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STATEMENT

by

Bulgarian Photovoltaic Association, UIN 175801326

Regarding: the revised EU ETS Directive, Art. 10c и Art. 10d (Modernization Fund)

The entry into force of the Paris Climate Agreement commits the European Union and its Member States to ambitious action in the climate field through the emission trading system (ETS), which is defined as the "cornerstone" of the Union's climate policy. The Fourth Energy Package "Clean Energy for All European citizens" as the political and regulatory framework of the Union for the implementation of the Paris Agreement contributes to ensuring a reasonable price for carbon emissions and to continuing to stimulate cost-effective reductions of greenhouse gas emissions. As a result, with the carbon emissions quota price increase, the competitiveness of all coal-fired power plants is reduced, new coal-fired power plants are not expected to be built by 2020 and the goal is no coal-fired power plants after 2030 to be active.

In order for Bulgaria to meet the objectives of European climate policy, this implies significant investments in new capacities to make energy transformation possible.

Our country is no exception to the global trend of digitalization of energy, introducing new business models for active demand and supply. Another key trend in the world is the sharp decline in RES technologies that currently have a significant price advantage over all other technologies and energy sources at the moment.

The BPA recommendations are aimed not only at overcoming the negative consequences of the decommissioning of coal-fired power plants, but, on the contrary, that process and EU funding related to it should be used as a catalyst for achieving the goals of the Paris Climate Agreement, EU climate and energy policies, and also from the perspective of those employed in this sector to have a long-term income and development perspective.

We propose three sets of priority measures whereby the investments of the Modernization Fund (under Art. 10c and Art. 10d of the revised EU ETS Directive) to support the direct implementation of the Bulgarian energy sector modernizing objective with regard to the Union framework in the field of climate and energy in the period up to 2030.

1/ 3

1. Encouraging energy transformation to a clean and cost-saving energy system

We offer a simple, effective and fair method to stimulate investment in new clean energy capacities - buying guarantees of origin from newly-built renewable energy plants and purchasing the "white certificates" of energy efficiency projects.

Guarantees of origin and white certificates are a standardized and regulated instrument within the EU. An exemplary cost of 2-3 euro / MWh would significantly encourage the development of renewable energy projects and energy efficiency because:

- a) would take a significant part of the cost of the capital invested in it and would make more projects financially more stable over time;
- (b) the contract for the purchase of guarantees of origin and white certificates with the Modernization Fund would rapidly improve their risk profile, the cost of capital and their access to finance;
- (c) the transaction costs of this instrument will be very low, because in each EU country there are already accredited agencies with the relevant registry issuing guarantees of origin and white certificates.

Buying guarantees of origin and white certificates with money from the Modernization Fund is a natural and logical tool that will directly influence the achievement of EU objectives.

2. As measures for the regions most affected by the energy transformation, we propose financing priorities in the following areas:

- a) Off-set programs targeting current mining and coal-fired power plants investors to support the transition to new technologies and new energy sources that are sustainable in the long term;
- (b) energy cooperatives, labour unions or other forms of association to be used as instruments for direct financial compensation to the workers and employees concerned;
- (c) development of the network, and the facilities for joining and providing land (or rights of use) under preferential terms to interested in new energy capacities investors in the affected areas subject to obligatory recultivation.

3. Removing national barriers to investment in new energy capacities.

(a) a 5% income tax on all energy producers - this measure was part of the stabilization package but approach must be found at least for new investments to restore that tax.

(b) the abolition of charges on the export of electricity, which leads to serious distortions of the internal market and the maintenance of enormous differences compared to neighboring markets, also impedes effective market integration with these markets. According to European practice, such taxes should be charged at the point where the final electricity consumption is executed. In conclusion, BPA believes the obligation preservation all revenues from trading free quotas be transferred to Electricity



Security System Fund is crucial to ensure the financial stability of the energy sector in Bulgaria and the viability of the investments already made.

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Sofia

Yours sincerely,

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