



# Recovery and Resilience Plan Bulgaria

## Budget

Bulgaria's Recovery Plan represents in total **€13.52 billion**. The country will benefit a total of **€13.52 billion** under the RRF and national co-financing will be in total 2 123 705 BGN public sources and 4 719 245 BGN private sources.

Global allocation of RRF for Energy efficiency of buildings: BGN 2 086 million= €5.55 billion

- Residential: BGN 1 189.5 million
- Non-residential: BGN 617 656
- single measures for renewable energy in single-family homes buildings: BGN 139 997
- one-dwelling buildings and multi-dwelling buildings that are not connected to heat and gas transmission networks: BGN 140.0 million

## Structure

The Bulgarian National Recovery and Resilience Plan is built around 4 pillars: Innovation, Climate Transition and Nature Protection, Connectivity and Social Fairness. In detail:

- Innovative Bulgaria – aiming to improve the competitiveness of the economy and its transformation into an economy based on knowledge and smart growth – 25.3% of the resources under the Plan;
- Green Bulgaria – with a focus on sustainable management of natural resources allowing to meet the current needs of the economy and society, while maintaining environmental stability, so that these needs can continue to be met in the long run – 41.9% of the resources under the Plan;
- Connected Bulgaria – focusing on providing preconditions to improve the competitiveness and sustainable development of the country's regions, such as improving transport and digital connectivity, as well as promoting local development, based on the specific local potential;
- Fair Bulgaria – with a special focus on disadvantaged groups and individuals to achieve a more inclusive and sustainable growth and shared prosperity for all, as well

as with an emphasis on building effective and responsible public institutions responsive to the needs of the business and citizens –14.6% of the resources under the Plan.<sup>1</sup>

### → Link with the Semester

As for relevant CSRs for the housing sector, Bulgaria will tackle the following one from 2019: *'Focus investment-related economic policy on research and innovation, transport, notably on its sustainability, water, waste and **energy infrastructure and energy efficiency, taking into account regional disparities**, and improving the business environment.'*

Therefore, the energy efficiency element will be featured in Component 2b: Low-carbon economy; Component 6: Sustainable agriculture; Component 9: Local development.

Low-carbon economy 2.B.1-under Green Bulgaria- lists the relevant planned reforms/investments:

- Establishment of a National Decarbonisation Fund;
- Facilitating and increasing the effectiveness of energy efficiency investments in multi-family residential buildings;
- Developing a definition and criteria of “energy poverty” for households in the Energy Act for the purposes of financing energy efficiency projects;
- Mechanism to finance energy efficiency and RES projects together with electricity bills;
- One-stop-shop for consumers to facilitate the implementation of energy renovation projects in the building stock;
- Stimulating renewable energy production;
- Preparation and adoption of a National Roadmap to improve the conditions for the development of hydrogen technologies and mechanisms for hydrogen production and supply;
- Liberalisation of the electricity market;
- Development of a low carbon economy and establishment of an Energy Transition Commission and the development of a Roadmap to Climate Neutrality;
- Decarbonisation of the energy sector.<sup>2</sup>

The Low carbon economy component will benefit from **5 109 649 BGN from the Recovery and Resilience Facility** and BGN 400,332 will be co-financed by the state and BGN 2 043 057 will be privately financed.

### → Reform 1: Creation of a National Decarbonisation Fund

The structuring of the fund will be **supported by an ongoing project for technical assistance from DG Reform** of the European Commission, expected to be completed in the beginning of 2022.

The fund will be used **to offer grants, financial and technical assistance, combined with financial instruments** including credit lines and guarantees and/or a combination thereof. The fund provides for the **creation of a single point for the technical assistance** of the

<sup>1</sup> Page 41, Bulgarian Recovery Plan 1.5, April 2022

<sup>2</sup> Page 88, Bulgarian Recovery Plan 1.5, Apr 2022

candidates by one-stop-shop or similar mechanisms. The **participation of local banks/financial institutions** in this financial scheme will be a key element for the success of the Fund, as in their role of financial intermediary their participation will not only contribute to providing a "leverage" of investments in the form of co-financing.<sup>3</sup>

#### → **Reform 2: Facilitating and increasing the effectiveness of energy efficiency investments in multi-family residential buildings, in detail:**<sup>4</sup>

The measure will be implemented by amending the Condominium Management Act (LUEA) and aims to resolve obstacles to energy efficiency investments in multi-family buildings, such as **the need to facilitate decision-making by owners of detached units in multi-family residential buildings;**

It will also **regulate the professional management of condominiums** in multi-family residential buildings, thereby improving control over companies carrying out this activity and to ensure greater accountability to consumers;

Finally, it will **create the legal possibility of establishing a condominium bank account for funds collected for management and ongoing maintenance**, not only for the maintenance of the Repair and Renovation Fund. The bank account should be in the name of the condominium, that facilitates the application for collective loans.

