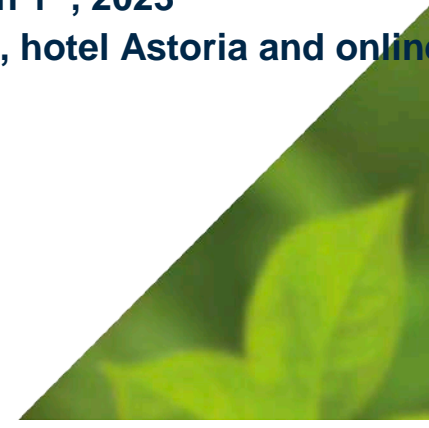




3rd SMAFIN National Roundtable
March 1st, 2023
Sofia, hotel Astoria and online



The project has received funding from the European Union's Horizon 2020 research and innovation programme under Grant Agreement No. 955857

AGENDA AND BACKGROUND PAPER

3rd SMAFIN NATIONAL ROUNDTABLE IN Bulgaria

**March 1st, 2023
(Sofia, hotel Astoria and online)**

**“THE NATIONAL DECARBONISATION FUND:
STRUCTURING, OPERATIONAL MANAGEMENT, MARKET
DEPLOYMENT”**

Table of Contents

Table of Contents.....	2
THE SMAFIN PROJECT IN CORELLATION WITH THE NATIONAL OBJECTIVES.....	3
AGENDA	5
OPEN PLENARY INTRODUCTORY SESSION: Priority areas for the functioning of the National Decarbonisation Fund. Sources of capitalisation and leveraging of private capital.....	7
1 ST TECHNICAL SESSION: Renovation of the residential buildings stock: introduction of financing instruments and responsiveness to the needs of vulnerable groups.....	8
2 ND TECHNICAL SESSION: Renovation of the public building stock	9

THE SMAFIN PROJECT IN CORELLATION WITH THE NATIONAL OBJECTIVES

The third roundtable in Bulgaria aims to build on the outcomes of the previous events from May 2021 and March 2022, as well as on of the roundtables in the framework of Horizon 2020's parallel initiative – the project BeSMART, building upon results from past SEIFs towards the common goal to:

- Establish a permanent platform for contacts between supporting initiatives and stakeholders to mediate and stimulate investments in energy efficiency,
- Generate recommendations for development of programs and mechanisms stimulating private investments in energy efficiency at national level,
- Promote good practices in various thematic areas related to energy management,
- Stimulate the implementation of quality renovation projects of public and residential buildings and the participation of financial institutions and citizens in national programs and local initiatives.

The roundtable has been planned in a hybrid format – both online and in person. It will feature an opening (plenary) session, three discussion sessions (one introductory and two in-depth technical sessions), and a closing plenary with panel discussion. The event will be held in Bulgarian.

Among intensive public and professional discussions and increased media interest, the opening of the application phase of the programmes for renovation of public and residential buildings coincided with the long-awaited publication of the EIB report for the structuring of the new National Decarbonisation Fund (NDF) – the financial facility which is expected to accommodate the transition from grant-intensive building renovation process to improved leveraging of public funds and increased participation of both building owners and market actors. In parallel, a decision of the caretaker Government regarding the transformation of the Bulgarian Energy Efficiency and Renewable Sources Fund – a dedicated financing facility with long and proven track record but limited resources - into the future NDF was adopted towards the end of 2022, raising questions about the capitalisation, structuring and management of the Fund. On the other hand, there is no direct reference to NDF in the building renovation programmes under the National Recovery and Resilience Plan (NRRP) – with them being the main and only area of intervention of the Fund, while, for example, savings from street lighting modernisation are expected to be channelled to the Fund. Combined with the continuing political crises and among expectations for new Parliamentary elections, these issues require immediate attention, as the public interest towards the programmes, prompted by the overspread energy crisis, continues to be very strong, but contradicting messages from both institutions and the media obstruct the actual on-the-ground implementation and block decision-making by key stakeholders in the process as financing institutions, municipalities, and energy consultants and service providers.

