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THE FUTURE OF FINANCIAL INSTRUMENTS FOR SUSTAINABLE ENERGY

**Besmart PROJECT FINAL CONFERENCE: NATIONAL ROUNDTABLES ON
FINANCING SUSTAINABLE ENERGY PROJECTS**

24 April 2024

Troyan, Chiflika Alfaresort Palace and online

<i>93 representatives of interested parties</i>	<i>18 speakers</i>
	<i>93 stakeholder representatives</i>
	<i>40 online participants</i>

Discussion topics:

- Conclusions and recommendations from the BeSmart project
- Financing instruments for sustainable energy projects
- Energy management
- Certification of buildings and construction professionals

Plenary session: Funding instruments

The round table was opened by **Dr. Dragomir Tzanev (EnEffect)** with a brief comment that the event is the last in a series of 12 round tables held over the past three years. He reviewed the objectives set in connection with these events as well as the results achieved: recommendations for improvements to energy efficiency programs, attracting financial institutions as active participants in the energy transition dialogue, and establishing an active dialogue with the government sector and municipal authorities.

After presenting the program of the round table, Dr. Tzanev gave the floor to **Mr. Kiril Raytchev (Alliance for Energy Efficiency)** to briefly present the main points of the activities of the technical working groups that operated during the BeSmart project. Mr. Raytchev shared his positive impressions of the project, particularly the excellent interactions within the professional community and its further consolidation. Along with the positive results, Mr. Raytchev also expressed his disappointment with the blocking of several initiatives that would have contributed to the energy transformation of the Bulgarian economy. Subsequently, the topics and results of the working groups on the development of the ESCO market, the programming of the National Decarbonization Plan, the creation of financial instruments for the needs of the energy transition, and other related areas were presented.

Mr. Kamen Simeonov (EnEffect) presented a financial instrument developed by the World Bank for the renovation needs of the country's building stock. As Mr. Simeonov explained, this essentially represents a long-term low-interest loan, allowing for a capital discount of up to 30% after the implementation of the energy efficiency measures.

Mr. Dobromir Vassilev (Ministry of Regional Development and Public Works) announced that about 300 buildings have submitted applications for renovation within Stage 2 of the renovation program of the National Recovery and Resilience Facility. According to Mr. Vassilev, the required deductible was secured mainly through loans from commercial banks.

Mr. Vassilev defined the mechanism of the capital discount, based on achieving certain results (e.g., energy savings), as a successful concept. However, he warned about the so-called "rebound" effects, where occupants begin to maintain a more energy-intensive style of living by keeping higher temperatures in winter and lower temperatures in summer.

In conclusion, Mr. Vassilev stressed that municipalities should organize public procurement as soon as possible for the assignment of renovation activities for multi-family residential buildings to ensure timely implementation and successful utilization of the available grant resources.

Mr. Marko Markov (Econoler) expressed his satisfaction that the round tables of the BeSmart project have managed to attract banks as participants in the process of energy transformation of the Bulgarian economy. He emphasized that this is a necessary condition for the ecosystem to continue its development in the right direction. Mr. Markov added that support for the authorities should continue in the direction of creating sustainable mechanisms, ensuring the energy transition despite the difficulties encountered.

After Mr. Markov, the floor was given to **Ms. Mariana Hamanova (Cleantech)**. Ms. Hamanova presented a project for the development of a blended financial scheme for the needs of decarbonization in the country. She explained the structure of the project implementation,

including the establishment of working groups, the preparation of questionnaires to be completed by stakeholders, and other related activities. Ms. Hamanova stated that the feedback received from the banks indicates that, for the moment, they do not see the political will to develop energy efficiency on market fundamentals.

Ms. Nadya Dankinova (FLAG Fund) presented a new financial instrument of the Fund, which combines technical assistance, a low-interest long-term loan with a grace period, and a grant component from the National Decarbonization Fund. Ms. Dankinova added that the financial instrument can also be used for structural reinforcements of buildings and other activities that are sensible to carry out along with the implementation of energy efficiency measures.

Ms. Lyuba Nikiforova (Fund for Energy Efficiency and Renewable Sources - EERSF) introduced the audience to the development of the topic of transforming the Fund into a National Decarbonization Fund (NDF). Ms. Nikiforova stated that there is a need for further conceptualization of the NDF and more time for its operationalization. Nevertheless, EERSF is still active in the market and has financial resources to finance projects for the renovation of buildings, street lighting, and similar initiatives, Ms. Nikiforova concluded.

Key points from the discussion held during the plenary session:

- The professional community is consolidated and available to central and local authorities, potential beneficiaries, as well as the financial sector, with a view to achieving national energy efficiency and renewable energy targets.
- A streamlined organization is needed in terms of tender procedures for the assignment of construction activities related to the renovation of the residential building stock. Otherwise, the utilization of available financial resources and the balanced distribution of supply and demand for construction activities will be put at risk.
- The participation of the financial sector in the BeSmart round tables is a signal of the maturation of the ecosystem related to the energy transition in the country.
- There is accumulated experience in specialized funds and knowledge to manage the next generation of decarbonization financial instruments (e.g., provision of a grant and financial instrument in one operation).