#### → **Investment 1: Energy efficiency in buildings (BGN 2 475.4 million)**

In its Recovery plan, the total planned resource for residential and non-residential buildings is **BGN 2 475.4 million** (from BGN 1 807.2 million for the Reconstruction Mechanism).

Bulgaria will allocate 1496,4 million BGN to **finance energy efficiency and renewable energy projects in residential buildings**, both for multi-family and single-family buildings. BGN 1 189.5 million will come from the RRF, and the national co-financing represents BGN 306.9 million which is provided by the owners' associations (BGN 70.6 million) and by the state budget (BGN 236.3 million).<sup>5</sup>

It is a measure exclusively devoted to renewables (solar panels, solar thermal energy that are not connected to heat and gas transmission networks) and energy efficiency (purchase of heat pumps).

Moreover, it will **cover 100% of expenses for owners' associations that have applied in the first year of implementation**, while it will contribute with 80% **for owners' associations that have from April 2023 until the end of the calendar year.**<sup>6</sup> In order to top up that, other funds will also be available.

The measure is also designed **to target smaller municipalities** with good air quality levels but did not receive any previous support. Eligibility will also be determined on whether the households are connected to district heating or to the gas transmission network. This way, the

<sup>3</sup> Page 58, Bulgarian Recovery Plan, February 2021

<sup>4</sup> Page 94, Bulgarian Recovery Plan 1.5, Apr 2022

<sup>5</sup> Page 98, Bulgarian Recovery Plan 1.5

<sup>6</sup> [Greenpeace Bulgaria, The Bulgarian antediluvian energy plan \(2021\)](#)  
[Bulgarian Council of Ministers, National Recovery and Resilience Plan, \(draft as of February 2021\)](#) (in Bulgarian and English) Project A10

program would also be complementary to other financing streams, such as the LIFE programme, the Just Transition Fund and Cohesion funds.

#### Energy savings and energy consumption targets:

- A mandatory requirement after implementation of all measures is to achieve **primary energy savings of 30% for each site**, with the energy performance achieved shall be assessed on the basis of an audit report on energy efficiency.<sup>7</sup>
- Envisaged measures for energy efficiency in multi-dwelling residential buildings with energy consumption classes E, F and G **aiming to achieve the minimum class B of energy consumption**.
- The component covers also one-dwelling residential buildings with energy consumption classes E, F and G, again with the **aim to achieve the minimum class B of energy consumption**.

#### Support for sustainable energy renovation of the non-residential building stock

The measure includes public buildings and buildings in the manufacturing, trade and services sectors, as well as buildings in the tourism sector. Eligible beneficiaries under the third component cover micro/small, medium and large enterprises throughout the country at a maximum grant intensity of 50%. The planned resource envelope is BNG 617.7 million on account of IFIs, which is complemented by national and private co-financing.

MBU	Funding share, %	National Public co-financing	Private co-financing
617 656	4.6%	123 531	235 200

Programme for the financing of single measures for renewable energy in single-family homes buildings and multi-family buildings

MBU	Funding share, %	National Public co-financing	Private co-financing
139 997	1.0%	10 000	89 998

#### Project 9a : Abolishing obstacles to energy efficient renovation

The objectives of providing a one-stop-shop service are related to **overcoming administrative barriers** to the renovation process and **supporting all users of the service** - the different building owners. In order to streamline administrative processes, to facilitate access to finance and to accelerate the attraction of public and private investment in energy renovation, **dedicated one-stop shops** will be set up in all NUTS-3 regions (More details under Reform 5) where designers, consultants, building owners and businesses will receive the necessary information.

Part of Project 9a, is now tested under the project SHEERnow (supported by Horizon 2020). EKUL Estonia, a Housing Europe Member is a partner in this project.

