

Minutes of Workshop,

held in the framework of the **PPA LTA project in Bulgaria: Voluntary agreements for energy efficiency improvements in industry.**

The workshop took place on 17 May 2006, at the Ministry of Economy and Energy in Sofia, with the following agenda:

1. Opening address of Mrs. Kostadinka Todorova, Director for energy efficiency and renewable energy, Ministry of Energy and Economy.
2. Lessons learnt from Dutch Long - Term Agreements and other voluntary approaches in Europe – presented by Erik ter Avest, SenterNovem.
3. Specific characteristics of the Bulgarian context, concerning the proposed application of Long – Term Agreements – presented by Ilian Jeliaskov, ESD Bulgaria Ltd.

Discussion

4. Energy efficiency activities at the company Assarel Medet, presented by Nikolay Bekiarov, Assarel Medet AD.
5. Additional instruments & support tools complementing Long – Term Agreements: examples from the Netherlands, presented by Nicole van Beeck, SenterNovem .

Discussion

6. Closure of the Workshop.
7. Visit of the Zebra Plant in Novi Iskar

The Workshop was attended by 27 representatives of governmental institutions, industrial companies, industrial branch organizations, as well as representatives of the project contractor – SenterNovem and of the local subcontractor – ESD Bulgaria.

Moderator of the discussions was Mr. Alexander Penchev, ESD Bulgaria.

Follows a brief presentation of the opinions, expressed during the discussion after the presentations of Erik ter Avest and Ilian Jeliaskov:

1. Mr. Zahariev, Ministry of Economy and Energy:

In my opinion, an important issue is to know if specific legal regulation concerning Long - Term Agreements is needed or not. If the answer is yes, then what should be this regulation?

2. Mr. Erik ter Avest

Naturally, LTA activities should conform to the legal framework. The basis for the application of such agreements in the Netherlands consists in environmental legislation. You should not literally copy Dutch experience, however you could have ideas from the application of this system in the Netherlands and in other European countries and, taking into account the

Bulgarian context, to find a successful way. In principle the legal framework facilitates the achievement of overall policy targets for improving energy efficiency in sectors like industry. In the Netherlands there were two main options in the early nineties to implement this policy: a) more detailed energy legislation and b) LTA. Further detailed legislation on top of efficient use of energy (Environmental Management Act, 1993) was not chosen because this option was considered not to be effective at that time for a number of reasons. Industrial LTA's were chosen as a crucial policy implementation route, as voluntary approaches are flexible and cost-effective. During the LTA1 period there was some further development of Dutch legislation, e.g. a "circulaire" (= non-binding, but strong policy advice from ministries to local governments) by the Ministries of Economic Affairs as well as Environment about energy issues in environmental permits. This circulaire addresses the issues of energy saving measures for all companies and advises the local governments how to deal with LTA and not-LTA companies. This circulaire provided an additional incentive for companies to join LTA, as the instructions and procedures for non-LTA companies were less easy to be fulfilled.

3. Mr. Yordanov, Energy Efficiency Agency

The introduction of Long -Term Agreements (LTA) represents a political issue. My opinion is that in order to have such practice, special clauses concerning LTA should be introduced in the Energy Law, the Energy Efficiency Law and the Environmental Protection Law.

Concerning the suggested incentives, such as tax relieves, in my opinion this will be difficult to achieve.

Concerning the monitoring, it is not yet clarified what would be the relations between the governmental institutions and the respective industrial branches. If the national authorities are not involved financially, then the monitoring should not be performed by a governmental institution.

Concerning the selection of sites, the first to be approached should be industrial plants and branches having high level of energy intensity.

There is some discrepancy between the data quoted in the report of Ilian Jeliaskov and the information that we have at the Agency. In my opinion, the indicators should conform to the ones specified by Eurostat.

4. Mrs. Politimi Paunova, Branch Chamber of Ferrous and Non-ferrous Metallurgy

Concerning the legal framework, my opinion is that the engagements of the parties should be specified, including obligations of the government concerning tax regulations.

Metallurgy is a very energy intensive sector. Knowing the activities in this branch, I believe that we have companies that would be interested in the project. First should be included pilot companies, with a subsequent multiplication of the project activities in the entire sector.

Concerning the reporting of results, my opinion is that physical indicators should be preferred.

From a concrete point of view, we are interested what will be the project next steps. We should specify the framework for the agreements. This is what is important in the moment.

An independent body should perform the monitoring – e.g., a Steering Committee.

5. Mr. Zahariev – Ministry of Economy and Energy

It is important to clarify the issue who should be the parties of the agreements. Mrs. Paunova suggested direct agreements between the companies and a governmental institution, but we would like to have a more substantial engagement of the industrial branch organizations, concerning the management of this process. My suggestion is to have also pilot activities with branch organizations.

6. Mrs. Politimi Paunova

I agree that the branch as a whole should participate. Yet, since individual companies will participate with investment, the agreements should be concluded with the companies themselves.

Following this first round of discussion, the workshop continued with a presentation of **Mr. Nikolay Bekiarov**, concerning the energy efficiency activities of the copper mining company Assarel Medet AD.

