



Work Group III:

Recommendations for improvements to the National Resilience and Recovery Plan (NRRP). Sustainable renovation of the building stock (residential and non-residential). Opportunities and challenges facing the industrial sector

Policy Recommendation (2)

Roadmap for renovation of multi-family buildings

Summary

In order to achieve the level of ambition set in the Long-term renovation strategy for renovation of the building stock till 2050 (LTRS), it is urgent to optimize and upgrade the financing mechanism foreseen in the National Resilience and Recover Plan (NRRP). Activating private capital, ending the unsustainable practices of 100% grant financing, introducing a collection of financial instruments, as well as conducting effective communication leading to a high degree of commitment of the beneficiaries, are among the changes that would lead to the successful achievement of national goals.

The national goals for building renovation, set in the LTRS, many times exceed what has been achieved so far in terms of scope, investment, and energy savings. In addition, the envisaged funding model defined in the NRRP does not correspond to the level of ambition adopted in the strategy because:

- with a national goal of renovation by 2030 of 19,026,656 m² of living space, taking into account the prices and approach set in the plan, in the best-case scenario, by the middle of 2026, just 3,688,979 m² will be renovated;
- only 1,135 buildings out of 64,056 that need to be renovated will be covered within the framework of the NRRP under the established mechanism;
- an opportunity is lost to activate a huge amount of private resources to help grow the local and national economy. What's more, the capital raised should be at least four times the subsidy.

The adopted by the NRRP financing scheme needs to be optimized and upgraded in the following directions:



- discontinuation of the practice for 100% grant financing, which leads otherwise to unjustified expectations from the state and municipalities, irresponsibility on the part of the homeowners, and total lack of care to maintain the renovated buildings;
- reduction of public funding after the implementation of NRRP sub-project 9a by 2.25% on an annual basis;
- allocation of 7% of public funds for monitoring, communication, training, and scientific research;
- preservation of 100% grant financing of energy poor households;
- gradual reduction of the subsidy from 100% to 20% by 2030.

Considering that there will be no interruptions in funding and that the suggested approach hereinabove is adopted, the following results can be achieved by 2030:

- 19,033,804 m² of renovated area (achieved goal in the LTRS);
- 5,857 renovated multi-family residential buildings with 254,633 dwellings and at least 29,283 households brought out of energy poverty;
- BGN 1,929,700,145 (approx. EUR 986,624,884) attracted private investments with BGN 2,185,781,533 (approx. EUR 1,117,555,209) public resources invested until 2030.

A MUST HAVE FINANCIAL MECHANISMS

Market enforcement of the suggested approach is unthinkable without the existence of a number of financial mechanisms. With the aim of both the immediate implementation of the activities under Work Package 2 of the NRRP sub-project 9a, as well as the sustainable continuation of policies and the achievement of national goals, it is necessary to ensure availability of the following:

- Specialized state provided revolving/guarantee fund;
- Specialized credit lines from commercial banks;
- Specialized municipal provided revolving/guarantee funds for energy efficiency;
- On-bill financing;
- On-tax financing;
- Financing through the ESCO mechanism.

TENTATIVE ROADMAP

2022	2023-2024	2025	2026-2029	2030
Financial Mechanisms				
BGN 225,980,000 with 80% Grant (total investment: BGN 249, 029,960)	BGN 451,960,000 with 70%/60% Grant (total investment: BGN 559, 809,923)	BGN 225,980,000 with 50% Grant (total investment: BGN 337,510,208)	BGN 854,205,711 with Grant that decrease to 25% intensity (total	BGN 201,675, 821 with 20% Grant



			investment: BGN 1,970,785,235	(total investment: 642,200,352)
Concessional loans to cover co-financing requirements for homeowners	Targeted concessional loans. Special loans from commercial banks with guarantees provided by the National Decarbonization Fund and the like	Higher requirements for targeted loans. Special loans from commercial banks with guarantees provided by the National Decarbonization Fund and the like		
100% subsidy for energy poor households				
	Those who achieve energy class A, get 80%/70% grant (additional resource). Construction and energy survey are financed by homeowners	Those who achieve energy class B, get 60% grant (additional resource).	Those who achieve energy class A and invest in RES, get a higher grant component (additional resource).	Those who achieve energy class A and invest in RES, get a higher grant component (additional resource).
Changes in legislation				
Changes in the Condominium Act, allowing for taking a decision for renovation in an easier way, regulation of facility management, and possibility of opening a bank account with the purpose of obtaining a credit guarantee.	Making professional facility management compulsory for condominiums.	Introduction of penalties if professional facility management has not been adopted, and/or renovation roadmap has not been implemented, etc.		
Changes to allow for On-bill financing and On-tax financing.	Improvements in certificates for energy characteristics, introduction of renovation roadmaps, and digital diaries.	Introduction of requirements for projects' carbon footprint		
Changes to allow combination of EnPC and energy supply		Tax reductions for renovated properties.		



Changes to make green procurement compulsory.	Compulsory trainings for public procurement contractors.			
Definition of a mandatory minimum energy class, i.e., "B"				
Quality control, capacity building, and communication				
Verification of at least 10% of the energy audits. Introduction of penalties in cases of infringements.	Verification of at least 5% of the energy audits. Introduction of penalties in cases of infringements.			
Independent construction quality control of at least 10% of the projects. Introduction of penalties in cases of infringements.	Independent construction quality control of at least 5% of the projects. Introduction of penalties in cases of infringements.			
Communication campaign at national and regional level				
Trainings for energy auditors, installers, construction workers, beneficiaries, etc.				
Certification of companies offering one-stop-shop services				
		Monitoring of energy savings, introduction of penalties in cases anticipated savings have not been achieved.		
	Introduction of digital diaries			

Source: Roadmap for renovation of residential buildings, EnEffect