

Minutes of the Workshop on Improving of the Blueprint for Adoption of Bulgarian – specific Long – Term Agreements for Energy Efficiency in Industry

The Workshop was held on 21 July 2006, at the Ministry of Economy and Energy in Sofia.

The Agenda of the Workshop included:

1. Opening address of Mrs. Kostadinka Todorova, Director for Energy Efficiency and Renewable Energy, Ministry of Economy and Energy
2. Blueprint for Adoption of Bulgarian-specific Long – Term Agreements for Energy Efficiency in Industry, Ilian Jeliazkov, ESD Bulgaria Ltd.

Discussion

3. Proposal for LTA follow-up implementation project, Alexander Penchev, ESD Bulgaria Ltd.

Discussion

5. Closure of the Workshop

During the welcome notes, Kostadinka Todorova indicated that signing of LOI yesterday was extremely important for the Bulgarian Government and the Business Association. Mrs Todorova thanked the participants in the project and stressed on the importance of this project for Bulgaria's EU accession.

Mr. Alexander Penchev welcomed everyone and introduced briefly the importance of the project. He indicated that it will be extremely important to discuss the Annex and the Blueprint.

The Workshop was attended by 27 representatives of administrative institutions, of the industrial sector, of branch organizations, as well as by the project developers – representatives of SenterNovem and of ESD Bulgaria Ltd.

The moderator of the project was Mr. Alexander Penchev, ESD Bulgaria Ltd.

Mr. Ilian Jeliazkov presented the Blueprint, its principal characteristics, the implementation scheme and some discussion points.

After the presentation, a discussion took place. Some topics raised during the discussion were as follows:

1. Mrs. Politimi Paunova, Managing Director of the Branch Chamber of Ferrous and Non-ferrous Metallurgy

In my opinion, the model is well prepared and puts an accent to the problems that have to be discussed. But I would like to express my view concerning the first step – the development of instructions for evaluation of the energy efficiency potential. In the area of ferrous and non-ferrous metallurgy such instructions will be difficult to prepare, because of the variety of existing technologies and their specific particularities. Due to this reason, the instructions should not cover an entire branch or sector, they should be specific for each plant.

Concerning the Administrative Body, my opinion is divided. From one part, it would be good if the Administrative Body is in the framework of the Ministry, but from another part I have some concerns because the Ministry of Economy and Energy is such a mega institution. Due to this reason, my opinion is that the Administrative Body should be in the industrial structures of the Ministry, not the energy ones.

I would like to emphasize that our engagements are for clear and constant in time engagements from the part of Government, in order to have progress and sustainable development. Administrative changes shouldn't in any way affect further activities.

2. Mr. Alexander Penchev, managing director of ESD Bulgaria Ltd.

A greater independence of branch organizations is needed. What is important is not just the participation in the scheme of 2 or 3 industrial enterprises. It is important that LTA should become a philosophy, a way of thinking and should cover also medium and small enterprises.

3. Mr. Yoncho Pelovski, Deputy President of the Branch Chamber of Chemical Industry

The major energy consumers are about 360 enterprises and they have some 80% of the industrial energy consumption in our country. Further development of this project will provide an impulse for decrease of the energy intensity of industrial activities. I am glad that industrial branch organizations participate in this process.

The principal topics for discussion in my opinion are as follows:

- How to organize the access to project financing in the framework of public – private partnership?
- What would be the role of national authorities? Branch organizations don't participate in the regulation of energy prices. With the development of such a project, more transparency should be provided to price regulation and the regulative role of national authorities. Also, investment should be provided for implementation of best practices. Another very important issue is reporting. I believe that a software product should be developed. Our branch organization has such experience. We have introduced energy efficiency reporting for 25 companies. We could present our experience. Concerning the organization of monitoring, it could be performed by the State Energy Regulation Commission, yet I believe that branch organizations should also be involved, in order to obtain more transparency and objectivity.

Energy efficiency projects result in energy savings, environmental benefits and increase competitiveness of industrial companies.

4. Mr. Dimitar Baev, Executive Manager of EEC Ltd.

The companies that conclude Long-Term Agreements should have energy audits. According to the norms, energy audits include action plans. It could be recommended that the industrial companies should confirm this action plan and it could be used as a base for the Long-Term Agreements.

