



Second Phase PPA LTA Bulgaria

Long-term Agreements for Increasing the Energy Efficiency in Bulgarian Industry

Second Phase

Minutes

Intermediate, non-formal working meeting
10th-11th July 2007

Tuesday, 10th July

Opening:

The meeting was opened by *Mrs. Kostadinka Todorova – Director, the Ministry of Economics and Energy (MEE)*.

Mrs. Todorova made a short review on the achieved by the moment results and emphasized the specifics in determining the pilot companies. She confirmed that the project will affect not only the companies, but it will also create conditions for stimulation of all the industrial companies.

Meeting Moderator:

Mr. Krasimir Naydenov- Director of “Energy Efficiency Department”, MEE

Mr. Naydenov made a small presentation on “EE Policy in Bulgaria. Current Condition and Future Plans”. The key aspects of the presentation were:

- EE Policy in Bulgaria – in general, results;
- Directive 2006/32/EC;
- Financing EE measures;
- Energy market condition and behavior of the individual subjects;
- Future measures;
- Conclusions – the compliance to Directive 2006/32/EC demands: additional liberalization of the energy market; creation of stimulation conditions (white certificates); in-depth analysis of causes of the fast increase in the use of liquid fuels in the transportation sector and emphasis on the necessity of increasing the energy efficiency in the sector; preliminary estimation and stimulation of the investments.

Mr. Alexander Penchev – Director of ESD-Bulgaria

Mr. Penchev presented in short the measures taken by each side participating in the execution of this agreement. He emphasized the following points:

- Principles in choosing the pilot companies;
- Analysis of the stimuli for participation in the Long-term Agreements (LTA) with the Government;
- Lack of EE specialists in the small firms/companies.

Erik ter Avest- SenterNovem

The experience of Senter-Novem was presented in short.

Mr. ter Avest stressed that the approach of LTA preparation demands more flexibility, effectiveness, and equal in rights dialogue between the private sector and the Government.

Mr. Naydenov gave the word to the representatives of the scanned companies. They presented their area of activities, their plans, markets and needs for investments as well as the obstacles and problems that they face:

- **Zebra AD** – Mr. Alexander Alexandrov

Extremely energy-consuming production, high energy consumption. Working in the sphere of increasing their EE for the last 4-5 years. They have won a grant under the Ecolinks program – for monitoring of the energy expenses. They have a long-term program for increasing the EE. They have also implemented a cogeneration system.

They face some difficulties in the registering with law – hard administrative procedures.

- **Scanning company** – EEC – Mr. Dimitar Baev

A simple EE scanning has been performed with the active participation of the scanning company. Energy flow schemes have been composed. There is information on the energy consumption for each energy source. The biggest energy consumers are also described through a workload schedule.

It is important to know what incentives the Government will propose to these 9 companies.

Mr. Krasimir Naydenov

There are possibilities and resources – the Energy Efficiency Fund (EEF) has 1 million BGN on its disposal for projects for 2007, there is a list on the Energy Efficiency Agency (EEA).

- **“Aroma” AD** – Mr. Plamen Todorov – low energy consumption for a unit of production. The difficulties – to help us in the implementation of the EE program.
- **Scanning Company** – CEEI – Mrs. Ina Boyadzhieva – the scanning has started in the middle of June, information is selected, and the teams are formed, in the moment we are formulating the suggestions for EE measures.

Erik ter Avest – SenterNovem

Do “Aroma” have any marketing specialists?

Mr. Plamen Todorov – We have an ISO certificate. A product manager is responsible for the marketing.

- **“Lavena” AD** – representatives of the company are not present – in the moment the ether oils lavender extraction campaign is taking place.
- **Scanning company** – CTES – Mrs. Milena Dimitrova – they will speed-up the scanning process after the end of the extraction campaign – now the whole staff of “Lavena” is engaged in that process.
- **“Asarel Medet” AD** – Mr. Sava Savov – The Company works successfully on decreasing the specific consumption of fuels and energy. They are also successful in decreasing the energy and heat consumption.

- **The scanning company – ESD-Bulgaria – Mr. Alexander Penchev** – The Company works actively on the EE program and for the last 5 years it has achieved 20% decrease in the specific consumption of heat and electricity. An energy audit under Article 17 of the Energy Efficiency Act has been conducted.
- **„Elatzite-Med” AD – Mr. Ralchev**

We work actively in the area of EE. At the moment a few new projects are being implemented as follows:

- low energy-consumption transportation and excavators;
- new transportation scheme in the mine, it implements saving of liquid fuels
- cascade of a few HPP with output of 40MW.

