

TO

MR IVAN SHISHKOV

MINISTER OF REGIONAL DEVELOPMENT AND PUBLIC WORKS

e-mrrb@mrrb.government.bg

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SUBJECT: GUIDELINES FOR APPLYING FOR FUNDING THROUGH THE SELECTION OF PROPOSALS FOR THE IMPLEMENTATION OF AN INVESTMENT UNDER THE PROCEDURE "SUPPORT FOR SUSTAINABLE ENERGY RENOVATION OF THE RESIDENTIAL BUILDING STOCK – STAGE I', WITH FUNDING UNDER THE RECOVERY AND RESILIENCE MECHANISM

Dear Mr. Shishkov,
Dear ladies and gentlemen,

On behalf of environmental association "For the Earth", we address you in regard with the published for public discussion "Guidelines for application for provision of funds for energy renovation of the residential building stock - STAGE I". We see this investment from the Recovery and Resilience Mechanism (RRM) as a key initial step towards the much-needed decarbonisation of the building stock, addressing at the same time the problem with the energy poverty.

As a beginning, we express satisfaction that for the first time a requirement for a second energy audit after the completed energy renovation is introduced - something that should have happen also during the implementation of the National Plan for Energy Efficiency of Multi-family Residential Buildings (NPEEMRB) and the Operational Programs.

We express the following serious concerns and remarks related to problematic aspects of the Guidelines, as well as some specific recommendations and solutions:

1. The announced total amount of the funds under the procedure is BGN 1 129 881 600 including VAT, which is 75.5% of the assigned financing for energy renovation of residential buildings (a total of BGN 1 496.4 million) and 95% of the RRM (BGN 1 189.5 million). The national co-financing of BGN 306.9 million is to be provided by the owners' associations in the amount of BGN 70.6 million and BGN 236.3 million from the national budget. The aid intensity is 100%, co-financing is not required from the final recipient of the funds.

Problem: Stage I of the procedure will exhaust **75%** of the RRP funding and only **25%** will be assigned to a co-financing model, **which was expected to be the main reform laid down in the RRP regarding the energy renovation of residential buildings.** The sustainability of this model, so far unannounced and unclear, remains in question.

Recommendation: *For Stage I of the procedure no more than **50% of the financing under RRP** should be allocated, and the Ministry of Regional Development and Public Works should give clear information to the public that the next funds will be allocated only under a co-financing model. **Such clarity is currently missing in the above mentioned Guidelines, and the expectation of all citizens should be that this model of 100% funding will not continue.***

2. The construction of systems for utilization of energy from renewable sources for the energy needs of the building is restricted with the requirement that they should be used only to provide for the energy consumption of the jointly-used areas of the building, and that the energy produced should be only used for the needs of the building.

Problem: In this way, a considerable investment in equipment is stimulated, the economic expediency of which is artificially restricted and doomed. **The lack of possibility** - legal and technical – **that allows the reverse transfer of the produced energy to the energy grid for a fee** or that allows its use not only for the jointly-used areas of the building, but also for consumption by households, **is a risk for the future development of RES for households as a tool for reduction of the energy poverty.** The impossibility the installment of RES in the residential buildings to fulfill its most important goal - to reduce the energy bills of the residents or to increase the association's income through the sale of excess electricity - **will create negative public perceptions that RES serve interests different from those of the citizens.**

Recommendation: *Removal of the proposed restrictions on the RES produced electric and/or thermal energy for consumption only in the building and permission the production capacity to exceed the needed consumption. **Provision of technical and legal possibilities prior to the implementation of the Guidelines both for feeding energy back into the grid and for its use from household right now. If this measure is not possible to be launched at the First Stage, then it is absolutely imperative to be provided in the Second Stage procedure.***

3. Priority will be given to proposals for the implementation of investment for energy efficiency that are combined with the use of renewable energy sources and **complement the architectural appearance of the city.**

Problem: The architectural appearance of the city will take up a financial resource that will displace other resources needed for the RRP objectives – increase of the energy efficiency of the residential building stock, renewable energy generation and energy poverty reduction.

