



Preparatory Rhodope pilot region

Workshop

(Pre-discussion:

- 0 – Prep workshop, based on the assessment you are working on – to be planned in July*
- 1 – First workshop – **we inspire** (presentation of models that can inspire Rhodope Region) - to be organised the second half of October (link with SC2)*
- 2 – Second Workshop – **We implement** – presentation of the model to be developed in Rhodope Region with a detailed action plan. Organisation of a “happening” of the end of the workshop during which municipalities commit to the action plan – this workshop should be planned in March*
- 3 – Third workshop – **We launch** – official launch of the structure, fund or????*

Note that results will be presented during different events in Bulgaria and during the large dissemination event.

Do not underestimate the time you need for face to face meeting with municipalities to convince them, get their inputs....

Next Steps

- confirm the dates of the prep workshop and “we inspire” workshop*
- work on the assessment plan of the Bulgarian situation – Mid May 2015)*

Monday and Tuesday 13-14 July 2015

Venue: Sofia Energy Centre София, ул. Галичица 37, вх. 2/ Galitchitsa 37 Sofia.

Participants: Erika Honnay (Gre Liège), Jean Francois Marchand (Energinvest), Ivanka Pandelieva (SEC), Zlatka Nikolova (ARM), Elise Steyaert (Climate Alliance)

Summarizing minutes

Local elections by 25th of October 2015. So the first public workshop should be postponed.
Decision: January 13th-14th-15th.

Introduction ARM: Rhodope association of municipalities is a public NGO. In the governing board all mayors participate and they have a general Assembly.

They support the municipalities: providing advise, training and workshops on various topics. Three on-going projects are receiving co-funding by IEE programme. Two are linked to SEAP implementation and Proc-A to green public procurement, incl. ToR of procurement, how to include green criteria in the tendering processes etc. They have a staff of 3 full time people.

Quiet some municipalities are already advanced in energy planning in some way -> advanced SEAPs amongst others long term planning. Many of them have implemented at least one or two EE and RES projects. So the awareness and experience is present. The main reason to join CITYinvest -> financing remains problematic. There is access to EU funding, either co-financing, either grants. The potential for EE is clearly there, the combination with RES is available as well. But the full potential is not tapped into as there are no adequate financing solutions.

Discussion on the challenges:

- The long term financing solutions (moving away from the subsidies and the structural funds)
- Bundling the small municipalities' projects
- The debt constraints for LAs seems to be less problematic for the Bulgarian municipalities but this has to be confirmed. Nevertheless, due to European legislation, off-balance sheet investments in this field are becoming more difficult (*Erika, can you confirm if understood well?*)
- Budget constraints which leads to cutting the work force.
- Political short term periods versus the long-term pay back times in these EE projects.
- Performance contracting and ESCO model functioning is not yet integrated/matured in the market and this is the kind of experience the municipalities need.
- Bulgaria receives quite many European Structural and Investment funds (in particular ERDF) and this has a consequence in providing loans. There is less demand because there are subsidies available. But if these subsidies phase out (expected by 2020), there is no self-sustaining alternative.

What are the opportunities:

- BGEEF, the national programme for EE in private buildings
- The Rhode investigation of the potential gives already a good overview
- Many projects are in the pipeline but a lot of competition for financing so only one third/fourth is only financed.

What are the necessary steps?

- The solidarity issue: There are some bigger municipalities that have the critical size to work independently on this, but most of them are too small and need to work on an aggregated level. Important will be that the bigger ones show solidarity to the smaller ones. Solidarity elements in difference levels of energy savings. How to share the risk? how to share the cash flow of savings longer term?
- The leverage issue: bundling will be necessary. Bundling risks, bundling capacities (political and operational) and bundling financing.
 - Bundle within one municipality (benefits: lowering the transaction costs)
 - Bundle between municipalities (benefits: spreading the risks)
 - Bundling or leverage via a framework agreement. This needs to be decided and this should be investigated ASAP. There was an experience of a bundled project in the Rhode municipalities. But this was subsidised, so this is not commercial funding.
- We need to have a dedicated team -> legal contracting, political level, owners, financiers/financing experts. (Bulgarian team thinks we need an independent

supportive structure to deal with this). People need to be hired. How to do this? Who is going to dedicate time for facilitating the process and/or undertaking the technical work? a municipality? The Association? An ESCO? A public/private additional structure?

- Find a sustainable financing solution, construct a financing vehicle
- Pay attention to the time needed for local authorities to discuss. An independent structure (could be the ARM) is good to speed up the process.

Three types of risks:

1. Performance/technical risk -> the ESCO that secure the savings.
2. Credit/financial risk -> who takes the risk of financing it -> the financial institution
3. Operational risk -> the procedures and the work -> municipality

Some further considerations/explanation:

CAPEX -> initial investments

OPEX -> operational costs (like electricity)

Budget neutrality -> current cash flows needs to pay simultaneously the investments. Opex repays the capex but the timing does not match: at the moment the contract is signed you need to include all the investments costs in that budgetary year.

