

# *the* **European Lawyer**



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**Energy: when the well runs dry**  
**Employment: a wall of work**  
**Country focuses:**  
**Italy, Switzerland, Ukraine**

## **Corporate cost cutting**

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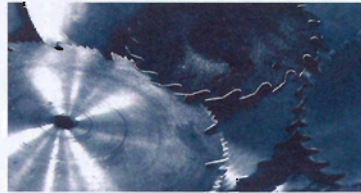
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# Developments of Bulgarian renewable energy law in an attempt to boost investment

ANTON KRUSTEV, DJINGOV GOUGINSKI KYUTCHUKOV & VELICHKOV



Anton Krustev

**W**ith its accession to the EU on 1 January 2007, the national indicative target for green electricity generation set at 16 per cent by 2020 and the necessity to provide certainty for sponsors and financial institutions as to the viability of projects for construction and operation of power plants using Renewable Energy Sources (RES), Bulgaria had to adopt effective measures in order to attract investment in the green electricity generation.

These incentives were initially introduced by an amendment of the Bulgarian Energy Law in September 2006 and later, in 2007, further developed in the Renewable and Alternative Energy Sources and Biofuels Act (RES Act). The Bulgarian Parliament considered that preferential pricing for electricity generated from RES is initially more effective in attracting investments than the green certificate system; therefore, such pricing was introduced.

That Act imposes an

obligation on the public contractor and the end-suppliers to buy out the entire quantity of electricity generated in a plant utilising RES and registered with a certificate

year plus an increment determined by the regulator on the basis of the primary energy source type. The increment for the next year cannot be less than 95 per cent of the

Parliament considered preferential pricing for electricity generated from renewable sources is initially more effective in attracting investments than the green certificate system

of origin. The mandatory purchase is carried out on the basis of long-term power purchase agreements (PPAs). The term of the PPAs was initially 12 years from either: (i) 8 September 2006 for existing generators of electricity from RES; or (ii) the commencement of the generation (being no later than 31 December 2010) for all new generators of electricity from RES.

Tariffs for electricity generated from RES for each year of the PPAs are approved by the State Energy and Water Regulatory Commission (Regulator). These preferential tariffs comprise of at least 80 per cent of the average sale tariff of the end-suppliers for the previous calendar

increment for the previous year. The regulation of the tariffs for power generated from RES is envisaged to continue until the expiration of the PPAs.

Preferential pricing for electricity generated from RES seemed to provide sufficient guarantees to sponsors and financial institutions and determine to a great extent the predictability of the green energy market.

However, the term of the PPAs was insufficient, especially for solar and biofuel projects. As a result, up to the present date there are no operational biofuel projects and there is only a handful of small solar projects. Only 200 MW of the potential wind-power capacity of 2200-3400 MW is being utilised.

Short-term development of the RES projects provided in the RES Act seemed to jeopardise investment in green energy. Many projects were behind the 2010 deadline and some investors were discouraged by the latter. In an attempt to boost investment in RES, the Bulgarian Parliament has recently adopted amendments of the RES Act. The term of the mandatory purchase is extended to 15 years for all RES projects except for solar projects. With regard to the latter projects the term of the mandatory purchase is set at 25 years. The deadline for commencement of operation is also extended to 31 December 2015.

The RES Act provides for further development of the green energy legislation in Bulgaria. By 31 December 2011, a draft law introducing a market mechanism to encourage the generation of electricity from RES will be recommended for approval. Generators with existing PPAs will be entitled (but not obliged) to switch to this alternative mechanism during the term of their PPAs. With these developments of renewable energy law one can only expect a revived interest in green energy in Bulgaria. ■

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