Recommendation 1: *Removal of the investment in architectural appearance as an evaluation criteria for proposals in the Guidelines, or preformat the ratio of the number of points in the evaluation. The use of RES should bring a higher number of points in the evaluation than the contribution to the overall architectural appearance of the city (the ratio should be at least 25 to 5*

points, instead of each of both criteria receiving 5 points)

Recommendation 2: We express support for the prioritization of investments in combination with the use of RES, provided that **a general technical and legal opportunity is created so that the generated energy from RES can be used by the building's occupants for their own needs.** Otherwise, there will be negative public reactions for inefficient use of public financial resources.

4. Reimbursement of the expenses made for TA (technical audit), TP (technical passport) and EEA (energy efficiency audit) only to the approved applicants

Problem: Under the conditions set in this way, it is not clear what will happen with the expenses made by the remaining, not approved candidates. **This creates a feeling of unfairness in the cases when the projects are not approved, and also a feeling of a risk of an expense that may not be covered or utilized in any way.**

Recommendation: From now on to be announced a mechanism for financing of TA, TP and EEA procedures to all who undertake this procedures, with reimbursement of the expenses only to households meeting the energy poverty criteria. **We believe that since the public financial resource will not apply definitions and criteria for energy poverty from Stage I, then at least the costs for TA, TP and EEA should be reimbursed for energy poor households only, regardless of whether the application of the building will be approved or not.**

Incentives for certification of buildings should also be created. In this way, the process of creating building registers is supported which meets the requirements of the Energy Performance of Buildings Directive and supports the implementation of the objectives for mass certification of buildings.

Questions:

- Expenditures are eligible for funding if they are made by the final beneficiary/partner and paid **between 1 February 2020 and 30 June 2026.**

We ask for clarification how the date 1 Feb. 2020 was chosen and why? Is it related to some new legislative requirements that have taken effect or it is related to open application under OP Regions in Growth?

What does it mean for buildings to have a positive seismic rating, whether or not they are seismically insured?

No funding will be eligible for vertical planning activities around the building (which also includes access to the building for people with disabilities), **while at the same time an accessible architectural environment is provisioned through** a mandatory horizontal activity "Improving the access for people with disabilities" of each energy renovation project. **Why?**

5. We have serious concerns about how the 'principle of causing no significant harm' will be

implemented pro form:

Problem: A self-assessment checklist under the 'principle of causing no significant harm' (Appendix No. 5) **creates a serious risks to cause exactly this, particularly regarding the risk of causing harm to protected species of birds and bats.** Compliance with the principle is not a matter of self-assessment on behalf of the final beneficiaries, but of a **careful expert analysis** yet at the stage of planning of the implementation mechanism of the program, so as to avoid or minimize possible environmental risks.

Problem: We do not see even a hint about the need for undertaking of monitoring, and of protective and compensatory measures for protected species (birds and bats) in the process of energy renovation of the buildings.

After reports about lost habitats and walled-up specimens of protected species during the renovation of the Multi-family Residential Buildings (MRB) in 2017, an interdepartmental working group with representatives from environmental organizations and the construction sector was launched to develop a Methodology for the protection of protected species of bats and birds in buildings planned for renovation. Even then it became clear that a survey for the presence of protected species in accordance with the Biodiversity law should be carried out simultaneously with the technical survey and the survey for energy efficiency of the building, so that the reflective protective, procedural and compensatory measures can be included in the investment project.

The lack of protective measures for the protected species also represents a **direct violation of the 'principle of causing no significant harm'** and more precisely creates prerequisites for causing significant harm to ecological objectives under Art. 9 of the Taxonomy Regulation item 6) protection and restoration of biological diversity and ecosystems. From previous energy efficiency programs of the MRB we have numerous examples of deterioration of the "environmental protection status of habitats and species, including those of interest to the European Union.

Recommendation: *The methodology never entered the Bulgarian legislation in the form of an ordinance or other legal act, therefore the inclusion of the main steps, recommendations and protective measures from the methodology to the current guidelines/instructions for the implementation of **Stage I are a key step to avoid violations in large scale of the European and Bulgarian environmental legislation.***

Problem: There are also shortcomings under environmental objective 4, Art. 9 of **the Taxonomy Regulation**, towards the **use of environmentally friendly materials, reuse and recycling of construction materials**

An incomplete list of similar shortcomings:

- It is the obligation of the contractor to provide safety data sheets and/or EPD declarations of the input materials;
- Obligation to protect the quality of air during the construction by using construction techniques and processes that reduce dusting and protect the soil and the groundwater from chemical contamination;
- Directions related to the levels of noise during the construction works (not to exceed the ambient noise) and concerning the conducting of measurements to control the noise level;
- Compliance with the minimum legal requirements of the Waste Management Act. Participants in the construction process are trained specifically in terms of reducing the

amount of waste. The management of the construction site supervises the separation of waste and the correct use of the collection sites. Construction materials are divided into mineral waste, recyclable materials, mixed construction waste, problematic waste and asbestos-containing waste;

- Preparation of operational manuals – documentation of building related maintenance, control, operation and service. The documentation of the construction site is evaluated on several aspects. In addition to the preparation of a technical passport according to Regulation No. 5/2006, manuals for the various target groups are also recommended (for example: maintenance, cleaning, etc.)

- In terms of resource efficiency, measures should be taken for water saving, as well as for the possibility of water reuse, the use of rainwater and others;

- The efficient use of resources also implies the application of the principle of circularity and the use of organic building materials that store carbon such as certified wood.;

- Use of ecological materials, requirements for thermal and visual comfort, air quality and accessible environment.;

- Non-compliance with the principles of the circular economy, including the prevention of waste generation and its recycling (for the purposes of this procedure, activities and assets where the long-term disposal of waste may cause damage to the environment will not be supported).

Recommendation: *The requirements for a sustainable construction process, circularity and protection of protected species should be included in the list of eligible activities as well as in the quality assessment criteria in order to be incorporated in the implementation process of the energy renovation projects.*

6. Other shortcomings in relation to the prioritization and the quality assessment criteria of the projects

Problem: Once again, we see no prioritization of buildings with energy poor and vulnerable inhabitants, as there was none in the NPEEMRB.

Problem and recommendation: *In the Quality Assessment Criteria we find "Appropriateness of the energy efficiency investment in terms of the number of independent units in the Building", where the number (percentage) of inhabitable independent units should be considered as more appropriate criterion at least.*

A related requirement is stated in § 5, item 29 of the Additional Provisions of the Territorial Planning Law (TPL) - that "The building should be designed for permanent occupancy in which at least 60 percent of its floor area is occupied by dwellings", but as criterion for prioritization and more weight of the application, a higher percentage for inhabitable dwellings should be set.

7. Problem: Applying through the information system of the RRM – ISMM (Information System

For Management and Monitoring), which is extremely unhandy but also unfamiliar to citizens, will in practice represent an increased administrative burden.

Recommendation: Since consultancy services for the completion of the application form and its annexes are not considered eligible expenses, an extended informative campaign throughout the country (which **OF COURSE IS NOT PROVIDED**) will be needed on the conditions of the application and specifically on the new points and the differences with the previous NPEEMRB.

Questions:

- It remains unclear with the currently two deadlines for final application for Stage I, **whether the documents will be reviewed in real time in the system for gaps and inaccuracies**, so that they are reflected in a timely manner.

- **It is not clear why the previously permitted measures are not included:** measures for increase of energy efficiency of elevators, as well as to improvement of the efficiency of subscriber stations for district heating in the buildings.

8. The final recipient should assign activities in accordance with the Ministry Council Decree No. 80 of May 9, 2022 laying down the rules for assignment of investment activities for final recipients of RRM funds

Problem: It is not clearly stated that condominiums properties of buildings up to 5,880 m² of floor area will be able to assign activities without TA, TP and EEA procedures. And condominiums properties of buildings over 5,880 m² of floor area will have to have complied with the requirements of MCD No. 80. **This creates the possibility of future conflict situations with the condominium properties of buildings over 5,880 m² of floor area, and the need for clarification of the question whether the TA, TP, EEA expenditures exceeding BGN 30 000 for will be reimbursed given that they have a larger floor area?**

Recommendation: Apply an **equitable approach** to reimbursement of expenses as specified in item 5) mentioned above, and **clearly spell out the key requirements in Decree No. 80 to better inform citizens.**

We hope our remarks and suggestions will be taken into account. We are ready to provide additional information on the subject.

With respect:

Svetoslav Stoykov

"Building renovation" coordinator at EA "For the Earth"

Radostina Slavkova

"Energy and Climate" Coordinator at EA "For the Earth"