The scanning company – ESD-Bulgaria – Mr. Alexander Penchev – the company has an EE team and the groundwork is to choose among the proposed measures those that the company can finance.

- **Mines “Maritza Iztok” EAD** – the company has no representatives.
- **The scanning company – CTES – Mrs. Milena Dimitrova** – two meetings with the managerial staff of the mines have been conducted. On the second meeting a letter for granting an access to information from the MEE has been asked for. Stimuli are needed from the Government.
- **“Bulmed” EOOD** – Mr. Stoyan Stoyanov – presented the production – limestone quarry for extraction and processing of limestone; 85% of the production is exported. They have an installation for the sludge-water treatment. Forth-coming is the construction of a second installation. They are open to all kinds of initiatives, which will increase EE and which will place the production under international quality standards.
- **“Inter pipe” AD** – Mr. Svetoslav Georgiev – pipe production

The scanning company “Sofena” – Mr. Zdravko Georgiev – possible saving are related to the furnaces and the electrical engines.

Mr. Krasimir Naydenov – How are we coping with the deadlines and how do you estimate the possibilities to successfully finish the project?

Mr. Alexander Penchev – In the scanning process the best EE scanning companies are involved. We have to put all efforts in determining of the stimuli to be offered by the Government and we have to technically organize the Administrative Body.

Mr. Nikolay Todorov – Director of “Programming and analysis of projects” department, Agency for the Small and Medium-size Companies – he informed the representatives about the possibilities for small grant schemes in relation to the proposed by Mr. Baev aimed financing of the pilot companies.

Mr. Krasimir Naydenov

The scheme for industrial EE audits is copied from the buildings EE audit scheme.

For 2007 for auditing and implementation of EE measures the following sums are envisaged:
2 million BGN for buildings

1 million for the industry

Mr. Alexander Penchev – let us use this and include the 9 companies in the grant scheme

Erik ter Avest – SenterNovem

I suggest that you think it over and decide and report to us by September on the following:

- Whether you want to apply the results from the EC;
- To invest:
- To use grants;
- How much will you invest?

Report to us:

- About the obstacles that you face;
- On the ways to overcome them;
- What financial aid you want?

The scanning is a new process for Bulgaria, I account that, but having in mind the project deadlines, the scanning should be completed by 1st September, after which the results should be summarized.

In conclusion, the choice of companies is very good and I find motivation and active participation from the side of the scanned companies.

Mr. Gerginov – Executive Director of the Energy Efficiency Fund

- Direct financing
- Guarantee for 80% of the project budget
- For the ESCO companies – portfolio guarantee
- Financing of schemes for energy management and staff instruction
- Probably the Energy Efficiency Fund will develop further its RES activities.

Nicole van Beeck

Is it expected that there is an enlargement of the guarantee activities?

Mr. Gerginov

Only for the guarantee activities there are envisaged 4.5 million USD.

Mr. Nikolay Todorov – priorities under the “Competitiveness” program

1. Activities related to EE in result of the an energy audit – Recommendations - Measures

The admissible expenses include the purchase of machines and installations as well as constancy and educational services. Construction work and repairs are not included.

2. RES – only from wind and solar power, as the power generated by these installations should not exceed the power needed by the industrial company for the last reported period.

3. Guarantee activities;

Mrs. Rayna Angelova – expert ESD-Bulgaria - made a detailed presentation on the possibilities for financial stimuli as well as on the obstacles for their application in Bulgaria at the current moment.

Mr. Alexander Penchev

I have two questions:

- Why cannot projects be financed?
- Why only wind and solar power installations are included and biomass is not?!?

Mr. Nikolay Todorov:

- Who can perform energy audits?
- Is biomass included in the program of the Ministry of Agriculture
- EE and RES are the two grant schemes. For them there is no threshold.
- When are the projects financed? – after their completion
- Audits can be recognized as expenses.
- EU do not allow the financing of the steel and shipbuilding industries

Mr. Krasimir Naydenov

Let us give the word to the auditing companies – what their expectations are that the Government should make in that cooperation:

“Bulmed” OOD – Mr. Stoyan Stoyanov – for us most important are the financial stimuli as well the increase in the company competitiveness. How do we choose the best company for implementation of investment projects? Is it possible that the Government creates a list of companies so that the risk is minimal?

Nicole van Beeck

Do you have any experience working with the EBRD?

Erik ter Avest – Revolving Turnover Fund – would be really beneficial. New financial instruments are necessary!

Mr. Krasimir Naydenov

Resources in Bulgaria are scarce. Suppose that we provide some. We will turn our attention toward other services that the Government should guarantee – quality for example. A possibility for financing the industry is coming on the horizon – how would we choose the best company to implement a project? – How to decrease to a minimum the risk of bad-quality implementation of a project?