I believe that it would be necessary to specify the basic characteristics of the model. I don't agree that energy management measures are always low-investment ones. Concerning the ambitious potential – an example in this respect is the company Zebra – they use credits there, what really is needed are good projects.

I would like to ask about international experience in this area. What are the incentives in other countries?

Concerning the monitoring, my opinion is that highly qualified experts will be needed. State authorities have control functions, but I don't really believe that such additional tasks should be assigned to them. These activities should be performed by an independent organization, it could be a NGO, but what really is important is that it should have the needed qualified staff.

5. Mr. Alexander Penchev, managing director of ESD Bulgaria Ltd.

The process should be simplified, having a lot of structures. Private companies with specific experience. Since it is Voluntary agreements, there should be incentives. Time should pass to see how best it can be developed.

6. Prof. Shishkov, President of Sofia Energy Agency (SOFENA)

The benefit from such discussions is really important. I agree with the opinion of Mrs. Paunova that each specific plant has its particularities and it would be difficult to develop an instruction that should cover the entire branch, with all its big and small enterprises. I believe that branch organizations should be involved in the preparation of the instructions.

It is important also to cover small and medium enterprises. The EC has special support activities for energy efficiency and energy management in small and medium enterprises. The energy efficiency level should be evaluated.

The objective is to improve the competitiveness of small and medium enterprises. Big enterprises are not in the focus of EC support. In several cases they are owned by international companies that have their own energy efficiency programs and can develop plans, measures and monitoring activities. Due to this reason I believe that attention should be focused on small and medium enterprises.

I believe that the idea for introduction of energy efficiency criteria in the complex permits is a very good one.

7. Mr. Erik ter Avest, SenterNovem

I would like to introduce further clarity on this issue. Big enterprises should be included, because they have great reserves for improvement of energy efficiency. A good technologist, even without additional investment, could have a very positive influence.

Concerning the instructions, maybe it will be good to have instructions, but they should be more general ones.

8. Mr. Vladimir Minev, Head of Department, Executive Agency for Support of Medium and Small Enterprises

I believe that measures are needed both for the big enterprises and for the small and medium ones. For some of them this could be the only way to remain into business. So, my opinion is that Long-Term Agreements with small and medium enterprises should quickly take place. Concerning the monitoring, it would be difficult for our Agency to perform such tasks. Some discussions take place for the creation of a network of business centres that could perform such function.

9. Mr. Alexander Penchev, managing director of ESD Bulgaria Ltd.

A well functioning economy involves a decrease of the specific energy consumption everywhere. Due to this reason, measures should be applied in small and medium enterprises also.

10. Mr. Yoncho Pelovski, Deputy President of the Branch Chamber of Chemical Industry

It is important that the national authorities should support companies and enterprises. They should have a positive attitude to companies that develop and implement their own energy efficiency plans and measures.

We should ensure the participation of companies in this process and we should demonstrate to the non-participating ones that their attitude is a losing one.

11. Mrs. Anna Kamburova, Ministry of Economy and Energy

I don't agree that national authorities have withdrawn from active support activities. Intensive activities are being carried out for support of small and medium enterprises, improvement of competitiveness, training in management activities.

12. Mr. Alexander Penchev, managing director of ESD Bulgaria Ltd.

There should be a good harmony between the activities of all involved parties.

After the end of this discussion, Mr. Penchev had presented a proposal for LTA follow-up implementation project

1. Mr. Yoncho Pelovski, Deputy President of the Branch Chamber of Chemical Industry

We hope to have support from our Dutch friends. They could provide us information about specific energy consumption per ton product, or maybe some other indicators – e.g., per BGN 1000 of product. In other words, it would be necessary to specify the criteria, so that companies should be interested to enter into Long-Term Agreements. I would like to ask our Dutch colleagues, what are the incentives for energy efficiency activities in the Netherlands and how are they applied.

2. Mrs. Politimi Paunova, Managing Director of the Branch Chamber of Ferrous and Non-ferrous Metallurgy

In the next stage of works we should be convinced that Long-Term Agreements represent an effectively operating scheme. So, my suggestions are:

- To enlarge the scope of future activities and to organize parallel implementation of 3 pilot projects for medium sized companies.
- To specify administrative issues and other activities in small working groups.

In this way, we will be able to accelerate the Long-Term Agreement process and to multiply the positive effects.

