are enough financial instruments on the market at the moment (EERSF, NTEF, Urban Development Funds loan products, etc.) that can pave the path towards reaching the goals set by the LTRS and solving the current problems. The NRRP and the Decarbonisation Fund will play an essential role in the renovation process, however they are not the only sources so there's no need to wait for their launch.
- Provision should be made for technical assistance to financial institutions in order to reduce the level of credit risk perception arising from the technical complexity of EE projects as well as the complex process of measuring and verifying energy savings.
- It is necessary to pay particular attention to information and awareness raising campaigns to form a responsible attitude towards EE in the end users.

Parallel session 3: Practical application of project 10 "Program for the financing of single renewable energy measures"

Moderator Genady Kondarev

Mr. Genadi Kondarev from E3G opened the third parallel session with a short presentation on the Program for the financing of single renewable energy measures in the NRRP. He noted that in terms of financial volume, the programme has evolved a lot compared to its original version (from the earlier versions of the NRRP) with an almost 10-fold increase in the allocated resource. The types of projects that will be eligible for funding under the programme, the amount and conditions for funding an individual project as well as the eligibility conditions for beneficiaries were presented. Mr. Kondarev concluded his presentation with an outline of the timeline for the implementation of the programme as well as the expected results.

Following the introductory presentation, a discussion was held between the attending representatives of the SEDA, BCC, Sofia Municipality, the private sector and online participants. The conclusions drawn from the discussion were as follows:

- The programme will establish a sustainable business model in the market to phase out grant funding.
- Energy efficiency must be put first and combined with investment in renewable energy. The programme is a good opportunity not only for smaller municipalities that have not had access to such sources until recently, but also for all eligible municipalities. By participating, municipalities will be able to set in motion a mechanism for financing such measures. The programme is a quick tool to overcome the economic crisis and leaves the initiative in the hands of municipalities and local businesses.

- The programme is also of interest to private financial institutions, which are following its development closely and are ready to prepare financial instruments with flexible conditions for co-financing.
- It is essential to provide technical assistance to municipalities with concrete technical specifications, equipment requirements, warranty conditions and other necessary technical information in order to carry out timely monitoring.
- An important step towards an improved control would be setting up an online monitoring system for consumption and production of all installations. A number of simple solutions are available that would not make installations costlier.

Closing session - Lessons learned and upcoming activities

Moderator: Dragomir Tzanev

In the closing plenary session, the rapporteurs of the parallel sessions presented a summary of the discussions and the conclusions and recommendations made by the participants.

Among the conclusions of the first session, Mr. Tzanev highlighted the necessity to introduce effective horizontal measures to improve communication and raise citizens' awareness, and the importance of providing trainings for construction professionals and workers. He summarized the contributions of the participants, which drew attention to the public procurement practices and the incorporation of the "one-stop-shop" philosophy, as well as to the methods for savings reporting and verification.

The conclusions of parallel session 2 were then presented by Marko Markov. He voiced the unanimous understanding that public resources need to be optimally invested, which requires careful planning, adaptation and synchronization with the existing legal framework to facilitate the work of municipalities with ESCOs, as well as the development of sound financial instruments in the energy efficiency market. Among the conclusions drawn during the session, Mr. Markov noted that given the urgency of reducing the high grant component, it is positive that banks already have financial products readily available, and underlined the need of the professional community to get better acquainted with them. In his concluding remarks, Mr. Markov once again returned to the National Decarbonization Fund, commenting that a lower intensity of the grant is preferable, and the Fund should predominantly serve to lower the risk for the commercial banks and the specialized funds, as unnecessary complicating and bureaucratizing the process should be avoided at all costs. He concluded by drawing attention to the need for clearer articulation of the planned instruments and mechanisms in order to build confidence in them.

Stanislav Andreev presented the conclusions of parallel session 3, with one of the most important points being the provision of technical assistance for the implementation of renewable energy projects in municipalities with specific technical specifications to support reliable monitoring. He outlined the main points of discussion where participants from SEDA, BCC, Sofia municipality, and the private sector agreed on the importance of performance tracking and monitoring, which are important components for both end users and private financial institutions willing to provide the necessary flexibility to ensure the co-financing.

The national roundtable was concluded with a discussion involving representatives of public authorities, professional and industry associations, financing institutions, municipalities, and energy experts on the tools available to implement the reforms set out in the NRRP.

All participants united around the understanding that it's high time that the practice of 100% grant funding for energy efficiency projects is ended, while protecting the rights and interests

of vulnerable consumers. Ivaylo Alexiev (SEDA) once again drew attention to the short-term scope of the Plan, and to the fact that the planned reforms and mechanisms require time to prepare, calling for decisive action with the available tools and in the absence of definitions subject to broader dialogue and consensus. The project partners, with the support of experts from the represented organizations, offered assistance to the Ministry of Regional Development and Public Works to adapt projects 9a and 9b to the NRRP in order to achieve the common European objective of increasing the scope and depth of renovation programmes, and also stated their willingness to start working on a roadmap that synthesizes all credible solutions in order to transform the inefficient building renovation mechanisms that have been working so far.