Key Quotes from the Plenary Session:

"Quality assurance and performance assurance of energy efficiency projects are key to involving financial institutions in implementing the country's energy transition."

Dr. Dragomir Tzanev, Executive Director, EnEffect

"Over the past three years, within the BeSmart project, the professional community has grown, consolidated, and started to interact better and better with each other. As a result, we have become more organized and stronger as a whole."

Kiril Raychev, Chairman, Alliance for Energy Efficiency

"The ecosystem in the country is much more mature, and the opportunities to provide market-based financial instruments are significantly greater than they were at the start of the BeSmart project three years ago."

Marko Markov, Chief Consultant "Sustainable Finance", Econoler

Focus Topic I: Energy Management

The thematic panel was opened by **Ms. Kamelia Georgieva (National Trust Ecofund – NTEF)**. She presented the fund, the support mechanisms it offers, and the donor schemes under which it is a beneficiary. Ms. Georgieva focused on energy management systems, which are key to accounting for the greenhouse gas emission reduction targets set before the NTEF. In conclusion, Ms. Georgieva emphasized the need for more training programs in energy management among municipal authorities, including behavioral models leading to energy savings.

Mr. Stoyan Danov (CIMNE) presented a platform for the collection and analysis of data on energy consumption of the building stock used by the Government of Catalonia. He talked about the key functionalities of the solution, such as: (i) a register of investments made in energy-efficient measures based on a taxonomy, (ii) tracking energy savings over time, (iii) generating different types of reports for building owners, (iv) measurement of local climatic conditions using weather stations, (v) a register of energy efficiency certificates, etc.

Mr. Todor Popov (Gabrovo Municipality) concluded the thematic panel by noting that the procedures that must be followed when using energy management systems are of utmost importance for the users. He gave an example where the lack of a written procedure detailing the responsible parties and expected actions led to unnecessary time and financial costs in resolving a malfunction in one of the municipal buildings.

Among the more interesting moments in the thematic panel:

- The problem of lack of capacity in the management and consumption of energy management systems is ubiquitous.
- The harmonization of energy consumption data collected is a key prerequisite for the preparation of analyses and recommendations for energy-efficient activities.
- The lack of procedures for using energy management systems can lead to unnecessary expenditure of money and time.

Focus Topic II: Certification of Buildings and Construction Professionals

The introduction to the thematic panel was made by **Mr. Stanislav Andreev (EnEffect)** with a few remarks regarding the practice of building certification in Bulgaria, namely: (i) the use of far more complex calculation methodologies compared to those in other EU countries, (ii) a large amount of non-automated labor by energy auditors, (iii) the incomprehensible content of energy efficiency certificates for customers, and (iv) expensive energy audits for single-family residential buildings.

Mr. Ivaylo Alexiev (Agency for Sustainable Energy Development) drew attention to intelligent building energy management systems, which are key to the so-called smart readiness indicator in the new Energy Performance Building's Directive. In his speech, Mr. Alexiev supported the idea of introducing improvements and simplification of the software used by energy auditors. In the final part, Mr. Alexiev expressed concern about the lack of a market-oriented ecosystem of supply and demand for energy-efficient services and the reliance on a grant-funded mechanism.

After Mr. Alexiev, the floor was taken by **Mr. Kostadin Hristov (Chamber of Architects in Bulgaria)**. Mr. Hristov emphasized the Chamber's readiness to cooperate in creating energy efficiency programs that take into account the building's impact on the environment, its location, shape of the elements, and orientation in space.

As an introduction to the presentation by **Ms. Martina Krasteva (Bulgarian Construction Chamber)**, Dr. Tzanev mentioned that nearly 50,000 people are needed due to the rapid development of construction in the country. In response to this challenge, Ms. Krasteva said that nearly 5,000 people have undergone training with professional qualifications through the Chamber. She noted that the Chamber is actively cooperating with the Ministry of Education and Science in providing sectoral councils for vocational education, proposals for reforms, and additions with new professions and specialties. Among the examples presented by Mrs. Krasteva were specializations in green digital skills and the introduction of micro-trainings and micro-qualifications as part of following the principle of lifelong learning.

In the closing presentation, **Dr. Tzanev (EnEffect)** drew attention to the need to introduce mandatory modules for awareness and training in any future energy efficiency program. Last but not least, Dr. Tzanev emphasized the key importance of introducing multi-level control as a guarantee for ensuring high quality and stopping the negative practice of breaking the chain of responsibility among the participants in the process of providing energy-efficient services.

More interesting moments from the second thematic session:

- It is necessary to introduce working mechanisms for liability on the part of providers of energy-efficient services.
- Simplifying procedures and methodologies in the sector is key to intensifying the energy transformation of the economy.
- There is a constant need for training to keep pace with the utilization of the large number of technological innovations.