

POSITION

BY THE BLACK SEA ENERGY RESEARCH CENTRE (BSERC) AND THE ASSOCIATION
OF THE RHODOPE MUNICIPALITIES (ARM)

REGARDING THE NATIONAL RECOVERY AND RESILIENCE PLAN [OF BULGARIA]

In recent years, the focus on the topic of building renovation and replacement of inefficient and polluting domestic heating in our country has gained huge popularity, supported by the interest of citizens and local authorities who are increasingly aware of the importance of saving energy, cutting greenhouse gas emissions and achieving better air quality.

While reviewing the National Plan for Reconstruction and Sustainability, we paid special attention to **Project 10: The Program for financing single energy efficiency measures in single-family buildings and multi-family buildings that are not connected to district heating and gas networks.**

Within the framework of this project the following types of investments are envisaged:

Construction of solar systems for domestic hot water preparation. The maximum amount of the grant per individual household is limited to 50% of the system value and not more than BGN 1,265.50 (EUR 640); for energy poor households that receive heating subsidies the grant would be 100% of the system value, but not more than BGN 2,531.

Delivery and installation of photovoltaic systems of up to 3 kW. The maximum amount of grant per individual household is expected to be 50% of the value of the system, but not more than BGN 3,995, and for an energy poor households that receive heating subsidies - 100% of the value of the system, but not more than BGN 7,911. The installed equipment has to be newly manufactured - "second hand" are not eligible for funding. A household can apply for only one of the two measures.

The final beneficiary (users) of the aid will be Bulgarian households - it is expected that 8,342 households will be included, of which 2,086 are energy poor and receive heating aid.

The total planned resource is BGN 32 million (EUR 16.36 million), incl. BGN 20 million (EUR 10.23 million) from the Recovery Fund and BGN 12 million (EUR 6.14 million) own financing from the final beneficiaries.

Financial resources and their annual distribution:

- Initial value - 0 [30.09.2021]
- Intermediate value - BGN 2.8 million [31.12.2021]
- Intermediate value - BGN 14 million [30.06.2022]
- Final value - BGN 20 million BGN [31.12.2023].

The agreed financial resources will be distributed among the municipal administrations, that are not challenged with issues related to air quality breaches, and according to certain established criteria. Municipalities will then identify the final beneficiaries (households) at the municipal level.

Our comments and suggestions for improving this project:

We welcome the idea for the inclusion of such a project in the Recovery Plan of Bulgaria: We are currently part of a project that seeks opportunities to encourage the replacement of inefficient and polluting forms of domestic heating. In that sense we welcome the initiative to include such a project in the Recovery Plan. The funds are intended to cover needs that are not covered by Operational Programme (OP) “Environment” and Programme for the Development of the Regions in the Multiannual Financial Framework (MFF) 2021-2027 - namely small municipalities that are not subject to proven breaches of the air quality limit values and which unfortunately do not currently have access to funding to develop their renovation and inefficient heating replacement programs to change the fuel base of households. For example, a municipality like Chepelare does not have any access to funds for the development of its programs, despite the interest of its citizens, who witness how a similar program under OP “Environment” is currently implemented in the neighboring town of Smolyan. The two municipalities are very similar, but one has access to funds and the other does not. We also support the proposed limits of the grant component per household, as well as the proposal for households that are not in the category of energy poor to contribute with their own funds.

We insist on at least a tenfold increase of the funding: The public funds provided for this project are only BGN 20 million. This is a drop in the ocean of funding needs. Household heating is the sleeping giant of energy and the development of renewable energy sources for heating and cooling. The Recovery Plan will be around in the first half of this crucial decade for the energy transition, and we believe that the funds provided for this project need to be increased significantly. We urge the government to redirect funds from other projects to this one and to increase the planned resources significantly. Given that under the operational Programme “Environment” the relevant municipalities will have access to funding of over BGN 400 million, then BGN 20 million for all other municipalities is a negligible amount and we believe that this project under the Recovery Plan should bring the funding levels closer to what is set in OP “Environment”. The shorter implementation period of the Recovery Plan compared to the MFF (only until 2025 and not 2027) would justify in our view that the resource is brought up to BGN 200-300 million. Already at this initial stage it should be considered how this type of financing will be continued beyond 2025 so that the momentum gained won't be lost and that synergies with the EU Renovation Wave can be provided.

Installation of domestic efficient biomass heating systems and heat pumps should also be eligible under this project: These two technologies are excellent renewable energy-based solutions that could receive funding under the project. For the modern biomass systems, the subsidy limits could be similar to what is already set for solar water heaters while for heat pumps the levels set for solar PV could apply.

Following the market price signals for solar PV systems: As the roof-top PV systems promoted under the project are of up to 3 kWp and the technology is increasingly price-competitive, we believe that the limits of EUR 4,000 per system might be a bit too generous

as the market already offers small turn-key systems of 5 kWp at around and less than EUR 3,500. We recommend that the authors do extra market research and eventually review the envisaged limits and even consider lowering those limits year-on-year in order to follow the market development.

Reconsidering which Ministry would manage the project: The Plan states that "The Ministry of Energy will conclude contracts with the beneficiary municipalities, which allocate the financial resources on their territory." Given the lack of Ministry's experience in executing projects related to housing policy, wouldn't it be better if the management is taken over by the Ministry of Regional Development and Public Works, or at least in cooperation between the two ministries?

Access to funds from the beginning of the period after the approval of the Recovery Plan and progressively increasing the funding year after year: We insist that after increasing the funds provided for the project, the access to them for municipalities that want to develop their programs would be immediate. In the first year or two we should rely on the already piloted approach of previous projects that have already developed their procurement documents and criteria for selection of beneficiaries, and in the following years after gaining experience and improving the capacity of local authorities and businesses, to progressively increase the ambition and the number of households reached while the selection criteria and the tender documentation are being further developed and refined.

Clustering and synergy between municipalities: Due to lack of capacity in many small municipalities, we strongly recommend that the authors consider and elaborate on the possibility of clustering and cooperation between small municipalities or joint projects with municipalities that are already implementing their programs and have developed the necessary capacity.

Financial instruments to support implementation: It will be extremely useful, given the idea of self-contribution of households, to provide for appropriate financial instruments to support the necessary investments by the households. For example, interest-free lending for several years, sufficient to pay-back from the savings the measure brought to the households, makes it an appropriate and inexpensive way for our country to achieve higher results with the available public funds and use them more efficiently as a leverage to attract private investment.

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About the authors of the position and their interest in the development of the project: the Black Sea Energy Research Centre (BSERC) and the Association of Rhodope Municipalities (ARM) are working together within the REPLACE project, funded by the EU Horizon 2020 programme. REPLACE seeks to support the achievement of the European goals in the fields of energy, climate, environment, economy and society by stimulating the replacement of old inefficient heating and cooling systems in households. REPLACE informs and motivates end users to move to more modern and cleaner alternatives, leading to financial savings, improved indoor climate, comfort, and operational reliability. The project is implemented in close cooperation with municipalities, district and national authorities and private organizations.

https://replace-project.eu/?page_id=437

<https://www.bserc.eu/>

http://www.arm-bg.net/main_bg.html

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