

19th May 2021

Summary of Za Zemiata's position regarding the final third version of the “National Plan for Recovery and Resilience”

The Government respected our insistence on sharing a preliminary version of the National Recovery and Resilience Plan (NRRP), as we stated in our position during the consultations on the initial version. This allowed all stakeholders to prepare early enough for what can be expected from the final version and to comment on the interim one. We encourage the Bulgarian executives to continue with these steps towards the timely involvement of stakeholders and to improve transparency in the formation of plans that concern the public interest to such an extent.

As not all of our comments have been taken into consideration in addition to our still valid notes on the first and the second drafts of the position we supplement our notes based on the review of the interim and final version. Before entering into specific comments and remarks, we would like to emphasize a few important points at the beginning of our position:

1. The plan has both good and bad projects and we do not consider it generally good or bad.
2. There are good projects that with very little refinement can reach their useful realization for our country - such are the projects for renovation of buildings (possibly with high ambition for energy efficiency and attracting the highest share of owners' co-financing), small RES for households (where we even insist on a multiple increase in funding) or the project to modernize Energy System Operator (ESO) systems.
3. There are also projects that are great ideas, but are poorly or vaguely written - such as the subproject for renewable energy for own use in the railways, which provides for the installation of photovoltaic panels at 180 stations in the country, but it is unclear what capacity will be built and what exactly the energy will be used for. This project deserves to be separated, to aim at the highest possible coverage of own needs for electricity in the railways and to be combined with a reform for the implementation of the use of 100% renewable energy in the railways by 2030 similar to the example of neighboring Romania, where they set this goal (we described in detail how in the comments on project 19).
4. There are projects that are in complete contradiction with all long-term goals and policies in the energy sector and are not in line with the purpose of the Paris Agreement - for example project 13, which is masked for hydrogen and low-carbon fuels, but is a pure and simple fossil gas pipeline, connecting the gas infrastructure to the coal-fired power plants. We believe that this project is absolutely unacceptable and should be withdrawn. It is not beneficial for the transition to a low-carbon economy and such transactions should not be financed with public debt. The desired funding of several hundred million for street lighting should be completely or almost cut - we believe that mainly the ESCO model, and not the spraying of funds on a 100% grant, is the way forward for street lighting in urban areas.

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The NRRP does not yet consider the used funds as borrowed capital (public debt) from the EU. Although the plan consists mostly of projects, which are needed and planned long ago mostly i.e. have the opportunity to meet the European Commission criteria for sustainable and smart use of EU funds. However, how exactly Bulgaria is expected to contribute to covering this public debt back and isn't it a good idea to be at least mentioned as a subject of thought in the plan?

We strongly emphasize that we are under the impression that the plan consists of mostly long-planned and urgent projects. Most of them have already been planned to be realised with EU funding anyway. We do not want to burden anyone with our excessive suspicion, but we are sincerely concerned that there is a risk for these new EU funds to free up additional resources from the national budget which as we all know is spent far less transparently. If this happens the plan and the European funds for sustainable development might be lost due to other projects and spendings which don't meet sustainability rules. It would be our utmost joy if the government manages to convince us that our doubts have no ground to stand on. An assessment of the national budget share spent on unforeseen expenses caused by the pandemic crisis would be convincing enough, so that we won't be left under the impression that an extra opportunity for wasting money has been made.

This would also give a response to our next note: The five-year plan is worth BGN 12.5 billion. This would add roughly 2.4 billion more annually in the economy. The multiplier and spill effects of the plan are not taken into account and modeled. Still no connection is made with the EU funds and the national budget. For example in the energy efficiency program of the building stock it is not clear how the funds are supplemented with more European and national funding, despite the fact that there are at least two programs of the new multiannual financial framework that provide funds for building measures and renovations. It is clear that national and private funding are needed to keep pace with the renovation of buildings under the Renovation Wave initiative. Can the government explain how exactly we will be able to avoid a situation in which after a lot of money are being invested now, money which are not even ours, and in a few years, when there are no more funds for recovery we won't be in a situation of additional inflation caused by excessive income growth at a pace we can't maintain? How is this risk expected to be mitigated? Is it clear that the funds will only fill the shortage caused by the pandemic, or is there really a risk that we will not measure the financial injection we are putting into the economy? We would be happy if the government made such a preliminary analysis and share it.

Considerable funds are invested mainly in the construction of infrastructure and buildings, but these are standard measures which are already very common. In comparison the resources for human development seem insufficient.

