

Measures to improve the energy efficiency of residential and public buildings and reducing energy costs for external artificial lighting

Energy efficiency is a top priority on account of its importance for improving the country's energy security by reducing its dependency on imported energy and lowering the energy costs of businesses, households and the public administration, creating more jobs, improving air quality and reducing greenhouse gas emissions with the resulting improvement of people's quality of life. Energy saving is one of the fastest and most cost-effective ways of attaining the strategic goals of fighting climate change, guaranteeing the energy security of Bulgaria and achieving sustainable economic and social development.

The program for renovation to improve the energy performance (through retrofitting) of residential and non-residential buildings is also included in the Energy Section of the National Recovery and Resilience Plan (NRRP). The funds allocated under this program are to be managed by the Ministry of Regional Development and Public Works, which has been tasked with formulating the financing criteria and the application guidelines for various procedures. To date, the program is envisioned to comprise three components.

The first component addresses the funding of measures for improving the energy efficiency of the country's housing stock. The allocated financial resource under this component totals BGN 1,496.4 million.

The second and third components envision measures for financing the retrofitting of non-residential structures, including public buildings and industrial facilities, as well as buildings in the retail, services, hospitality and tourism sectors, with a view to enhancing their energy performance. Eligible beneficiaries under this component are micro-, small, medium and large enterprises in the entire territory of Bulgaria. The planned allocations amount to a total of BGN 617.7 million.

To date, the Bulgarian Development Bank has on file in its records 5,333 homeowners' associations representing multiple-unit residential buildings. By the end of this year, the Bank will disburse the cash for retrofitting of the last 29 buildings approved under the National Energy Efficiency Program, bringing the number of buildings retrofit for enhanced energy performance up to a total of 2,022. The remaining 3,311 homeowners' associations will be able to apply again for funding under the National Recovery and Resilience Plan. They have the advantage of already having satisfied one of the criteria: the unity and collective consent

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of all homeowners. The next step will be the energy audit of the buildings. An energy audit is a process based on a systematic method of identification and valuation of the energy flows and costs of buildings, enterprises, industrial systems and external artificial lighting systems, used to determine the scope of the technical and economic parameters of the measures to improve their energy efficiency. The purpose of the audit is to prescribe the measures that need to be undertaken so that the energy savings resulting from them would be at least 30 percent, and the retrofit residential building would satisfy the criteria for at least Class B energy consumption, as per the new requirement provided in the NRRP.

The energy audits will be paid for by the homeowners and the price is to be freely negotiated with the homeowners' associations. The Sustainable Energy Development Agency keeps a public register of experts qualified to perform energy audits and certify buildings. The changes made in the funding arrangements seek to make it possible for residential buildings with 3 or more apartment units to be eligible to apply for NRRP funding, instead of the previous mandatory threshold of 36 units.

It is important to note that homeowners who have applied for funding between July 2022 and March 2023 will be granted 100% of the amount requested, whereas those that apply between April 2023 and December 2023 will only receive 80% of the full amount, and will need to supply the remaining 20% on co-financing basis. With respect to such co-financing, different options for providing support to the homeowners are under consideration, such as the so-called ESCO contracts or other financing mechanisms, including ones involving commercial banks, the Bulgarian Development Bank or other financial institutions offering suitable instruments to that effect.

To date, it has not yet been decided where the homeowners' associations will be able to file applications for retrofitting of their buildings – whether with the local municipal administration or through another project management procedure that is yet to be determined. Outsourcing should not be ruled out either, so long as the funding will remain within the technical assistance allocations of the NRRP. The criteria for ranking the retrofitting project applications are likewise still being sorted out. By the autumn of the current year 2022, the Ministry of Regional Development and Public Works (MRDPW) is expected to issue guidelines for applicants.

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A homeowners' association whose application for funding has been approved will sign a financial assistance agreement with the managing authority, i.e. the MRDPW. The guidelines for application will lay down a set of detailed and specific rules that the homeowners will need to observe when placing orders with a contractor, including the caps on retrofitting prices that can be approved, and the like.

Owners of free-standing and single-family houses will not be eligible to apply for a cash grant for retrofitting their properties under the NRRP program referred to above. Tailored to their needs is a separate funding program aimed at promoting the use of renewable energy in the final household mix by subsidizing the purchase of new solar systems for household water heating as well as photovoltaic systems for power generation.

Funding is envisioned for two types of measures to incentivize the use of renewable energy by households. The first measure will pay for installing solar water heating systems for households. The maximum amount of cash granted per household will be tailored to cover 100% of the cost of the system, but not exceeding approximately BGN 2,000. The second measure will provide funding for the construction of photovoltaic power generation systems of up to 10 kW installed capacity. The maximum amount of cash granted per household will be calculated to cover up to 70% of the cost of the system, but not exceeding BGN 15,000. The total allocated financial resource under the program amounts to BGN 240 million.

Apart from the above-described measures envisioned under the NRRP, by the end of 2022 an EU-funded Regional Development Program is expected to be announced to cover the costs of retrofitting houses in some municipalities.

To boost energy efficiency and reduce the costs of energy for external artificial lighting while improving the quality of life of the Bulgarian population, the NRRP provides funding for putting in place energy efficient municipal external lighting systems. With the municipalities themselves named as beneficiaries of said financial assistance, the project is a continuation of the 'Rehabilitation and Modernization of Municipal Infrastructure: External Artificial Lighting Systems for Municipalities' procedure under the Renewable Energy, Energy Efficiency, Energy Security Program funded by the European Economic Area Financial Mechanism 2014-2021; the program itself was wrapped up in 2020. The activities planned as

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part of the program include taking down existing lighting fixtures, delivery and installation of new ones, delivery and installation of equipment for generation and storage of renewable electrical power integrated with the external artificial lighting system, construction and engineering works directly relevant to upgrading the external artificial lighting system, etc. The total amount of such financial assistance will cover 50% of the project cost, and the remaining 50% will be raised in the form of an interest-free loan that will need to be repaid, in installments, over a 5-year period to the National Decarbonization Fund, once it becomes institutionalized. The total planned project resource amounts to BGN 180 million.