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Assessment of Bulgaria's recovery and resilience plan

Key points

- Despite progress made, Bulgaria's plan still includes fossil fuel projects which have no future and do not represent a long-term solution. The plan proposes to fund individual projects that have no obvious link to energy and economic transformation.
- The development of hydrogen is central in the plan. However, it is not clear what sources the hydrogen will be produced from and whether they will be renewable energy sources.
- Throughout the elaboration of the plan, there was a lack of transparency in decision-making, as well as a lack of feedback given to organisations and experts who submitted suggestions for improvement to the plan's measures.
- The plan mostly consists of long-planned and urgent projects that the government had already planned to finance from other EU funds. This raises the concern that the recovery funds could lead to a surplus of public money that could result in non-transparent and unsustainable spending.
- The compliance of the proposed measures with the 'do no significant harm' principle is very blurry in the plan, which necessitates an extended assessment of that aspect, especially since many measures are likely to contradict the principle.

Introduction

The Recovery and Resilience Facility (RRF) has reserved up to EUR 10.4 billion for Bulgaria, an amount equivalent to 17 per cent of the country's GDP. Of that amount, EUR 6 billion will be handed out in the form of non-repayable grants. The first draft of Bulgaria's national recovery and resilience plan was released for public consultation on 30 October 2020, and two versions were released afterwards, with the latest in mid-April 2021. The plan consists mostly of projects, the majority of which are needed and were planned long ago. Many of them will be co-financed by national private funds.

The plan is structured in four pillars: **Innovative Bulgaria** (26 per cent of the total amount); **Green Bulgaria** (35.6 per cent); **Connected Bulgaria** (21.9 per cent); and **Fair Bulgaria** (16.5 per cent). The measures proposed in the plan cover a variety of areas, such as intelligent industry, sustainable agriculture, healthcare and digital connectivity. This assessment is based on the version of the Bulgarian plan published on 16 April 2021¹.

The RRF represents a historic opportunity for Bulgaria to carry out major transformations with the objective of shaping a fairer, greener and more resilient future. In order to meet the EU's environmental ambitions and make the best out of the Green Deal, all actors should work cooperatively, with commitment and ambition. This starts with the removal of unsustainable projects and by ensuring transparency in the elaboration of the plan.

Assessment

Energy efficiency

Multiple components of the plan that are related to energy efficiency are either insufficient or potentially harmful.

The proposed measure 'Energy efficiency of the building stock' is based on outdated goals from the NECP. These goals will have to be updated with the adoption of the EU's higher emissions saving targets. The renovation of residential buildings should be much more widespread, due to the importance of the issue for households, cities, the natural environment and the climate as a whole. With some relatively small fixes in the financing scheme (i.e. so that the programme is not financed entirely by public funds as planned, but also by the owners of the buildings to increase interest in the programme and improve quality control) and by adding an implementation mechanism, such positive effects could be secured.

Moreover, in the renovation of buildings, the Bulgarian government will allow recovery funds to pay for class C energy efficiency measures, which do not meet the European Renovation Wave targets for annual deep renovations. This should be removed from the plan and the upper levels of Class B should be the lowest category of energy efficiency measures that are able to receive support from the RRF, if the plan envisages taking a step by step approach (moving from a lower class to a higher class). Finally, the prioritisation of residential buildings with energy consumption classes of E, F and G for renovation is welcome, but this should not exclude residents of Class D or C buildings who wish to achieve close to zero energy consumption from accessing energy efficiency programmes.

The plan also proposes a measure that is supposed to enhance the energy efficiency of the municipal systems for outdoor artificial lighting (OAL). This type of project should not necessarily be funded by a grant, but rather by the ESCO (Energy Service Company) model, where one organisation finances the energy renovation of another until the point when the latter can pay back its lender due to reductions in energy costs. Recently,

¹ Council of Ministers of the Republic of Bulgaria, [План за възстановяване и Устойчивостна Република България](#), 16 April 2021.