In order to facilitate the process and improve the level of awareness and understanding of these key stakeholders' group, the next national roundtable on sustainable energy

financing will focus on the report for the structuring of the NDF, as at the same time it will discuss in detail the two main implementation areas of the Fund – the renovation of residential and public buildings. The conference will start with presentation of the relevance and importance of the Fund in light of the current and future national strategic goals and policies, also considering the expected new version of the National Energy and Climate Plan. This opening plenary will also include a presentation of both the NDF report itself developed by EIB, and the parallel report of the World Bank suggesting a roadmap to overcome the barriers and gaps to building renovation in Bulgaria, with the goal to analyse the applicability of the NDF's concept to the WB's conclusions and suggestions. This approach is expected to solidly fuel the discussions in the second part of the roundtable, where the particular areas of interventions would be put under scrutiny.

Thus, during the first open plenary discussion, the details regarding the practical inception of the Fund will be discussed, followed by two in-depth sessions dedicated to the two main impact areas – the mass renovation of the residential building stock and the energy upgrade of public buildings. With financial support programmes running in both sectors, the potential conflicts, and opportunities for synergies in financing will be detailed, with particular attention to the implementation of innovative financing instruments. Given the imminent transition to a co-financing mechanism after 31st May 2023 as stipulated by the respective NRRP support scheme, a special focus will be also put on the involvement of the vulnerable households in the renovation programmes, as there is still no operational mechanism for financing of their participation, even though the national energy poverty definition is in last stages of adoption and could provide a solution for additional support to this group.

In the last part of the roundtable, summaries from the sessions will be presented by their facilitators, reflecting on the input from the speakers and the recommendations coming out from the discussions. These recommendations will provide the key input for the concluding panel discussion, which will gather representatives of the central government (invited), municipalities, financing institutions and energy experts.

To address the most pressing issues, with regards to discussions and consultations with the main stakeholders and working group members, the following topics have been carefully chosen as main pillars for the event:

- Priority areas for the functioning of the National Decarbonisation Fund. Sources of capitalisation and leveraging of private capital
- Renovation of the residential buildings stock: introduction of financing instruments and responsiveness to the needs of vulnerable groups
- Renovation of the public building stock

The 3rd SMAFIN Roundtable in Bulgaria is organised by **EnEffect** (www.eneffect.bg). It is supported by **Municipal Energy Efficiency Network EcoEnergy** (www.ecoenergy-bq.net).

AGENDA

March 1 st	CONCLUSIONS FROM THE OFFICIAL REPORT ON THE MARKET INCEPTION OF THE NATIONAL DECARBONISATION FUND
08:30 – 09:00	REGISTRATION
09:00 – 09:10	WELCOME AND PRESENTATION OF THE OUTCOMES FROM THE PREVIOUS ROUNDTABLE <i>Dragomir Tzanev, EnEffect</i>
09:10 – 09:30	ENERGY EFFICINECY IN THE BUILDING SECTOR AS CORNERSTONE OF THE NEXT-GENERATION NATIONAL ENERGY AND CLIMATE PLAN <i>Representative of the Ministry of Energy (invited)</i>
09:30 – 09:45	THE ROLE OF THE NATIONAL DECARBONISATION FUND FOR THE IMPLEMENTATION OF THE NATIONAL RENOVATION POLICIES <i>Ivaylo Alexiev, Sustainable Energy Development Agency (invited)</i>
09:45 – 10:00	ROADMAP OF OPTIONS AND INITIATIVES TO ADDRESS THE RENOVATION GAP <i>Representative of World Bank (invited)</i>
10:00 – 10:30	PROPOSAL FOR STRUCTURING AND MARKET DEPLOYMENT OF THE NATIONAL DECARBONISATION FUND <i>Representative from EIB (invited) / Marko Markov</i>
10:30 – 11:00	OPEN DISCUSSION <ul style="list-style-type: none"> ✓ What are the main areas of interventions of the NDF and how they correspond to the running national support instruments? ✓ What are the requirements for initial capitalisation of the Fund considering the size of the market and what are the possible sources? ✓ What would be the operational management of the Fund? ✓ What would be the requirements to the project - targeting minimal performance requirements or setting new and more ambitious goals? <p><u>Participants (invited):</u> SEDA, Bulgarian Energy Efficiency and Renewable Sources Fund, BIA, AEE, BCC, commercial banks, Fund of Funds, Bulgarian Development Bank, National Trust EcoFund, FLAG Fund, commercial banks, EIB, EBRD, WB, etc.</p>
11:00 – 11:30	Coffee break
11:30 – 12:45	Deep dive 1: Renovation of the public building stock
	<u>Presentations (10 minutes each):</u> <ul style="list-style-type: none"> ➤ Invited: representatives of Bulgarian municipalities (Sofia and Gabrovo), EcoEnergy, NTEF <u>Discussion (45 minutes)</u> <ul style="list-style-type: none"> ➤ What is the market size for renovation of public buildings? Are the resources allocated in the National Recovery and Resilience Plan sufficient to cover the needs of the municipalities?