Between the second and the third version of the plan the total budget has been increased from BGN 12.2 billion to BGN 12.5 billion. The list of projects is almost the same, but the additional several hundred million goes mainly for hydrogen investments, new gas pipelines and vouchers for digital skills.

The last big bonus from the third version goes to the voucher scheme for digital skills of workers and

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unemployed. The scheme first appeared in the second version, while now the money for it has been raised from 190 million to over 290 million levs. This includes the construction of an online training platform.

Quote from version 1.1 (second version): - "The total value of the resources, allocated under the Plan for the implementation of the new energy projects, is around BGN 300 million, but together with the private investments, expected to be mobilized under the projects, the amount exceeds half a billion levas."

Comment: This funding is far from satisfactory in order to attract private investment in energy projects. This is less than 50% private investment in this case. We hope that the use of state aid in the projects has a good justification.

Comment: Are there any training vouchers provided? Why are vouchers not added in the Human Resources Program 2021-2027? How do the planned costs here relate to the cohesion funds?

Suggestion: We propose providing vouchers for online training in international online platforms — the so-called MOOCs. The number of people who know foreign languages fluently in Bulgaria increases, especially English. Platforms such as edX.org, Coursera and Udemy offer excellent licensed courses on subjects that are not yet taught in our country — engineering, installation, management, specializations. There is a variety of training for the kind of knowledge Bulgaria urgently needs as part of the global world so that people can have access to lifelong learning, build impressive CVs and maintain entrepreneurial spirit. The advantage of these online training is that they bring world-class education at a lower cost without the need to leave home — learning takes place in front of a computer screen.

Comment: The NRRP plans for (Reform 5) trade of certificates of origin. This is a positive direction, but many of its links to other documents are missing and have unclear deadlines for implementation. For example in February with a huge delay in comparison with the publication of the same document by the European Commission, a Plan for the reform of the electricity market was published without even mentioning a description of such a reform. It is important to distinguish here that when talking about RES capacity in different parts of the plan we make a distinction between RES for own consumption and RES for the free market which can be sold with certificates of origin. Thanks to the certificates of origin it will be feasible to provide better incentives for the development of renewable energy sources without burdening consumers through the final price. But here we insist on anticipating what Bulgaria is doing with greater interest in the development of renewable energy beyond what is provided in National Integrated Energy and Climate Plan Spain, for example? I.e. are fully equipped and do we have the desire to go beyond 30% of renewable sources of energy in the electricity mix by 2030? And with what tools we should control the growth of capacities this time in order to ensure their smooth introduction into the system - perhaps one of the possible solutions is the introduction of cap-and-trade and capacity tenders?

The possibility for connection to larger capacities of renewables is necessary to be introduced for another reason — The National Energy and Climate Plan foresees nearly 70% share of nuclear energy by 2040. It is completely comprehensive to everyone that building a new nuclear power in

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Za Zemiata
Friends of the Earth Bulgaria

Address: 24 Krastyo Safarov str., 1164 Sofia
Correspondence address: PO Box 325, 1000 Sofia
phone: +359 2 943 11 23
www.zazemiata.org e-mail: info@zazemiata.org

our country is out of question. Given that a plan for a new nuclear power plant cannot be realised and the old one is about to be shut down after its eventually extended service life, the entire nuclear capacity will actually have to be replaced by 2040 — it is most reasonably to do so with integration of RES combined with more cooperation on regional energy markets.

Comment: Why is it written that the accession of the Energy Efficiency Agency to the international body AIB should take place as an application only after one year? What is not covered as a condition? As far as we know, such a request has already been submitted — and should be updated in the plan.

Comment: Green hydrogen projects — we highly recommend them to be linked to the EC's Hydrogen Backbone initiative of the EU because we are not part of the Hydrogen Backbone projects map until 2040. It is our preference for Bulgaria to be part of carefully managed international initiatives that will adhere to higher standards and transparency in up to date key initiatives of such level. In addition we would like to remind you that the NPVU has funding until 2025. Many hydrogen technologies will not be commercially developed until then, so we should not make a huge venture into hydrogen adventures without prior calculation. There is no preliminary estimate which is made crystal clear by the project, which envisages connecting with gas pipelines all power plants in the Maritza Iztok complex, as well as TPP Bobov Dol.

Comment: The railways are planned to be equipped with new rolling stock, but this will not attract passengers on its own — what kind of reform do you foresee to encourage more citizens to get on the railways and turn their backs on road transport, which is a measure which will save both emissions and human lives through reduced road accidents and improved human health?

Genady Kondarev
Radostina Slavkova
Svetoslav Stoykov
Veselina Vasileva
Stanislav Malchev
Dr. Mikhail Mikhailov

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