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Related documents: CC 348

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Recommendations on the In-depth Review of Energy Efficiency Policies and Programmes of Bulgaria

[The Energy Charter Conference was invited to endorse the Recommendations on the In-depth Review of Energy Efficiency Policies and Programmes of Bulgaria, as contained in document CC 348. Delegations unable to approve this proposal were requested to notify the Secretariat of their opposition in writing by no later than 12 September 2008.

Since no objections were received by this date, the following Recommendations to the government of Bulgaria are considered as endorsed by the Energy Charter Conference (*Annex*).]

Keywords: In-depth Review of Energy Efficiency Policies and Programmes, PEEREA, Recommendations, Bulgaria

Recommendations on the In-Depth Review of the Energy Efficiency Policies and Programmes of Bulgaria, 2008

endorsed by the Energy Charter Conference
by written procedure

Recommendations

General Recommendations

- There is ample evidence that the Bulgarian authorities have adopted a structured approach to planning and the formulation of laws and to the placing of obligations and responsibilities on key actors. The Energy Efficiency Law of 2004 was a most significant step forward in the organisation and formulation of energy efficiency policies and targets, and the necessary institutional development. However, it is not clear that the allocation of the necessary budgets or implementation of sanctions for non-compliance with the law have followed. In general we would recommend that, wherever feasible, market drivers be reinforced by appropriate promotional activities and actions to remove barriers.
- The government has made significant progress in implementing the requirements and provisions of several important EU directives such as the Energy Performance Directive for Buildings (EPBD) and the Energy Service Directive (ESD). Continued efforts are, however, still required for the cost-effective implementation of the EPBD, the ESD as well as achieving compliance with the provisions of the EU Emission Trading Scheme (ETS).
- Low-income groups are particularly vulnerable to high and increasing energy prices. Meeting the basic energy service needs of households with low incomes requires special policies, targets, and measures to meet their needs with energy efficient solutions.
- The ongoing process of reforming the energy market and of implementing the Energy Service Directive may provide opportunities to develop mechanisms for promoting energy efficiency compatible with the process of liberalisation and the completion of the internal EU energy market.

Energy Efficiency Policy and Legal Framework

- Bulgaria's first National Energy Efficiency Action Plan should serve as a starting point and integrating mechanism for national efforts to realise the benefits of energy efficiency gains. Energy efficiency can powerfully enhance the competitiveness of the economy, create new jobs, reduce import dependency, and mitigate the inflationary effects of higher fuel prices.

- The implementation of the National Energy Efficiency Action Plan should be carefully monitored by the Government and adjusted in the light of progress or otherwise. It is recommended that market actors, including companies engaged in the supply of energy, are actively engaged, as the additional driver of a profit motive will help secure success.
- There are a variety of European-wide EU and derived national strategies that impact and interact with each other in a complex way. It is recommended that at the national level a careful balance of objectives and their implications for technology and policy implementation be made. The role that energy efficiency can play in meeting economic, policy objectives should be kept under review and strengthened where possible.
- The enactment by the Government of important pending laws, such as the proposed Condominium Law, is of critical importance for the efficient provision of cost-effective energy services to the occupants of multi-dwelling apartment buildings. The provisions of the law are essential in so far as they allow for the creation of legal entities that can contract with energy supply companies and other service providers.

Institutional Framework

- The Ministry of Economy and Energy and the Energy Efficiency Agency have played a leading role in the formulation and coordination of energy efficiency and renewable policies and programmes, although the overall achievement would not have been possible without the support of many actors. Further strengthening of the institutional capacity at an implementation level, is a prerequisite to a successful unfolding of present and future policies.
- In particular the proposed amendment of the Energy Efficiency Act requires additional resources to achieve results, monitor progress and enhance the value of the provisions through early analysis and suitably structured and informed promotional activities. This is an Agency function and the capacity of the Energy Efficiency Agency should be enhanced to enable it to fulfil this very necessary function.
- Continued efforts are necessary to build on the good coordination with other state bodies and ministries to effectively advance the integration of energy efficiency into all state-led activities.
- Local energy agencies could play an effective role in implementing energy efficiency but require assistance in creating the demand and environment for the commercialisation of their services and by coordinating their efforts further.
- Energy efficiency in the public sector can be promoted by requiring each municipality to appoint an energy officer with the authority and means to promote and deliver energy efficient initiatives in the municipality.

Energy Markets

- Stimulating the wider application of public-private partnerships and ESCOs may be necessary to support the uptake of energy efficiency initiatives in the public sector and in municipalities. Developing internal ESCO capacities within municipalities may also provide further options to realise energy efficiency gains.
- Contractual and cost recovery legal provisions should be put in place in order to make it attractive to ESCOs to deliver energy services to all consumers including those who are not in a position to meet the costs of their basic energy requirements. It will be important to ensure sustainable outcomes for suppliers and consumers in the refurbishment of privately owned multi-family buildings, including provisions that will prevent such companies from choosing only the most attractive projects, or skipping dwellings with low income inhabitants.