-> different payback times are possible in one pool of buildings.

-> energy savings cannot pay for everything. For instance a roof that you insulate was very bad maintained and was leaking so it has to be retrofitted beyond the energetic aspects. The savings won't payback the works completely.

-> don't underestimate the political aspects (they want to get credit for the measures so they should be 'visible')

-> which buildings are focused upon? Educational buildings in the past but from now on it is not yet defined. No big differences expected between the municipalities. Smolyan municipality has for instance three hospitals.

-> how often does the board gathers? Only after the elections (Nov)

-> how easy can you meet with BGEEF or the local ESCO example? Shouldn't be too difficult.

Context of the Rhodopean 21 municipalities:

- 600 municipal buildings -> many similarities

-> for only 500,000 inhabitants.

- National programme has started to retrofit private buildings and the BGEEF is already a good vehicle that can provide big parts of the solution.

- Only one distributor for the Rhodope region. Prices for electricity are set by a commission.

- For heating it is very diverse: the mountain area of Rhodope particularly. Some have gas distribution network. There is no district heating network. From communist times there are partial plans for this but now it's mostly individual heating (boiler for the whole building or for every single apartment -> so sometimes by electricity or via wooden stoves with a water

closure system). The electricity is expensive so it's also for the more wealthy. For municipal buildings they also use boilers.

- Energy efficiency measures is often 'patchwork' and not homogenous.

Rough planning of the workshop/action plan

Clarification of questions

-> targeted buildings: do we want to include the private residential buildings or not? We will **think in phases** and launch it first in public buildings before the private.

Workshop 1:

-> two halve days - mid January: 13-14-15 January.

SEC will organise a minibus.

Moderator to be booked with understanding of both EN-BG

Media to be invited?

interpretation

Day 1 - start at 1.30 pm - finish 7pm

Start with 'Setting the scene': CITYInvest, EU context, Rhodope region context

Presentation model EPC and ESCO's + discussion on the possibilities for Rhodope Region local successful examples (enemona (<http://www.enemona.bg/english/index.php?97>) and errata) and how to deploy these further in the region

- RENESCO

- Energy Posit'if (perhaps video conference because it would require too many travel days)

Day 2 - 8.30-11.30-12.00

Focus on the financing solutions : what are the possibilities

- BGEEF + national programme (regional development and public works)

- REScoop

- EU TA possibilities

- Presentation action plan

Next workshop is two months afterwards (mid March)

Invitees (more or less 30-40 participants expected)

-> ESCOs

-> Local energy agencies: plovdiv, sufana,

-> energy distributor

-> local politicians

-> district authority

-> national decision makers of the department, programme and BGEEF

Action points

- ✓ The prep ws report will be send to AMR & SEC: by 17th of June
- ✓ SEC investigates situation for the BG in the monetary union (important for the debt constraints and Eurostat rules) - by 22nd of July. Part of this is to check how it works in Bulgaria in terms of the economic ownership of the buildings -> if it remains public it needs to be budgeted completely in year 1 of the contract. Even if you go via third party finance, long term leasing, ... if the building remains municipalities' ownership (beneficiary) it can give constraints.
- ✓ Legal constraints municipalities (ask bilaterally) by the 30rd of July with a reassurance after the elections
- ✓ Meeting BGEEF -> how to make actual use of this instrument. What role can they play in the action plan. Contact by 17th of June
- ✓ Meeting with ESCO -> to discuss also the feed-in tariff developments. By the 30rd of July
- ✓ Investigate a bit further the potential for the cooperative models in Rhodope - combination RES and EE -> legal requirements . Potential collaboration with BGEEF? Same counts for crowdfunding: end of August
- ✓ Check the general developments of the feed-in tariffs -> how stable/fluctuating are the prices?
- ✓ Check again the impact estimation as stated in the grant agreement and consider what is feasible, which new opportunities came in the mean time and which ones should we remove
- ✓ Make a retro plan: from now until the first workshop: all the steps that should be taken should be defined. Erika will do this by July 17th OR the end of August.
- ✓ Fill in the data gaps in the amount of buildings in the Rhode investigation.
- ✓ Understand and contact the national program for the private buildings energetic retrofitting.
- ✓ Contact local examples, RENESCO and energy Posit'if, organise Skype conferences. (Ivanka contacts Renesco + local examples, Erika will contact Posit'if).
- ✓ Investigate the possibilities to bundle (end of September)
- ✓ Collaboration ARM as a promotor/facilitator. Is Elena requested or how to finance the structure. (end of September)
- ✓ Check what is financed by ERDF in Rhodope in the current OP (<http://www.bgregio.eu/en/programming-and-evaluation/programming.aspx>)
- ✓ Confirm the size of potential buildings that can fit in the plan (end of August)
- ✓ Residential buildings -> national programme, what is their role in the action plan?
- ✓ Public lighting potential (17th go July)
- ✓ Investigate comparison RENESCO for the Rhodope case
- ✓ List of invitees by the end of September
- ✓ Logistics of the first WS: hotel, bus, interpretation, catering, moderator (November)