Bulgarian municipalities have shone with new LED lamps, but if the resource for this is free, it is likely that this will simply lead to unnecessary projects or will inflate the budgets of existing ones.

Circular economy

Multiple measures in favour of a more circular and carbon neutral economy are presented in the Economic transformation component of the plan (BGN 900 million). However, almost none are related to waste stream management or to product eco-design that allows for repeated long-term use of products and materials as well as reprocessing or biodegradability. Under the ‘Energy efficiency of the building stock’ measure, the topic of circular economy is mentioned briefly. However, the measure does not guarantee that it will minimise the amount of construction waste generated or ensure its recycling. It is necessary not just to partially renovate multi-family buildings, but to build a comprehensive methodology for introducing the principles of the circular economy in the renovation and construction of buildings. A more general problem related to the plan is the lack of a clear definition for ‘circular economy’ at the national level, and the identification of indicators that will be used to label a project as circular. Another problem is that funding for renovation will only apply to buildings belonging to the manufacturing industry sector, which greatly limits the potential for support and development of circular models in the country's economy.

Renewable energy sources

The Bulgarian plan proposes a programme for financing individual renewable energy measures in single-family buildings and multi-family buildings not connected to district heating and gas networks. It is positive to see a fully developed renewable energy programme in the third version of the NRRP, without the air conditioners of doubtful quality that were promoted in the second version. This came at the price of fewer participating households (8,342 instead of 10,680). The overall low budget (BGN 20 million from the RRF and BGN 12 million from co-financing) and the reduction of the number of beneficiaries needs to be properly addressed. For such renewable energy measures, solar photovoltaics (PV) and solar collectors, but also good heat pumps and storage, significantly more public funds should be spent, making the measures accessible for everyone. The recovery plan includes a programme to address energy poverty related to renewable energy sources, which is the first time this has been seen in Bulgaria. The programme was introduced in the second draft of the recovery plan with an unclear budget frame – both BGN 20 million and BGN 33 million were mentioned in the text.

In the Digital transformation and development of information systems component, several measures are encouraging. The technological reform of the electricity system operator (ESO) is of great importance for providing opportunities for the inclusion of an increasing share of renewable energy sources in the system. Nevertheless, Bulgaria has set an absolute minimum as a potential share of renewable energy sources in the electricity system by 2030. This project should go hand in hand with a project for the flexibility of electricity transmission networks and smart networks for medium and low voltage, in order to allow for better integration of small renewable energy projects in the system, which are most often included.

The Bulgarian plan also proposes the construction of solar parks in the vicinity of railway stations. However, the number of stations equipped with solar panels is not an adequate indicator of energy performance. If sensible indicators are applied and a sufficiently competitive process is implemented in the project selection, this has the potential to become one of the most important projects in this plan. As an accompanying reform, it should be ensured that in the case of railway transport, 100 per cent of the energy is supplied by renewables.

Finally, the component Improvement of energy efficiency, modernisation of the infrastructure and introduction of innovative healthcare technologies in key state and municipal healthcare establishments is positive, but has shortcomings. It does not provide indicators for energy saving and for installed renewable energy capacity (or plans for renewable energy measures in general), which should be introduced to ensure this component is effective.

Fossil fuels, biogas and hydrogen

The plan proposes a 'diversification of sources and routes of natural gas supply; modernisation and expansion of the gas transmission infrastructure; and overcoming dependence on energy imports through the use of local resources (including coal)'. Fossil fuels have absolutely no justification for being financed by public funds anymore. Coal is coming out of circulation at an accelerated pace, and the time when gas could be classified as a transitional fuel has already passed as well.

