



Proceedings from the Ninth National Roundtable in Bulgaria

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ENERGY EFFICIENCY OF THE BUILDING STOCK: THE CORNERSTONE OF THE SUSTAINABLE ENERGY TRANSITION

National Roundtable on Sustainable Energy Investment Financing

30 January 2024

Sofia, InterContinental Hotel and online

<i>204 stakeholder representatives</i>	<i>14 lecturers</i>
	<i>110 delegates</i>
	<i>80 participants on-line</i>

Discussion topics:

- **Energy Efficiency in Building Stock:** Exploring the role of building stock energy efficiency as a cornerstone of the sustainable energy transition.
- **Decarbonization Strategies:** Reviewing strategies, plans, legislation, and options to facilitate the decarbonization process.
- **National Decarbonization Fund:** Discussing financial instruments and the role of the National Decarbonization Fund in supporting the building stock's needs

PLENARY SESSION

Panel 1: Strategic approach

The National Round Table was inaugurated by **Dr. Dragomir Tzanev (EnEffect)**, who provided a succinct overview of the ongoing program for the renovation of multifamily residential buildings – specifically, Stage II of the Recovery and Resilience Plan. Dr. Tzanev highlighted the social tensions that have emerged due to concerns over the methodologies and techniques applied in the evaluation of project proposals, coupled with the absence of adequate financial mechanisms to assist owners' associations in covering the 20% co-payment mandated by Stage II.

Dr. Tzanev conveyed optimism that the round table discussions would elucidate the current status of the National Decarbonization Fund (NDF) and the anticipated revisions to the Energy Efficiency Act pertinent to its operationalization.

In his closing remarks, Dr. Tzanev underscored the critical situation that approximately 66,000 residential buildings require energy efficiency improvements. Despite various national programs contributing to a progress rate of merely 4.2% in recent years, he emphasized the pressing need for immediate action and the restructuring of existing programs to meet the national decarbonization objectives.

Ms. Iva Petrova (Ministry of Energy - ME) briefed the participants on the fruitful collaboration between her Ministry and the Ministry of Environment and Water. This partnership has been instrumental in the modeling and development of the National Energy and Climate Plan (NECP). Furthermore, Ms. Petrova provided an update on the current status of the National Decarbonization Fund (NDF) and discussed the forthcoming amendments to the Energy Efficiency Act (EEA).

Mr. Julian Popov (Ministry of Environment and Water - MOEW) suggested that the national decarbonization targets could be more ambitious. He noted that approximately 60 billion euros are required to renovate the entire building stock. Given the current investment rate of 1 billion euros per year, he pointed out that achieving the goal of carbon neutrality by 2050 is unlikely. Mr. Popov highlighted the necessity of using public resources primarily to leverage private investments and emphasized the importance of structuring funds to support innovation and the adoption of digital technologies in construction. This approach aims to accelerate the renovation pace of the building stock. In conclusion, Mr. Popov underscored the need for interinstitutional coordination, proposing the formation of a coordination council that includes the Ministry of Environment and Water and the Ministry of Regional Development and Public Works (MRDPW).

Ms. Angelina Boneva (Ministry of Regional Development and Public Works - MRDPW) announced the simultaneous implementation of three significant reforms. The first reform involves transitioning from a model of providing 100% grants to a new approach that requires building owners to cover a partial deductible. The second reform is focused on enhancing legislative and administrative capacities. This includes amendments to the Condominium Ownership Management Act (COMA) and the establishment of service centers for comprehensive assistance. The third reform aims to cultivate a responsible property ownership culture by educating owners about their rights and responsibilities. These initiatives are designed to improve the management and renovation processes of properties.

Mr. Radoslav Ribarski (member of the Energy Committee) emphasized the importance of discontinuing certain detrimental practices, including programs that offer 100% subsidies and their associated campaigns. He argued that by taking this approach, there would be a more efficient allocation of public resources and an enhancement in market predictability.

Ms. Maria Mincheva (Bulgarian Industrial Association) informed the participants that the obligations placed on businesses in relation to the Green Deal are substantial. She highlighted the necessity for a comprehensive national strategy to safeguard companies from losing their competitive edge. Ms. Mincheva pointed out that, thus far, the mandates for transformation and decarbonization have not yielded favorable outcomes for businesses. In her concluding remarks, she emphasized the critical need for leadership from the public sector to guide and support these initiatives.

At the conclusion of Panel 1, a discussion unfolded that highlighted several compelling points:

- Mr. Scott Foster emphasized the diverse benefits of building renovations, including a healthier environment, enhanced energy security, and improved affordability.
- Mr. Ivan Velkov and Mr. Julian Popov initiated a debate on the advantages and disadvantages of gated residential communities.
- Ms. Maria Mincheva underscored the importance of vigorously advocating for Bulgarian interests during the negotiations of the "Green Deal" to ensure its compatibility with Bulgarian conditions.
- The necessity to expedite the development of an information system addressing energy poverty, with funding from RePowerEU, was a consensus among participants.
- The Bulgarian Solar Association called for a reduction in administrative barriers to the integration of Renewable Energy Sources (RES) in buildings.
- Ms. Tsveta Nanyova advocated for swift reforms and the organization of financial mechanisms tailored to the requirements of condominiums.
- Mr. Ognyan Atanasov, the Mayor of Kyustendil, suggested that subsidy amounts should align with the economic development levels of different regions.

