Summary Results of the EEFIG Survey for Bulgaria 2016 – draft for workshop

Prepared by Peter Sweatman, CEO Climate Strategy supported by Marko Markov Project lead for Econoler

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“Bulgaria EEFIG Survey” received 25 responses which were well distributed among various sectors…

- 25 participants in the EEFIG Bulgaria survey
- This is a representative number based upon local market size and conditions
- Very strong contribution from Financial Institutions (64%) more than double usual %
Methodology: Using the EEFIG Tool
## Analysis: Top 10 Drivers of Demand and Supply of EE Investments in Bulgaria…

<table>
<thead>
<tr>
<th>DEMAND</th>
<th>SUPPLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Individual/ Owner) Payment Capacity</td>
<td>Regulatory Stability</td>
</tr>
<tr>
<td>Price of energy</td>
<td>Use of European Structural &amp; Investment Funds</td>
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<tr>
<td>Fiscal Support</td>
<td>Body of Evidence (including Social Benefits and Costs)</td>
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<tr>
<td>Clear Business Case</td>
<td>Transaction costs / simplicity</td>
</tr>
<tr>
<td>Facilitation/ Technical Assistance</td>
<td>Price of energy</td>
</tr>
<tr>
<td>Availability of Data</td>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
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<tr>
<td>Tailored Financial Product availability</td>
<td>Availability of Data</td>
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<tr>
<td>Measurement, Reporting &amp; Verification (MRV) and Quality Assurance</td>
<td>Lender's approach to risk assessment (non-recourse project financing vs. Borrower-based credit recourse)</td>
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<tr>
<td>&quot;Green Premium&quot; / Brown Discount</td>
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<td>Fiscal Support</td>
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Analysis: Demand Drivers by Building Segment

<table>
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<th>Demand Driver (All)</th>
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<tr>
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<tr>
<td>Transaction costs / simplicity</td>
</tr>
<tr>
<td>Awareness, Communication &amp; Marketing</td>
</tr>
<tr>
<td>Regulatory Stability</td>
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<tr>
<td>Mandatory Energy Audits</td>
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<tr>
<td>Standardization</td>
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<tr>
<td>Definition and common understanding of the value of energy cost savings</td>
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<tr>
<td>Awareness at Key Decision Maker Level &amp; Leadership</td>
</tr>
<tr>
<td>Communication between market actors</td>
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<tr>
<td>Regulation which impacts on timing and scope of energy renovation</td>
</tr>
<tr>
<td>Building Regulations, Certification and Energy Performance Certificates</td>
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<tr>
<td>Rules on public authority accounting, procurement and tendering</td>
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<tr>
<td>Awareness of appropriate timing for energy efficiency measures within the traditional building cycle</td>
</tr>
<tr>
<td>Behavioral Economics (person specific priorities)</td>
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</tbody>
</table>

- **Commerical**
- **Public**
- **Owner Occupied MFH**
- **Owner Occupied SFH**
- **Private Rented Homes**
We note the following key trends and points of interest from the Survey Results for Demand Drivers:

- Marked difference in drivers for Public Buildings from other categories
- Owner Payment Capacity is TOP driver for all sectors and Energy Price #2
- Fiscal Support is highlight in all sectors except Public Buildings
- Technical Assistance and Data Availability are KEY for Public Buildings and important (but not top drivers) in other sectors
- Tailored Financial Products would drive demand in Residential Sectors
- “Green Premium” important except Public Buildings
- Standardization is key for Private Rental buildings (?) only
- More Awareness among Key Decision Makers is needed to drive Commercial and Public Buildings
Analysis: Bulgaria vs EU Difference in Demand Drivers

+ve score = STRONGER in Bulgaria

-ve score = STRONGER in EU
We note the following key trends and points of interest from the Survey Results for Demand Drivers:

- “Owner Payment Capacity” and “Availability of Data” (except in Owner Occupied) are CONSIDERABLY stronger in Bulgaria vs EU.
- “Price of Energy” is Stronger in Bulgarian Commercial and Public buildings.
- “Human Capacity” is much stronger in Bulgaria except Public Buildings.
- Public Accounting and Procurement Rules much weaker in Public Buildings in Bulgaria (?).
- “Simplicity” much weaker (than EU) in Private Rented Homes (?).
- “Regulatory Enforcement”, “EPCs” and “Standardisation” seen as far weaker demand drivers in Bulgaria than EU.
We note the following key points of interest raised from the Survey Results for Demand Drivers:

- **Reduced Maintenance Costs**: “Availability of a robust methodology for measurement of the level of avoided future maintenance and energy costs would substantially increase the demand for EE finance products.”

- **Facilitation of ESCO Model**: “The State could endorse all financial obligations of the municipalities (under ESCO contracts)”;
  “Banks can start purchasing ESCO contract receivables”; “Entering into ESCO contracts should be made easier for municipalities”; “financial obligations ensuing from ESCO contracts should not be considered part of the municipal debt”; “Availability of standardized templates (ESCO implementation contracts, universal models for energy consumption baseline evaluation, etc.)”

