

Bulgaria: A country with a strategic role in energy market

By Mr. Traycho TRAYKOV

Minister of Economy, Energy and Tourism
of the Republic of Bulgaria

Bulgaria* has a strategic geographic position among the main energy resources producers and consumers in Eurasia. In this regard, for our country, as well as for South Eastern Europe (SEE) and the EU issues about the security of energy supplies through providing for new sources and routes activities have a particular priority in our energy policy.

Our geographic location ensures access to important markets such as:

- The EU Internal market with over 500 mln consumers, without customs duties and additional barriers;

- The markets of Ukraine, Russia and CIS countries;

- Turkey, Mediterranean and Middle East countries.

Bulgaria is also part of the following Pan-European transport corridors: 8 (begins from Bari, Italy), 4, 7 and 10 (from Germany) and 9 (from Finland). Furthermore, our country is on a crossroad regarding the market access to and from the EU, Turkey, the Middle East, Russia and Asia.

Bulgaria is actively involved in implementing infrastructure projects which are of strategic value both to the EU and the countries within the Black Sea region. A particular emphasis is laid upon the Nabucco Gas Pipeline Project, for the implementation of which a multilateral inter-governmental agreement was signed in Ankara in July 2009. Our country considers this project a priority and in many respects one of the main infrastructure projects that will help boost the security of gas supply. Our National Assembly has just ratified (on February 3rd) the Nabucco agreement. Other important projects which are being developed, envisage the transportation of oil and natural gas within the SEE region, the Black sea, the Mediterranean sea, the Caspian region and the Middle East.

As regards the development of energy infrastructure - the major projects are:

- Having learnt an important and painful lesson from the gas crisis of January 2009, Bulgaria is working actively on the implementation of projects for the construction of gas interconnections with its neighbours – Romania, Greece, Serbia and Turkey.

Gas interconnections with our neighbours Romania and Greece are approved under the Recovery Plan and are under preparation in order to diversify gas supplies and routes.

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- Bulgaria will continue its active participation in the future expansion of the Energy Community and the implementation of projects for natural gas transit through our territory, and a project to build a re-gasification terminal for natural gas in the region;

- Fulfillment of the environmental protection requirements of plants from the Maritsa Iztok and commissioning of the new plant of the same complex, which will contribute to electricity security.

All these projects will be implemented by financing from the energy companies with funds from the European plan for economic recovery, and using options to attract financing from EBRD, EIB and standard commercial loans.

Here is a brief summary about the development of the Energy sector:

Within 2010-2013, the EU energy sector will face the following challenges:

- Increase of dependence on imports of energy and resources,
- Increase of energy prices, and
- Problems related to climate change.

And these realities will scope the following main fields of efforts:

- limiting the dependence on external resources through energy saving and more adequate use of the available domestic resources mainly hydro-energy plants;
- development of a liberal energy market in order to ensure an affordable and reliable energy to consumers;
- combating the negative climate change through the inclusion of the Bulgarian energy installations in the European Trading Scheme for allowances of greenhouse gases.

A National Energy Strategy till 2020 is to be adopted in line with the EU Energy strategy setting the national binding targets till 2020 and the interims steps till 2013. The National Energy strategy will facilitate the transposition of the two

EU legislative packages – the Third Energy Liberalization package and the Package Energy/Environment.

The Bulgarian national targets will be defined till 2020 – respectively 16% energy from RES, reduction of the CO₂ emissions by 20% and improvement of the energy efficiency by 50% (the average EU target being 20%).

Since mid 2007, the Internal market for electricity and natural gas is fully liberalized. This means that each user has a legal right to choose his supplier. In practice, however, there is still a gap between the legal right and the feasibility. The following decisions to be taken in the next two years are critical for long-term national market prospects:

- expanding the powers and strengthening the capacity of the national regulator;
- raising the requirements for transmission companies in order to ensure non-discriminatory network access to any market participant and to develop the network in the interests of consumers;
- restructuring of the Bulgarian energy holding in line with new European requirements for unbundling of network companies, creating a more liquid market for energy and favorable conditions for competition between generators and suppliers through the establishment of power exchange.

With regard to green energy, our country has a mandatory target for renewables - 16% share of RES in total final energy consumption. And this target, compared with the basic share of 9.4 percent in 2005 requires some considerable efforts. We must soon answer the question whether we have the potential to exceed the target and to be considered as «seller» in the scheme for exchange of certificates between Member States or the country will be at the «buyers'» side.

The answer to this question will largely depend on the improvement of energy efficiency. The current status is alarming - Bulgaria ranks last among European countries in terms of energy efficiency. Therefore, our strategic objective is respectable – 50% improvement which means that the GDP unit in 2020 to be produced has to be with up to two times less energy than today. Actions to achieve this goal will be national-wide, because there is potential for energy savings in all areas of consumption - in households, buildings, transport, industry and services, and the energy sector itself - in the processes of production and transportation of energy. The most important is that the benefits of saving are aimed at consumers and energy efficiency will make the business more competitive.

One of the most important mechanisms for implementing the above mentioned goals will be optimizing the utilization of existing funding opportunities for projects with EU funds and programs. Here mainly is included the International Fund “Kozloduy”, the operational programs of the EU Structural and Cohesion Fund, the Framework Program for Competitiveness and Innovation and the Framework Program for research and demonstrations in the theme “Energy”. A similar approach will be used in respect of the existing national instruments such as the Energy Efficiency Fund and others.

According to the Medium-term fiscal framework adopted by the Government in August 2009, all mechanisms for financial support of the development of renewables, improving energy efficiency and deployment of clean energy technologies will be treated as anti-crisis measures.

Thank you for the attention!