Panel 2: Decarbonisation of buildings

Ms. Boneva, MRDPW, opened the second panel by highlighting that the building sector, along with energy and transport, ranks among the most energy-intensive segments of the country's economy. She pointed out ambitious targets to achieve a 40% reduction in energy consumption and a 36% decrease in carbon emissions. Ms. Boneva underscored the necessity of leveraging both public and private financial resources to meet national objectives and to address the issue of the limited feasibility of providing 100% grants for building renovations. She also identified challenges such as the programmatic nature of renovation initiatives and the prevalent practice of partially renovating individual apartments within residential buildings. Furthermore, Ms. Boneva announced that there are renovation projects pending, valued at 4 billion euros.

Ms. Petrova, ME, provided a concise summary of the investment needs within the residential and non-residential sectors, along with anticipated shortfalls in financial resources in the forthcoming years. She highlighted the pivotal role of the National Decarbonization Fund (NDF) in thoroughly supporting the renovation process, offering technical assistance, and supplying the necessary credit facilities. Ms. Petrova clarified that the Energy Efficiency and Renewable Sources Fund (EERSF) would be restructured into the NDF. Its capitalization will

derive from various sources, including contributions from energy savings achieved through projects financed under the Recovery and Resilience Plan, RePowerEU, among others, as Ms. Petrova concluded.

Mr. Alexiev, Executive Director of the Sustainable Energy Development Agency, directed the participants' focus to the pressing need for expertise in achieving national goals. He cited the establishment of service counters in regional centers and municipalities as a successful initial step and urged the active participation of professional organizations. Mr. Alexiev emphasized the critical importance of providing technical assistance and outlined a preliminary framework for its enhancement. Key points of his presentation included the impending liberalization of the household energy market, the necessity of adopting a tailored approach to renovation projects—even at the individual household level—and the importance of transitioning to ongoing national renovation programs.

In the discussion segment of the second panel, several notable points were raised:

- Mr. Stoykov from the Energy Efficiency and Renewable Sources Fund (EERSF) highlighted the necessity to update the Cost-Optimal Building Report in light of the Energy Performance of Buildings Directive.
- Participants were informed about a successful renovation project of a multifamily residential building, which incorporated smart meters. It was also suggested that condominiums with photovoltaic power plants should have the ability to sell surplus energy.
- Ms. Dankinova from the Flag Fund proposed leveraging not only EERSF's experience but also insights from other funds in operationalizing the National Decarbonization Fund (NDF).
- Mr. Staykov expressed concerns that private financing for building renovations might become increasingly challenging.
- Ms. Nanyova suggested that, alongside the NDF, a program similar to REECL for window replacement would be beneficial.
- Ms. Borisova discussed the importance of measuring and verifying energy savings achieved through renovations.
- Ms. Grozeva raised concerns about the lack of any feasible approach to single-family residential buildings and urged for a broader perspective beyond viewing Bulgaria as needing perpetual assistance.
- Ms. Boneva shared findings from a survey indicating that Bulgarians are no longer seen as the most pessimistic group. She emphasized the need for greater speed and scale in efforts to meet national decarbonization targets.

Key quotes from the plenary session:

“Adopting a strategy that relies solely on 100% public resources for renovating the building stock would risk leaving Bulgarian homes perpetually in a state reminiscent of the People's Republic of Bulgaria era.”

Julian Popov, Minister, MOEW

"The transition should not be so gradual that it fails to commence."

Angelina Boneva, Deputy Minister, MRDPW

“It is crucial to defend the interests of our industrial sector during negotiations on adopting the principles of the Green Deal.”

Maria Mincheva, BIA

Discussion session: 1

Innovative financial models for decarbonisation of buildings

Moderator: Marco Markov, Econoler SA

Mr. Markov initiated the discussion session by summarizing the key points highlighted in the forum thus far, particularly emphasizing the necessity to eliminate market distortions caused by offering grants with 100% intensity. He also spotlighted the significant issue of insufficient collective action among condominium residents to invest in their homes and buildings.

Mr. Peter Sweatman, from Climate and Energy Partners, introduced an innovative financial strategy that encourages apartment owners to participate in renovating their buildings, addressing the EU's need for a 2 trillion euro investment in this area. At the heart of Mr. Sweatman's model is the integration of buildings' energy performance reviews into the structuring of mortgage loans. He further explained the motivations for banks to adopt such measures, including regulatory mandates, minimizing climate change risks, enhancing asset values, and similar incentives.

