

## Value in the EEFIG MS-level process in Bulgaria

1. The EEFIG MS-level process enhanced the common understanding of the impediments and opportunities for scaling up EE investments in the building sector. Applying the EEFIG method and process in Bulgaria brought people of different backgrounds together and enabled them to talk using a common language and discuss common problems, from different perspectives. More than 40 experts came to the workshops, discussed and provided valuable inputs. 25 of these responded to the EEFIG survey in Bulgaria. All stakeholders had the chance to present their views on what are the major drivers for growth in EE finance, to identify the barriers that prevent the market from growing and to develop ideas on what needs to be done to overcome those barriers.
2. The EEFIG MS-level process familiarized the local stakeholders with the current market situation in other EU countries through the common terms. The attendees had the chance to broaden their understanding of the major market forces by looking at the results achieved in other countries. Many similarities, but also a number of differences were identified.
3. The MS-level process also promoted the EE finance theme higher on the agenda of the local financial institutions. The local banks, having had certain experience with dedicated EBRD, KfW and EIB credit lines, have tended to overlook the vast lending potential that EE financing products offer. High credit risk perceptions fueled by the lack of in-house technical expertise, as well as the relatively small average size of a single EE transaction makes the local banks reluctant to develop specialized lending products for energy efficiency. The EEFIG MS-level process significantly raised awareness among these financial institutions, revealing the underlying market potential and suggesting ways and means for scaling up the transaction volume.

## Value in the EEFIG results

1. A good number of active participants (25 respondents) of which 64% were from the financial sector.
2. Demonstrated a good level of understanding on the differences between demand and supply side market drivers.
3. Written comments submitted by the respondents indicate that the understanding of the benefits of EE goes well beyond the scope of the survey. The potential positive impact of building maintenance savings (as a result of deep EE refurbishment) were discussed and can be added to the list of local demand drivers.

## Key learnings:

### *General observations:*

- To address the existing barriers in the most effective way, stakeholders should carefully approach both the demand and supply side of the EE finance market. Common efforts from all market participants (financial institutions, ESCOs, practitioners, facility owners/end users) are required to create an enabling environment for massive inflow of private funds for EE investments;
- The “Price of Energy” was one of the most important supply and demand drivers in Bulgarian Commercial and Public buildings, but still – some of the experts mentioned that although they expect the energy prices to rise slightly, it won’t be enough to motivate implementation of deep EE measures in foreseeable future;
- There is marked difference in drivers (both supply and demand side) for Public Buildings from other categories and Public Accounting and Procurement Rules seemed to have had more attention in Bulgaria than in other EU countries.

### *Regulatory framework issues*

- “Regulatory Enforcement”, “EPCs” and “Standardization” were seen as less important demand drivers in Bulgaria than in EU. Participants agreed that Bulgarian legislation is good but there is a clear need for better enforcement mechanisms to be put in place. Stakeholders also felt that this enforcement would also increase the supply of EE financing from local and international financial institutions.
- Experts mentioned that the ESCO companies needed a special tax treatment (accelerated VAT return being major concern) in order for their offer to be compelling.

## Financial products for EE in buildings

- Improved access to funding can be delivered if financial institutions start lending against a pledge on receivables, with recourse to the energy savings without other forms of tangible loan collateral;
- Availability of longer term and lower cost loans with risk sharing between ESCOs and Building owners would stimulate demand.
- On-bill Repayment enabling legislation would enable the electricity distribution companies to implement on-the-bill financing mechanisms that can enhance loan collection rates and improve access to financing, especially at the household level.