<sup>7</sup> Page 97, Bulgarian Recovery Plan 1.5

→ **Investment 2: Programme to finance single energy efficiency measures in one-dwelling buildings and multi-dwelling buildings that are not connected to heat and gas transmission networks (BGN 240.0 million (BGN 140.0 million from RRF):**

The programme aims to improve energy efficiency of final consumption in the household sector by **financing the purchase of energy-efficient thermo pumps, solar systems for household heat supply and photovoltaic systems.**

Three energy efficiency measures for households will be financed:

- Replacing existing heating appliances with thermo pumps of high efficiency class (A++ and higher, respectively SCOOP 4.6 or higher) in buildings that are not connected to the heat and gas transmission networks. The maximum amount of the grant per household will be 50% of the thermal pump cost, but not more than BGN 1 050, and for a household on heating benefits – 100% of the thermal pump cost but not more than BGN 2 100;
- Building solar systems for household heated water supply. The maximum amount of the grant per household will be 100% of the thermal pump cost, but not more than BGN 1960.83;
- Supply and installation of photovoltaic systems up to 10 kW. The maximum amount of the grant per household will be 70% of the thermal pump cost, but not more than BGN 15 000. Energy poor households may apply for the grant up to 100% of the cost of the system, but not more than BGN 15 000. In case of technical feasibility households may include them in the project for photovoltaic system, as long as the threshold of BGN 15 000 is not exceeded. Households may install photovoltaic installations whose capacity exceeds 10 kW and a value of BGN 15 000, but grant funding is limited to BGN 15 000.

The total planned resource is **BGN 240.0 million (BGN 140.0 million on account of Recovery and Sustainability Facility** and BGN 100.0 million national and private co-financing) with an implementation period 2022-2025.

Reform 3: Developing a definition and criteria of “energy poverty” for households in the Energy Act for the purposes of financing energy efficiency projects:

The Plan describes to build **a special information system to enable the development of a database** for monitoring and reporting of the residential building renovation process.

In terms of energy poverty, it has been several years that the country is talking about its plan to develop a definition on energy poverty. Now the Recovery Plan gives the adequate framework to achieve this. In the course of 2021-2022, the country will **develop a definition of “energy poverty” for households in the Energy Act for the purposes of financing energy efficiency projects.**

A working group will be set up with representatives from the Ministry of Energy, Ministry of Labour and Social Policy, Ministry of Regional Development and Public Works and the Agency for Sustainable Energy Development with the task of drafting the relevant normative changes regulating "energy poverty".

Based on the feedback from the consultations-explained in the Plan-, the working group will propose a **draft definition of "energy poverty" and will draft regulatory amendments to the Energy Act**, which will be submitted to the Council of Ministers for decision (in 2022).

Reform 4: Mechanism to finance energy efficiency and RES projects together with electricity bills:

The reform aims to **expand the opportunities for implementation of measures and projects for energy efficiency improvement and use of renewable energy sources** in a context of limited financial resources.

For this purpose, good practices will be studied and relevant changes in the legal framework will be prepared. A working group is set up with to design the mechanism and prepare the relevant regulatory changes.<sup>8</sup>

### → Reform 5: One-stop-shop

The reform **aims to lower the administrative burden (for households as well as for companies), associated with the renovation process** in taking measures for energy efficiency improvement, and to support the citizens with information, technical assistance and advice on regulatory, technical and financial matters related to their energy efficiency improvement projects.

For this purpose, 6 territorial units will be piloted, providing services on the "one-stop shop" principle, and in a 24-month horizon the activity will be rolled out in all 28 districts of the country. A working group with representatives of all stakeholders will be set up in 2022 to prepare specific recommendations for streamlining and reducing the administrative barriers throughout the project cycle; identify services to be offered (digital and physical).<sup>9</sup>

One-stop-shop structures have an important role to play in **increasing the confidence of individual stakeholders** by providing quality information, mediation and support through the local renewal process. The units will advise on multiple aspects of renovation, linking building owners, households and businesses, in particular small and medium-sized enterprises (SMEs) with professional service providers and monitoring performance.