Ms. Bilyana Mladenova, from UniCredit Bulbank, informed participants that ESG (Environmental, Social, and Governance) criteria are primarily considered when dealing with legal entities. Regarding the renovation of multifamily residential buildings, she mentioned that the bank currently offers consumer loans at the individual apartment owner level, due to the complexity involved, without extending financial products specifically tailored for condominiums. Ms. Mladenova highlighted the availability of specialized guarantee instruments, such as InvestEU, which facilitate more engaged work with legal entities adhering to certain ESG criteria. She also expressed the bank's willingness to collaborate with public authorities to further develop the financial system in support of achieving national objectives.

Ms. Dochka Vassileva, from the Fund of Funds, introduced the next generation of financial instruments currently being developed to support enterprises in financing investments in new equipment, energy management, and related activities. She added that, starting next year, residential buildings will also be eligible for funding under these new programs.

Key insights from the first discussion session included:

- Mr. Sweatman raised concerns about the insufficient promotion of "green mortgages" by financial institutions, despite their critical role in the energy transition. He attributed this to the complex administrative processes involved in their provision.
- The session's participants unanimously recognized the crucial role of banks, given their widespread geographical presence and direct engagement with apartment owners.
- Ms. Vassileva shared her insights on the challenges of blending public and private resources. She noted the lengthy process required to persuade banks to introduce financial products that support the economic energy transformation. Highlighting a successful strategy, Ms. Vassileva mentioned that combining grants with financial instruments could be streamlined into a single transaction, which would minimize time and administrative burdens for all parties involved.

- Mr. Markov advocated for a shift away from indiscriminately awarding grants as if they were gifts, towards a model that demands owner participation. This approach aims to foster a culture of responsibility and proactive engagement.

Discussion session 2:

Professional services for smart and efficient buildings

Moderator: Ivan Velkov, Bulgarian Facility Management Association

Ms. Tsveta Nanyova, Bulgarian-Austrian Consulting Company, highlighted to the participants the necessity of establishing a guarantee fund to facilitate banks in extending loans to condominiums. She emphasized that the involvement of a specialized intermediary and the professional management of condominiums are crucial for the efficient renovation of residential buildings. Additionally, Ms. Nanyova provided insights into the recent amendments to the Condominium Ownership Management Act (COMA), detailing the liability of apartment owners in proportion to their ideal shares and the option for opening a bank account in the name of the owners' association.

Mr. Yordan Nikolov, Renovernight Bulgaria, advocated for the adoption of streamlined and cost-effective energy audits and reference standards to accelerate the renovation of residential buildings. He argued that since building systems are generally standardized, it is feasible to develop standard bills of quantities based on this uniformity. Along with other speakers, Mr. Nikolov stressed the importance of transforming the renovation of residential buildings into an ongoing program, characterized by continuous operation rather than intermittent campaigns, and ensuring a high level of public awareness for the citizens' benefit. Concluding his address, Mr. Nikolov highlighted the construction sector's challenges, including a shortage of skilled labor and the prevalent low qualifications among existing workers.

Mr. Stanislava Andreev, EnEffect, voiced his concerns regarding the quality of energy audits being conducted, highlighting issues such as overpricing and exaggerated claims of energy savings. He also pointed out that building certificates often confuse consumers, leading to a lack of broader support for improving energy efficiency in Bulgarian homes. To address these issues, Mr. Andreev recommended simplifying the methodologies used to calculate energy savings and enhancing the practical focus of training programs for energy auditors. Additionally, he advocated for the adoption of more reliable and accurate software tools to support the work of energy auditors.

Mr. Lyubomir Hadzhiev, Bulgarian Council for Sustainable Development, directed the participants' focus towards the necessity of incorporating "labelling" approach to Bulgarian housing, alongside the hybridization of heating systems.

Highlights from the discussions during the session include:

- Mr. Nikolov observed that while there has been an increase in the production capacity for building materials in recent years, a looming shortage of skilled labor is anticipated.
- Mr. Boghosian suggested distributing guides on how to apply insulation materials to representatives of condominiums who will participate in the renovation process.

- Ms. Dobrudjalieva pointed out that despite discussions recurring over the last 10 years, tangible progress has been minimal.
- Dr. Tzanev concluded the discussion by underscoring the significance of adopting a comprehensive approach that prioritizes quality.

CLOSING SESSION

In the closing session, Marko Markov, Dragomir Tzanev, and Ivan Velkov highlighted the key insights and major conclusions drawn from the conference discussions:

- The progress has been unsatisfactory regarding current state policies, which depend heavily on programs funded entirely by grants and lack beneficiary involvement. This has led to market distortions and fostered a dependency mindset centered around aid and grants.
- There is a notable absence of financial mechanisms to aid citizens in the renovation of their homes.
- There's a critical demand for permanent expert groups and coordination bodies to effectively influence and support entities responsible for the energy transition in the country.
- The level of public awareness and dissemination of information on events and studies concerning the energy transformation of the Bulgarian economy has been satisfactory.