



Working Group III:

Recommendations to the Recovery and Resilience Plan (HEU) to achieve sustainable renovation of the building stock (residential and non-residential).
Opportunities and Challenges for the Industrial Sector

Policy proposal

Establishment of a permanent renovation program for residential buildings /without a 100% grant component/

Summary

In order to achieve the national targets for energy efficiency and renovation rate of residential buildings, in the Long-term National Strategy to support the renovation of the national building stock of residential and non-residential buildings by 2050 there is an acute need to change the model followed over the past 10 years, namely the termination of the practice of financing with a 100% grant. There are a number of defects that are being eliminated and the opportunities to achieve scale and higher ambition for decarbonisation when switching to a permanent programme that is based on a credit instrument and a grant component. Essential for success are: (i) conducting an information campaign for citizens, (ii) establishing a partnership with the Bulgarian Development Bank, as well as (iii) combining complementary programs and mechanisms.

It is necessary to establish a permanent financial mechanism to support the renovation of the housing stock that would combine a grant component and a specialized credit instrument to support owners' deductibles. In this way, equal access for all owners and associations of owners to financial resources for renovation should be ensured at any time when the investment intention arises.

In addition, it is crucial to financially secure and conduct a permanent communication campaign in support of energy efficiency policies, encouraging the application for implementation of projects with the support of the financial mechanism described in the previous paragraph.



Resumption and financial provision of programmes successfully implemented in the past, e.g. REECI¹, to support single energy efficient measures would help to undertake initially a partial, if there is no possibility of a complete, renovation.

A logical choice for obtaining a mandate for the development and marketing of a financial instrument to support the self-participation of the owners' associations is the Bulgarian Development Bank in view of the fact that it is 100% state-owned and a natural conductor for supporting national policies.

The following is a non-exhaustive list of reasons in favour of this policy proposal:

- 1) The implementation of the current renovation programs is by no means the "right approach", which is evident from the results – with a huge public resource for 10 years a little over 4% of the multi-family buildings have been renovated, and for single-family buildings there is no active program;
- 2) There is no way to respond to the "big challenge facing our society"² – "how to accelerate the pace of energy renewal based on a long-term strategic approach"³ if we continue to give BGN 2 billion of limited public resources over 10 years to renovate 2,000 buildings from more than 66,000 multi-family and 1,200,000 single-family buildings;
- 3) The gradual increase in ownership self-participation, supported by the necessary financial and technical tools, has been embedded in building renovation strategies since 2016, but no government has dare to implement it since;
- 4) With the continuation of the current way of financing, we cannot even get closer to the target for 2030, set out in the current National Long-term Renewal Strategy and reaffirmed in the updated in 2024 Climate and Energy Plan, of over 19 million square meters. m. renovated living area . With collateral so far under the NPSU in the best case, a maximum of 5 million will be renewed. It is unclear how the remaining 14 million gross floor area (TBA) will be financed without attracting self-participation from the owners. After 2030, the targets increase significantly and without a sustainable funding mechanism their achievement will remain a chimera;
- 5) There are various international sources of funding outside the state budget that offer affordable financial resources for the implementation of renovation programs, but they do not allow 100% grant funding;
- 6) The willingness of the owners to participate in renovation programs, including with the provision of self-financing, cannot be questioned – this was proved both by the available applications under Stage II despite the entirely negative campaign, and by the data from the last census, which shows that the number of households that have invested in thermal insulation and energy-saving joinery, It has doubled in just 10 years. Urgent measures are needed to support owners' investment intentions not only with regard to deep renovation. Support for the implementation of single energy efficiency measures (e.g. individual

¹ https://ebrdgeff.com/seff_facilities/residential-bulgaria/

² Draft resolution of the National Assembly of the Republic of Bulgaria to continue the practice of renovation of the Ministry of Agriculture with a 100% grant.

³ idem



replacement of windows with energy efficient windows) will give a powerful impetus to accelerate the pace of deep renovation through the step-by-step method;

- 7) The establishment of a permanent programme (including deep renovation on the one hand and the implementation of single measures on the other) will eliminate the glaring injustice of the current programmes, which provide grant support for a small number of first-come, first-served buildings, leaving all others without any possibility of receiving support according to their needs and financial means;
- 8) The transformation of 100% grant funding programs will also overcome the even more glaring injustice, in which households with sufficiently high incomes receive a subsidy for renovation, and the vast majority of those most in need remain without any access to support because the funds do not reach their buildings. To overcome this injustice, 100% funding should remain only for the lowest income households;
- 9) The permanent program will also restore confidence in the renovation policies, which is currently totally exhausted due to the campaigning of the programs, the contradictory messages from the executive and the disappointment of the unapproved candidates for whom an alternative option is not provided;
- 10) The campaigning of existing programs in combination with 100% grant funding inevitably leads to controversial quality of all services in the investment process chain, suboptimal results and low efficiency of public investment.



Briefly about BeSmart

The Bulgarian Forum for Financing Energy Efficiency Projects:

The transition to a low-carbon economy requires higher energy efficiency and better energy management, the introduction of new specialised services and the development of financial mechanisms. This exceptional challenge is particularly relevant in the building sector, where the currently used 100% grant mechanism for the renovation of multi-family residential buildings needs to be reformed into a more sustainable financing scheme that is socially acceptable, ensures the participation of vulnerable consumers and at the same time sets higher criteria for energy efficiency and environmental benefits.

What are we aiming for?

To help develop and implement policies and financial mechanisms to support investment in energy efficiency and to support the implementation of European sustainable energy development initiatives at national and local level.

How will we achieve it?

- Involving all stakeholders in an open dialogue
- Dissemination of good practices, initiatives and tools
- By building an online communication platform for sharing knowledge and experience
- With nine national roundtables with extensive media coverage
- With specific recommendations for the development of financial instruments to support energy efficiency

Target groups:

- Banks, other financing institutions and ESCOs
- Representatives of the central government, mainly from the ministries of finance, economy, energy, regional development and public works and the executive agencies belonging to them.
- Local and regional authorities
- National associations - construction, SMEs and industry associations, consumer associations and various service providers
- Think tanks and academia
- The general public and citizens
- Media.



Main benefits:

- Involving all stakeholders in an open dialogue
- Dissemination of good practices, initiatives and tools
- By building an online communication platform for sharing knowledge and experience
- With nine national roundtables with extensive media coverage
- With specific recommendations for the development of financial instruments to support energy efficiency



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