- Do we achieve the expected savings? If not, what are the possibilities for optimisation of the performance?
- How do we tackle compromised (shallow) renovation projects executed in the past?
- What is the role of municipal energy managers, and do we need more investments in developing expert capacities?

Participants (invited):

NAMRB, EcoEnergy, Ministry of Regional Development and Public Works, NTEF, EERSF, ESCOs, energy agencies, financing institutions, energy service providers, energy experts, etc.

12:45– 14:00 **Lunch break**

14:00 - 16:00 **Deep dive 2:
Renovation of the residential buildings stock: introduction of financing instruments and responsiveness to the needs of vulnerable groups**

Presentations (10 minutes each):

Invited: Ministry of Regional Development and Public Works, Bulgarian Construction Chamber, BACC

Confirmed: *Dragomir Tzanev, EnEffect*: Proposal for communication strategy in support of the National Programme for Renovation of the Multifamily Residential Buildings

Discussion (1 hr)

- What is the interest to the first stage of the national renovation programme and which are the first identified barriers from the perspective of the national authorities?
- What is the feedback from the municipalities and the homeowners' associations?
- What are the attitudes towards the second stage of the programme requiring co-financing from the homeowners? How can we influence them in direction of mass participation in the second stage of the programme?
- Are there financial mechanisms in place to secure the co-financing, including from vulnerable / energy-poor households?

Participants (invited):

National Green Deal Council, SEDA, AEE, EcoEnergy, BACIW, Habitat Bulgaria, Renovate Bulgaria, municipal representatives, energy agencies and auditors, construction sector representatives, financial institutions, energy services providers, energy experts, etc.

16:00 - 16:30 *C o n c l u s i o n s a n d e n d o f t h e e v e n t*

OPEN PLENARY INTRODUCTORY SESSION: Priority areas for the functioning of the National Decarbonisation Fund. Sources of capitalisation and leveraging of private capital

The first open plenary discussion will provide context and space for positions and opinions of the key stakeholders regarding the capitalisation of the Fund, its operational management and actual deployment, including points of sales. To this end, the session will begin with statements by representatives of the Ministry of Energy and the Bulgarian Energy Efficiency and Renewable Sources Fund which is expected to provide the initial capacity for the organisation of the NDF. Additionally, examples from similar financing vehicles will be presented by established fund managers as Econoler Bulgaria and, potentially, Elana Holding. They will then be joined in a discussion by representatives from the most relevant stakeholders: SEDA, Fund of Funds, Bulgarian Development Bank, National Trust EcoFund, FLAG Fund, commercial banks, EIB, EBRD, WB, commercial banks, which can provide concrete ideas and guidance for the different stages of the process and whose participation will ensure a transparent and informed process of selecting a Fund Manager and setting of the strategic and functional targets for the operation of the Fund. The discussion will be organized based on the following questions:

- What are the main areas of interventions of the NDF and how they correspond to the running national support instruments?
- What are the requirements for initial capitalisation of the Fund considering the size of the market and what are the possible sources?
- What would be the requirements to the operational management of the Fund what capacities are needed?
- What would be the requirements to the project – targeting minimal performance requirements or setting new and more ambitious goals?