Energy Efficiency Funding

- The government should continue to finance energy efficiency activities from different financial sources, including the state budget, EU Structural Funds, International Financial Institutions, and bilateral agreements. A published overview of the size, conditions, and progress of such possibilities could raise awareness and increase coordination of financing sources and efficiency of spending. In a long-term perspective, international support should not be considered as the main funding source for energy efficiency.
- Energy programmes financed through the Operational Programmes of the structural funds should be kept under review and strengthened where appropriate. The EU Operational Programmes are large and ambitious and the challenge will be in their delivery. Successful programmes may be expected to benefit from funds re-allocation in future progress reviews.
- The Bulgarian Energy Efficiency Fund is a good example of a successful approach to addressing project finance needs through the creation of a revolving energy efficiency fund. Securing the revenue stream and attracting further fund capital will be challenging tasks for the near-term future but may enrich the energy efficiency financing portfolio.
- The government should continue to consider specific incentives and test a variety of approaches to stimulate the investments needed and achieve the objective of increased energy efficiency in residential buildings.
- Stimulating Kyoto mechanisms in order to keep the interest of the business sector in JI projects may provide an additional financing source up to 2012. In parallel the governmental bodies in charge of energy efficiency may wish to monitor the progress of the EU ETS, and ensure that the benefits of energy efficiency improvements are implemented by the companies included in the scheme. Excluding those companies from the mandatory industrial audit scheme may remove from them a basic tool to introduce energy efficiency measures.

Specific Energy Efficiency Programmes and Measures

Buildings Energy Efficiency

The government should continue targeted efforts in buildings:

- The priority here must be to facilitate the necessary improvements to the energy performance of the building stock and multi-dwelling panel buildings in particular. This is necessary for social and economic reasons and merits the high priority assigned to it in pending legislation, proposed demonstration, and the allocation of funds through the operational programme. Significant efforts by a range of actors will be necessary if success is to be achieved.
- In order to limit consumers switching to electricity for heating purposes, the continued economic impediments for district heating companies and providers of natural gas should be removed. Legal provisions, that establish requirements for private owners of apartments in multi-family dwellings to form legal entities, should be put in place as soon as possible.
- The growing use of electricity for heating by private consumers is not efficient in terms of primary energy requirements. Growth of such usage should be closely monitored by the EEA. If further assessment shows that this may develop into a major problem for the energy sector, the Bulgarian government should take appropriate preventative action.
- For electric heating and other new heating applications mandatory technical performance indicators should be implemented (for example, for heat pumps a minimum coefficient of performance).
- The provision of building energy rating certificates and of passports is a significant measure. The promotion of these measures to target groups such as the general public, architects, intermediaries in sales of houses and flats, is recommended to enhance their impact.

Energy Efficiency in Industry

The government should continue targeted efforts in industry:

- Promotional and information activity should be informed by the evidence provided through the audit process. Adherence to the time frame of the first wave of the mandatory audits will contribute to the success of this instrument.
- Mandatory energy management in enterprises outside the EU ETS with high energy consumption, and the support for networking among these managers may be further initiatives to promote energy efficiency in the industrial sector. Monitoring the improvement of energy performance in these enterprises could also be considered.

Energy Efficiency in Transport

The government should direct a range of efforts to increase energy efficiency in the transport sector:

- The increase of transport sector energy demand is a continued issue of concern which may be addressed in a broad strategy. Options to be explored may include increased mineral oil taxes, purchase and annual car taxes based on energy efficiency, extension of the regular safety inspections for older cars, or car-scraping schemes.
- Generally, given the long time frame involved, the government should ensure that energy efficiency considerations are taken into account in urban development, infrastructure projects, and in public transport.
- The government should continue to identify the potential for cost effective energy efficiency improvements in the transport sector in line with the envisaged overall improvements in the transport infrastructure, public transport, and railways.

Renewables, CHP and Gasification Strategy

- District heating is a highly efficient technology to supply customers in areas with high heat demand. Historically Bulgaria has a good position and it is desirable to secure it in the short-term, and where feasible, expand the role of district heating.
- Progress has been already made in refurbishing the district heating systems but further improvements are necessary to secure the efficiency of the systems and to satisfy the demand of customers. Efforts should be made especially in:
 - Increasing the share of CHP in heat generation, and in the
 - Utilisation and integration of renewable energy such as biomass and waste and in addition heat potentials in industry and from other sources.
- Promoting heat and gas networks in parallel requires careful balancing of competition aspects and the need for a stable investment environment given the large investments necessary.
- The scheme for the promotion of renewable electricity is designed to reach EU targets. Careful consideration of the financial implications would help to achieve the optimum balance between renewable energy promotion and energy efficiency in the best interests of electricity consumers.
- Considering the large scale of the biomass resource a strategy for its exploitation should be in place to effectively coordinate the realisation of its potential to meet renewable energy and energy security targets. The role of biomass may be further explored, for example in CHP schemes, biogas for transport fuels or wood pellet furnaces.

Data Collection and Monitoring

- Monitoring and evaluating deployed actions in energy efficiency should be strengthened to assure the basis for tuning and revision of these initiatives. Enhanced efforts on such evaluation and forecasting tools will also benefit the implementation of the ESD.
- The general public and specialised target groups may benefit from enhancing the structured internet presentation of this type of information as well as other issues such as municipal initiatives for energy efficiency.
- Further capacity development to receive and communicate audit data on buildings and industrial sites in electronic form may require further development of capacities in the Energy Efficiency Agency.