Some additional instruments and support tools, complementing the Long – Term Agreements, and related examples from the Netherlands, were presented by **Nicole van Beeck**, *SenterNovem*.

Continuation of the discussion

7. Mr. Yordanov, Energy Efficiency Agency

My opinion is that the problem consists in the lack of a specific legal document, introducing the Long – Term Agreement practice in Bulgaria.

8. Mr. Dukov, Bulgarian Energy Efficiency Fund

We are actually discussing voluntary agreements. They represent moral acts. From such point of view, I see the important role of industrial branch organizations. They are able to specify the criteria and the agreement framework and also to perform a monitoring function.

On the whole, I have a skeptical attitude in respect to the Long - Term Agreements. My impressions from contact with business are for a lack of good understanding of energy efficiency as a way to improve competitiveness. At a second place, there isn't any systematic approach for solving energy efficiency problems. The importance of energy audits is underestimated. Unfortunately, in the Energy Efficiency Law are not specified any sanctions for not performing the obligatory audits.

Possibilities for using credits from the Bulgarian Energy Efficiency Fund are not well known.

9. Mrs. Paunova

I don't agree with the opinion that business companies are not active in the area of energy efficiency. If the previous opinion was true, then this project would not have any sense. What we are discussing here is public – private partnership and I believe that it has good prospects in future, as a higher form of co-operation between the business and the national institutions. It is difficult to define what the incentives should be. A legal document is needed. Personally, I believe that Long - Term Agreements could be useful. If this project would be completed with a tentative scheme for Long - Term Agreements, with the basic benchmarks, with the framework of the system, then we would have achieved success.

My opinion is that the national administration should also provide input – consequently, human and financial resources from the part of governmental institutions will be needed.

10. Mr. Zahariev

As an administration, we are interested in the project development. We should outline the specific forms of co-operation and suggest them to the Bulgarian and Dutch governments. I would like to have your comments about the instruments – on company level we have good examples of energy efficiency activities. We would like to have such developments also on the level of industrial branches.

In the Netherlands exist energy centres, which act as partners to industrial branch organizations in the framework of the agreements.

I would like to ask you, how do you see the activities for improving the energy management. In my opinion, it would be good to have energy centres, belonging to industrial branch organizations.

11. Mr. Dimitar Baev, from the energy consulting company EES Ltd.

In my opinion, motivation is a very important issue. Possibilities for incentives should be evaluated, and they should be not only of moral nature. Existing incentives in various European countries should be studied and their applicability here should be assessed. E.g., a possible incentive could consist in preferential treatment in case of applying for credits from the Bulgarian Energy Efficiency Fund. Another possible advantage is access to databases.

Normally, an energy audit is completed with the elaboration of a business plan – this could be a prerequisite for the conclusion of an agreement.

Concerning the monitoring, in my opinion, this should be the task of an independent body.

In my opinion, activities should start in at least 2 or 3 branches.

12. Mr. Valkov, from Electroservice, Combinat for Non-Ferrous Metals

I believe that the initiative should come from the governmental institutions. What happens is that agreements are suggested. Our obligations are clear. The question is – what incentives and relieves shall we have and who will perform the monitoring of our activities.

13. Mr. Zahariev

We have the will and the capabilities for introducing Long – Term Agreements in Bulgaria.

14. Mrs. Paunova

I would suggest that more people from the real business should be involved. We have to clarify what should be the scheme for the Long – Term Agreements and what engagements should be taken by the national authorities. These are key issues.

15. Mr. Alexander Penchev, ESD Bulgaria

The 2 basic questions are: who will represent the national authorities and what types of incentives could be acceptable for both sides.

16. Mr. Zahariev

Concerning the first question – the answer is the Minister of Economy and Energy. The second question will be subject to discussions with the participation of both parties.

17. Mr. Erik ter Avest

The incentives should combine several elements – financial, information and moral ones. A good combination of incentives and sanctions should be conceived. There are 11 issues that need to be addressed, as follows:

- 1) Selection of industrial sectors that will participate in LTA;
- 2) LTA organisation of industrial sectors via which association(s);

- 3) LTA role of other ministries than MEE (if any);
- 4) LTA role of local (permit) authorities (assisted by Ministry of Environment?);
- 5) Selection of LTA monitoring and evaluation organisation(s);
- 6) Selection of LTA target setting method;
- 7) Policy ambition level for energy efficiency improvement for short/medium/long term;
- 8) Selection of LTA incentives (who will provide these incentives, how many, financial, facilitation or support by LTA tool box, etc.);
- 9) Total policy mix (policy framing of LTA including credible threat of sanction);
- 10) Selection of LTA index (EEI with or without renewable energy);
- 11) Inclusion of energy management within LTA (at which level).

After the end of the discussion (at 14.30 p.m.) the workshop participants made a site visit to the rubber factory **Zebra AD**.

A brief presentation of the company activities was made by **Mrs. Slavka Stefcheva**, Executive Director. The energy efficiency activities of the company, concerning electricity consumption control, improvement of the boiler plant and planned installation of a CHP unit, were presented by the Technical Director. Some funding for new investment will come from emission trading.

Following the end of the site visit (at about 17.00 p.m.), the workshop was closed.