1ST TECHNICAL SESSION:

Renovation of the residential buildings stock: introduction of financing instruments and responsiveness to the needs of vulnerable groups

Among increased public and media interest towards the national programme for renovation of the multifamily residential buildings under the NRRP entering its application phase, many issues still remain to be resolved with the view of its successful continuation in a more sustainable form by introducing a co-financing component for the homeowners. While the session participants and presenters will already be able to exchange experience from the actual application process (still based on the 100% grant scheme), the successful transition to the next phase will be of crucial importance for the NDF, because it would provide the much awaited opportunity to involve market-based financing. To this end, a number of legal, financial and social aspects should be addressed, and operational solutions should be designed within a very short timeframe, as one of the most important of them is the mechanism for involvement of vulnerable households which currently do not have any access to resources needed to cover their co-financing obligation. Within this perspective, the discussion involving key stakeholders as the Energy Efficiency and Energy Poverty Commission at the National Green Deal Council, SEDA, AEE, EcoEnergy, BACIW, Habitat Bulgaria, municipal representatives, energy agencies and auditors, construction sector representatives, financial institutions, energy services providers, energy experts is expected to yield specific suggestions for the application of various mechanisms as Pay-as-you-save schemes, allocation of energy poor households eligible for increased grant rate/preferential loans by application of the new energy poverty definition, on-bill financing, etc.

The presentations by key actors as Ministry of Regional Development and Public Works, Bulgarian Construction Chamber, BACC, Center for Study of Democracy will be followed by a discussion based on the following questions:

- What is the interest to the first stage of the national renovation programme and which are the first identified barriers from the perspective of the national authorities?
- What is the feedback from the municipalities and the homeowners' associations?
- What are the attitudes towards the second stage of the programme requiring co-financing from the homeowners?
- Are there financial mechanisms in place to secure the co-financing, including from vulnerable / energy-poor households?

2nd TECHNICAL SESSION: Renovation of the public building stock

The renovation of public buildings is one of the key areas for the operation of the NTF, also providing space and opportunities for promoting new technologies and achieving more ambitious energy efficiency targets, embodying the exemplary role of the public authorities to deliver the clean energy transition. However, there are still many uncertainties regarding the opportunities for co-financing of the renovation projects initiated under the respective programme of the NRRP and the Regional Development Programme from resources stemming from the NDF, or the much discussed use of savings from publicly financed renovation programmes for the capitalization of the NDF. Additionally, given the availability of multiple sources of financing and the emergence of renewable energy installations as an additional source of revenues, the questions regarding the capacities of the municipal experts to handle the various projects and manage different financing schemes are becoming ever more tangible. In this regard, the role of systematic municipal energy management and qualification of local energy managers emerges as the main available solution, together with cooperation with interested market actors as ESCOs, energy service providers and specialized financing institutions.

In this context, representatives of leading Bulgarian municipalities (among them, Sofia and Gabrovo as BeSMART project partners), Municipal Energy Efficiency Network EcoEnergy, NTEF, NAMRB, ESCOs, energy agencies, financing institutions, energy service providers and energy experts will discuss the following questions:

- What is the market size for renovation of public buildings? Are the resources allocated in the National Recovery and Resilience Plan sufficient to cover the needs of the municipalities?
- Do we achieve the expected savings? If not, what are the possibilities for optimisation of the performance?
- How do we tackle compromised (shallow) renovation projects executed in the past?
- What is the role of municipal energy managers, and do we need more investments in developing expert capacities?

The roundtable will be concluded with presentations on the outcomes of the discussion sessions, and a closing plenary discussion with representatives of the central government, Bulgarian municipalities, financing institutions, and energy experts.

The questions to be discussed are:

- 1) Impressions from the conclusions presented by the facilitators of the parallel sessions and key topics to be addressed in the following roundtables
- 2) Barriers and opportunities for the successful market deployment of the national decarbonisation fund

3) Outstanding issues to be taken into consideration into the political and media discourse to initiate the necessary reforms in energy efficiency policies