### → Reform 6: Stimulating renewable energy production

The aim of this reform is to reduce the administrative burden on investment by renewables in terms of installation, connection and operation of capacities. As a result of these actions, at least 3 500 MW of new renewable energy capacity (wind and solar) compared to existing ones will be commissioned and connected to the grid by 30 June 2026.<sup>10</sup>

### → Reform 8: Electricity market liberalisation

The efforts are directed towards continuing the process of liberalisation of the electricity market, including the wholesale and retail segments.<sup>11</sup>

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<sup>8</sup> Page 100, Bulgarian Recovery Plan 1.5

<sup>9</sup> Page 101, Bulgarian Recovery Plan 1.5

<sup>10</sup> Page 102, Bulgarian Recovery Plan 1.5

<sup>11</sup> Page 102, Bulgarian Recovery Plan 1.5

The reform also includes the transposition of the provisions of Directive 2019/944 into national law, in order to define criteria for identifying households in fuel poverty and vulnerable consumers.<sup>12</sup>

The aim is to transition to a liberalised electricity market by 31 December 2025, through the gradual abolition of regulated household prices in a liberalised wholesale electricity market in two successive stages (in 2023 and 2025) and ending the setting of energy supply quotas on a regulated market by the EWRC.

The reform will **set regulated prices for final suppliers** who will buy electricity on the free market, in accordance with the requirements of Article 5 of the Directive (EU) 2019/944.

The **network digitisation/data access** is foreseen by the end of 2022, and the **net metering and Smart metering** at the end of 2024. It will enabling the same meter to supply, sell and consume electricity, with the power consumption data remaining the property of the end user and not to the relevant distribution company through legislative amendments to the Energy Act and the Metering Rules electricity quantity.

The reform will also be **creating the preconditions through legislative changes** to the Energy Act for the introduction of a feedback loop among mass consumers by providing the possibility to switch to **hourly energy metering**.

Even though the reform is a first step in the good direction, it could have a negative long-term impact on **the affordability of energy** and thus on energy poor households. The developments will be followed closely.

## → Link with the NECP

Since 2004, serious efforts have been made in Bulgaria to improve the energy efficiency of the building stock, notably with the adoption of the National Housing Renovation programme.

Further, other pillars complement the Bulgarian national Strategic Framework<sup>13</sup> such as:

- The Integrated Energy and Climate Plan 2021-2030 that includes the development of an integrated energy and climate forecasting model and the development of a Long-Term Climate Strategy;
- A National Climate Change Adaptation Strategy outlining the strategic framework and priorities for adaptation to change climate adaptation up to 2030;
- A Long-term national strategy that supports the renewal of the national building stock of residential and non-residential buildings by 2050: This is the country's strategic vision and priorities for achieving energy efficient and decarbonised building stock by 2050. The **indicative target for the period 2021-2030** is the renovation of residential and non-residential buildings with a total area of **more than 22 million m<sup>2</sup>**, with estimated savings in energy consumption of 2 917 GWh/year and in carbon emissions of 1 306 ktCO<sub>2</sub>/year. The strategy sets out policies and measures for long-term development in terms of improving the energy efficiency of the country's building stock;
- National Development Programme BULGARIA 2030;
- In 2015, the national energy efficiency programme for Multi-family Residential Buildings (NEEEMR), which is implemented in a decentralised and with 100% administrative management of the process and public resources. The benefits of

<sup>12</sup> Page 107-108, Bulgarian Recovery Plan 1.5

<sup>13</sup> Page 24-25 of the Bulgarian RRF 1.5

Programme are undeniable in terms of **improving energy performance and overall condition of the residential building stock**, as at the same time it contributes to the protection of clean air, the reduction of greenhouse gas emissions and acts as a catalyst for targeted long-term housing policy. As of 31.12.2020, the programme has completed and renovated overall 1,921 buildings (10,855,018 m<sup>2</sup>).

The Recovery Plan will continue this effort which provides a timely framework testing different measures. President of the European Commission, Ursula **von der Leyen** said: *“With almost 60% of the plan financing our climate and energy objectives, it is **one of the greenest plans we have approved so far**. A 40% cut in CO<sub>2</sub> emissions in the power sector and a tripling in power generation from renewables will firmly set Bulgaria on its path to decarbonise the energy sector.”*<sup>14</sup>

### Concerns

Critics also emerge concerning the funds for heat pumps which are planned to cover single room air conditioners, but no multi split units, or integrated whole building residential solutions.

Furthermore, there is **no clear detail on how the quality of the installation of RES measures will be monitored and maintenance is not included** into the package.

Finally, when talking about reforms, **the legislation fails to introduce the possibility of net metering** as well as the concepts of “energy community” and “prosumer” (consumer-producer).

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<sup>14</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_22\\_2282](https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2282)