Mr. N. Todorov – without the intervention of the Government

- Procurement Notices Act is one of the instruments, certification of the companies- implementing
- Build-up of a consultancy net
- Trade associations of the industry branch are a guarantee for quality – if you are a member of a good association, then it works on your good image.
- We have a Bulgarian Service Agency for Accreditation too

Mr. Krasimir Naydenov

The Client must be protected.

Mr. Plamen Todorov

And if we don't get the quality of the services guaranteed in spite of the accreditation?

Mr. Alexander Penchev

The question is who and how can evaluate the consultancy services without contradicting the minimum Governance intervention and the guarantee for competitive conditions.

Our aim is to shorten the procedures. We also do not take into consideration the side effect from the implementation of EE activities – new vacancies, decrease of unemployment, comfort.

Erik ter Avest

Let's go back to the LTAs – in order to be successful, there should be motivation in the companies for participation. Educated consultancy teams are needed. Tell us what your expectations are? To be outlined the groups of consultancy services that Bulgaria will need. What else do you need? Senter-Novem will make the possible in case we have your opinions in July- August.

Mr. Krasimir Naydenov

From our side:

- I want to guarantee openness in preparation of the regulations. For example, in connection with the changes in the Energy Efficiency Act, 5 new regulations will come into force. We will be happy to hear your opinion too- you are invited to take part in their preparation.
- ESCO agreements for 50 building – pilot project
- financial mechanisms
- white certificates

Mr. Alexander Penchev

Let us go back to the most important question:

- financing – the Government representatives guarantee that financing will not be an issue
- administering is difficult
- in my opinion, every company should have an insurance for the activities under the consultancy services

Johannes van Steenis.

The financing process should really be accelerated in order to maximally ease the access to financial instruments;

Mr. Krasimir Naydenov

I want to inform you that by the moment in the EE and RES sectors work the following structures on Governmental level:

- MEE – a department of 6 people
- EEA – 45-46 people
- Center for Energy Efficiency in the Industry – around 10 people

Those are the people that formulate the policy and the measures. We expect structural changes, but in principle those are the subjects – the administrative resource is available.

Erik ter Avest

I have arranged the major activities that relate to the implementation of the LTAs in 7 groups. Let everyone who is present to point two of them, which they consider most important. This way we will more easily outline the boundaries of your expectations for results from this public-private partnership.

After expressing the opinion of each of the present, with highest importance are outlined:

5 - policy development

4 – monitoring.

Mr. Krasimir Naydenov

All the 7 groups are included in the activities of the EEA as point 5 is on the MEE level.

In relation to the unavailability of funds from the budget for the activities of the new Administrative Body under the LTA, I find it suitable to assign the performance of these activities to the EEA. Unfortunately, I can't see any representatives in order to start the discussion on the Administrative Body.

I suggest that we close today's session. Tomorrow, in the presence of representatives of the EEA we will develop further our vision on this structure.

Tuesday, 11th July

Mr. Krasimir Naydenov

Before I open today's meeting, I want to share my exceptionally positive appreciation for the discussion yesterday. I think that we had the possibility to hear everyone's opinion so that we will be able to make a conclusion today more easily.

Nicole van Beeck

Generalized the meeting as exceptionally useful;

- we heard from all of the representatives
- we have to finish all activities by 1st September 2007

Mr. Alexander Penchev

I would like to emphasize the exclusive activeness and responsibility that were shown from the side of the private companies in comparison to the lack of interest from the governmental “Mines-Maritza Iztok”. As a whole, I support the expressed positive impression of Mr. Naydenov and Nicole van Beeck.

A discussion on the place and the structure of the Administrative Body was held.

Mr. Krasimir Naydenov

Fixing some mandatory measures will exact impartiality of the Administrative body.

Yesterday we discussed the short-term goals and the possibility that the Energy Efficiency Agency takes that responsibility. This is in correspondence with the changes in the Energy Efficiency Act, and also complies with the governmental policy to reduce the governmental structures.

My thought is that in the period following this one we will make optimal compromise with the results and the implementation of the LTA. If we accept that the functions of the Administrative Body are given to the EEA, I express my subjective opinion that it is important to have initial LTA, and not perfect Administrative Body. We will apply individual approach toward every company. The Energy Efficiency Act gives the possibilities for such a differential approach – and it does not formulate any qualitative or quantitative boundaries for the Administrative body.

MEE – Ministry of Economics and Energy

EE – Energy Efficiency

LTA – Long-term Agreement

EEA – Energy Efficiency Agency

EEF – Energy Efficiency Fund