The gas pipeline project Bulgartransgaz is the big winner in the third version of the recovery plan. The share of recovery funds for the total cost of a project that will construct gas pipelines to coal regions has increased from 70 to 91 per cent, and thus Bulgartransgaz will contribute only 9 per cent. The total planned amount of the project remains the same – BGN 477.2 million, of which 434.3 million is grant funding, including the increase of BGN 101 million from the RRF, leaving only BGN 42.9 million for co-financing from the company itself. This project has no place in the recovery plan and is not beneficial for Bulgaria's transition to a carbon neutral economy. This measure is assessed by the Bulgarian government to be compliant with the 'do no significant harm' principle and counted as a 100 per cent contribution to climate objectives.

Special attention should be given to those employed in the coal sector and to trade unions. This potential gasification will rescue the power plants at a high cost in the long run, but will not rescue jobs or the provision of livelihoods for those laid off as a result of the transition. As a result, gasification could destroy the coal regions economically. The commitment to the development of energy based on renewable energy and energy efficiency, on the other hand, will provide many more jobs, opportunities for the development of small and medium enterprises and a multiplier effect on the economy.

The development of hydrogen is very present in the final version of the Bulgarian plan, which includes a threefold increase in the money for pilot projects on hydrogen based on renewable sources and on biogas (for micro, macro and medium enterprises). Pilot projects for the new fuel will be funded by more than EUR 60 million (BGN 117 million) from the RRF, which is 50 per cent of the total budget of the project, EUR 120 million (BGN 234 million). The plan states that by 2024 five to six times more capacity for renewables-based hydrogen will be built (through electrolysis) than in the previous version of the plan – an increase from 17 MW to 85 MW,

with no justification. It is not clear from what sources the hydrogen will be produced and whether it will be renewable, as it is not specified in the plan. In order for the measure to achieve its planned goals and to comply with the European Green Deal and the EU's goal of achieving climate neutrality by 2050, it is extremely important to concretely and clearly define from the beginning how hydrogen will be extracted. In order for hydrogen to be sustainable, only RES sources can be used for its production, and only if their use for hydrogen production does not come at the expense of the direct consumption of these sources. Therefore, simultaneously with the development of a technical base for the production of renewables-based hydrogen, it is absolutely necessary to provide a sufficient technical base for renewable sources and to set a condition for these plants to produce hydrogen only from RES. This measure is assessed by the Bulgarian government to be compliant with the 'do no significant harm' principle and counted as a 100 per cent contribution to climate objectives.

Consultation process and transparency failures

For years, Bulgarian governments have operated with a lack of transparency. Especially in the energy sector, decisions are made in secret, and this leads to serious corruption issues. Three versions of the recovery plan were published (30 October 2020, 8 February 2021 and 16 April 2021), and each draft was edited by the government, without the government making it clear exactly which experts worked on the plan, apart from the administration. Deputy Prime Minister Donchev said more than 200 experts had worked on the plan for more than eight months, but they remained anonymous to the public.

After the publication of the first draft, the Bulgarian government allowed one month for commenting on its website and set a precise deadline. Many suggestions and comments were made by NGO experts, business associations and trade unions. However, the administration did not give feedback on which proposals were accepted and which were not, nor for what reasons. In addition, there was no clear deadline given to the public for commenting on the second and third versions, and very little time for them to react after the publication of the third draft on 16 April 2021. This made commenting very difficult for stakeholders, considering that the plan is a 300-page document.

Conclusion

Although the Bulgarian plan proposes some encouraging environmental measures, its lack of ambition and foresight is obvious. Fossil fuels are still very present in the plan, which is extremely concerning regarding the current state of climate and biodiversity in Europe. Investments in this domain could lock the country into unsustainable energy sources when the priority should be given to renewables. Hydrogen is prioritised in the plan, but it is unclear whether it will be based on renewable sources or not. Support for natural gas, coal and oil should be removed in order to ensure that Bulgaria follows the path to a decarbonised economy.

Bulgaria's recovery plan must include more measures that are consistent with the EU's objectives if the country wants to be aligned with the EU Green Deal and use these funds to support a real ecological and economic transition.

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