I believe that access to the Long-Term Agreement scheme should be open to all willing companies.

3. Mr. Erik ter Avest, SenterNovem

I would like to ask for the opinion of the Bulgarian participants, what should be included in future activities on the following 3 issues:

- Administrative Body;
- Incentives;
- Instructions.

What is your opinion about target setting and benchmarking? We are interested also in your expectations, in what period of time are you expecting positive results?

In the Netherlands existed preliminary studies about the energy efficiency potential, so it was not difficult to forecast what the possible savings could have been in a specified time period. It is not needed to enter into great details. You should have a long list and a short list of energy efficiency measures.

4. **Mrs. Politimi Paunova, Managing Director of the Branch Chamber of Ferrous and Non-ferrous Metallurgy**

Concerning the 3 issues:

- The Administrative Body should be in the framework of the Ministry of Economy and Energy. It could perform also the organizing of incentives, taking into account the interests of industrial companies. NGO's and the industrial organizations should also have strong involvement in these activities.
- The incentives – they should be organized by the central authorities. They should have a financial dimension. Otherwise, there will not be positive effect from the scheme. The incentives could be different for various industrial branches.
- The instructions – my opinion is that it would be difficult to develop a single instruction for an entire branch – it would have to be too general. What I suggest is that the instructions should be developed in the framework of pilot projects. We should set to ourselves achievable targets and tasks. Also, we should react quickly, in order to be able to include in the Energy Efficiency Law some texts that should mark in some way the engagement of national authorities in the Long-Term Agreement scheme.

5. **Mr. Alexander Penchev, Managing Director of ESD Bulgaria Ltd.**

Funds are existing for medium and small enterprises that could be used. Changes might be suggested in the Energy Law and the Energy Efficiency Law, based on existing practice in EU countries. The pilot project will be a short-term one, so I suggest to include medium – size companies, not big ones.

6. **Mr. Yoncho Pelovski, Deputy President of the Branch Chamber of Chemical Industry**

It is true that the project is for a brief time period. I support the idea for 3 pilot projects, but I think that the available time is really very short.

I suggest, in order to save time, to conclude agreements with the branch organizations.

7. **Mr. Alexander Penchev, Managing Director of ESD Bulgaria Ltd.**

Will it be possible to conclude an agreement between the central authorities and a branch organization?

8. **Mrs. Politimi Paunova, Managing Director of the Branch Chamber of Ferrous and Non-ferrous Metallurgy**

I don't see any sense into concluding such an agreement.

9. **Mr. Erik ter Avest, SenterNovem**

The other option is to have Long-Term Agreements between the Ministry of Economy and Energy and specific plants. Some pilot studies are needed, in order to have an idea about the energy efficiency potential of an entire sector and only then it will be possible to envisage the conclusion of an agreement between the Government and an entire sector.

10. Mr. Ludmil Kostadinov, Energy Efficiency Agency

I have 2 questions:

- How exactly were organized the financial incentives in the Netherlands? Is there any experience in tax relieves in case of re-investment of benefits from energy efficiency activities?
- If the branch organizations participate in the conclusion of Long-Term Agreements, they would no longer be able to act as independent organizations in the monitoring process.

11. Mr. Erik ter Avest, SenterNovem

Generic financing for participants in the Long-Term Agreement scheme was possible in the 1990s, but it was not longer applied in the new LTA schemes after the year 2000. Still, the overall results from recent LTA activities were very positive for the participating companies.

11. Mrs. Nicole van Beeck, SenterNovem

The rules concerning the organization of energy efficiency support schemes involve equal rights for application for all industrial companies – access can't be limited only for the participants in a LTA scheme. Still, it is possible to set application criteria, which are more easily fulfilled by LTA participants.

12. Mr. Dimitar Baev, Executive Manager of EEC Ltd.

Concerning the engagements from the part of central authorities – what currently is existing and operating is the Bulgarian Energy Efficiency Fund. This is a real opportunity for obtaining financial support which should be used.

13. Mr. Vladimir Minev, Head of Department, Executive Agency for Support of Medium and Small Enterprises

An idea is being envisaged and discussed for the creation of a National Guarantee Fund, which most probably will be administered by the Encouragement Bank AD. This also could represent an opportunity for obtaining financial support.