- **Financial Products**: “Financial institutions should lend against pledge on receivables, with recourse only to the savings”; “Availability of EE specific financial instruments needed e.g. Long term, low interest & risk sharing between ESCO and Building owner.”
We note the following key points of interest raised from the Survey Results for Demand Drivers:

- **Fiscal Incentives:** “Immediate VAT refund to the investor”; “Greater tax incentives to be conferred to private individuals and companies investing in EE”; “Availability of fiscal incentives for EE investments in private buildings (without grants or concessional financing) - some available at the moment, but need to be better promoted”; “reclaim the public funds through imposing higher taxes on the renovated buildings”; “TA service is of crucial importance, but should come at no cost for the beneficiaries.”

- **Data and Standards:** “Availability of data for assessment of project’s profitability. Conducting the feasibility studies comes at high costs. A benchmarking system for quick project pre-assessment should be developed”; “Availability of standardized methodology for measurement, verification and reporting of the achieved savings”; “Availability of standardized document templates (contracts, business plans) will enhance the decision making process.”
We note the following key points of interest raised from the Survey Results for Demand Drivers:

- **Quality Assurance and Law Enforcement**: “strict legal regulations”; “efficient law enforcement mechanisms”; “Efficient and enforceable legislation”; “Need greater availability of sufficient number highly qualified and experienced engineering firms.”

- **Clarity and Communication**: “Clear and easy to understand model for evaluation and assessment of EE projects”; “EE financing should be made more accessible for both the private (incl. individuals and companies) and the public sector”; “Sufficient public awareness is a key factor for creating better EE finance market environment. The Government should actively (directly and indirectly) participate in popularizing the benefits of EE”; “Suppliers of EE services should support the clients by explaining the benefits and pro-actively approaching the asset owners.”
Analysis: Supply Drivers by Building Segment
We note the following key trends and points of interest from the Survey Results for Supply Drivers:

- More agreement in sectors in supply drivers overall
- Regulatory Stability, Structural Funds and Multiple Benefits all TOP Supply Drivers for all sectors
- Lower Transaction Costs, Simplicity and MRV all key supply drivers in all sectors
- “Green Premium/ Brown Discount” KEY for Private Rentals only (?expl.?)
- Fiscal Support and Standardization “middle of the road” although mentioned in the comments (?)
- Capital Markets, RE Funds and Regulation/ EPCs not seen as supply drivers
Analysis: Bulgaria vs EU Differences in Supply Drivers

+ve score = STRONGER in Bulgaria

-ve score = STRONGER in EU
Analysis: Germany vs EU Differences in Supply Drivers

We note the following key trends and points of interest from the Survey Results for Supply Drivers:

- Body of Evidence (with Social Benefits) considerably stronger in Bulgaria (opposite of Germany)
- “Green Premium/ Brown Discount” stronger in residential sectors (vs EU) and Structural Funds stronger for Owner Occupied and Commercial
- Common Understanding of Savings key for Multi-family Owner Owned Homes
- Public and Owner Owned Residential show lower need for Savings Collateral Approach
- Risk-return targets weaker in Residential Segments while Standards and Risk Perception Changes weaker across all sectors in Bulgaria.
We note the following key points of interest raised from the Survey Results for Supply Drivers:

- **Transaction costs / simplicity**: “Standardized contract templates needed”; “better EE loan risk understanding (project finance)”; “Standardized approach for conversion of energy savings into monetary savings”.

- **On-bill Repayment and Enabling**: “Government should amend the legislation to enable an on-bill financing mechanism that can enhance collection rates”; “Government should create enabling legal environment, which allows the EE service providers to easily collect EE receivables; “State (through the Commission for financial supervision) to create legal framework to enable bundling, securitization and trading on the stock exchange”; “regulate better the relations between investors/lenders, asset owners and EE service providers”.

- **Data on Profitability and New Fund**: “Availability of robust database to enhance assessment of the profitability of the EE projects”; “Establishment of a universal fund for EE investment management”; “incentives for general EE rehabilitation of the buildings sector”. 


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   - How to drive new finance for energy efficiency investments
   - FINAL REPORT covering Buildings, Industry and SMEs
   - February 2015

2. **Engage with the “Energy Efficiency De-risking Project”**
   - Become a user and/or become a data provider and engage in an expert dialogue which contributes to enhancement of the fundamentals of energy efficiency investments in the buildings and corporate sectors

3. **Use the “EEFIG National” Tool & Database**
   - It relies on used a standardized method and process to engage with key expert stakeholders in Spain, France, Germany, Poland and Bulgaria over 12 months.
   - Each country’s results can be found with a series of summaries as well as an interactive review of the EU data
Climate Strategy leads in Energy Efficiency Finance with 9 white papers written in the past 7 years and supporting international policy initiatives.

Climate Strategy understands the interdependent relationships between:
- Environment
- Business
- Society
- and Government

and their roles in guiding the global transition to a low carbon economy.

"Energy efficiency investing has a fundamental and beneficial role to play in the transition towards a more competitive, secure and sustainable energy system with an internal energy market at its core."

Peter Sweatman CEO of Climate Strategy - EEFIG Launch Feb 26th 2015

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