

Financing energy efficiency in Romania, Hungary and Bulgaria

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One of the five closely related and mutually reinforcing dimensions of the Energy Union is represented by energy efficiency, whose importance has also been underlined in the ambitious Paris Agreement. As the Climate and Energy Framework has set an indicative energy savings target of 27% by 2030¹, investments in energy efficiency seem to be one of the most cost-effective ways to support the transition to a low-carbon economy. To realise the full potential of energy efficiency, there is a need for energy policies that will help create better and more suitable investment conditions and that will assist consumers in undertaking energy efficiency investments more easily.

On February 1st, Bucharest hosted the conference “Financing energy efficiency in Romania, Hungary and Bulgaria” where numerous officials from the European Commission, the European Bank for Reconstruction and Development, the European Investment Bank, representatives of various local and European bodies in the field of energy efficiency, as well as representatives of public authorities from Romania, Hungary and Bulgaria came together to share their experience in developing and structuring investment programmes for energy efficiency.

The conference was opened by the new Minister of Energy, Anton Anton and Mihaela Virginia Toader, Secretary of State for Regional Development, Public Administration and European Funds and then followed by two plenary sessions, one in which the European and national policy context was reviewed and the second where the focus was on improving the energy performance of residential buildings. In the second part of the event, the debate reached all the sensitive aspects of energy efficiency, from making it investible to ways to improve energy efficiency in the industrial and SMEs sectors or the importance of energy renovation of public buildings and the role of ESCOs.

Bulgaria improved its experience in financing energy efficiency after participating in the CITYnvest Project, implemented by the European Commission with the main aim to promote innovative financing mechanisms to boost investments in energy efficiency of public buildings through two main sets of activities: summarizing the existing financial models across Europe and providing tailor made solutions for the participating pilot regions – the Belgian region of Liege, the Bulgarian Rhodope Region and Spanish Region of Murcia. At Rhodope level the authorities set up a regional “one-stop-shop” centre for the renovation of public buildings, inspired by the Liege model.

The reapplication of the Liege model in Bulgaria took place under the form of a central procurement agency, named Rhodoshop, which helps the local municipalities secure funding while taking into account organizational, administrative, legal and financial aspects. It also bridges the gap between project owners and financiers by providing bankable investment

¹ https://ec.europa.eu/clima/policies/strategies/2030_en

projects ready to be financed. After its three-year pilot phase, energy savings are expected to be at the amount of 8,8 GWh/year and the investments to reach about 13 million EUR.

The buildings sector is a central element of the EU energy efficiency policy, accounting for about 40% of final energy consumption and 36% of greenhouse gas emissions, and about 75% of buildings are not energy efficient. According to the second national renovation strategy which Romania just submitted to the European Commission at the end of January², at national level, energy consumption in the housing and tertiary sectors (offices, commercial and other non-residential buildings) together account for 45% of total energy consumption. This means that improving energy efficiency of the existing building stock is essential, not only to meet national energy efficiency targets in the medium term, but also to meet the medium and long-term objectives of the climate change strategy and move to a competitive, low-carbon economy until 2050.

In Romania, the prime legislative document regarding energy efficiency is Law no. 121/2014 which entered into force in 2014. Apart from general provisions on reaching the national target of energy reduction, in terms of public building renovation, the law stipulates the obligation of public authorities to renovate on an annual basis of 3% of total building area, depending on budget availability and for buildings with an usable area more than 250sqm.

When it comes to the ESCOs market in Romania and the application of EPC (energy performance contract), the situation is a little uncertain as it's insufficiently developed and needs active and constant stimulation at the local and central level, despite the legislative focus on aligning the Romanian framework to the European standards. The energy service companies need efficient support in the form of a stable regulatory environment, especially for the setting of a legal framework for energy performance contracts. Another obstacle is the lack of coercing measures and penalty system in case the targets and/or obligations are not met. The attitude of local authorities towards ESCOs and the use of EPC is described as opaque, due either to the lack of awareness on EPC contracting, or to the political instability at the local level.

Regardless of the general scepticism in this sector, various initiatives have been taken in order to spur investment in energy efficiency measure, either in the form of technical assistance or financing schemes: "Green House" program – offered non-reimbursable funds for the procurement of solar panels and heating pumps; the National Program for thermal rehabilitation – targeting residential buildings; the Romanian Energy Efficiency Fund – based on a Global Environment Facility granted to Romania through IBRD, targets particularly industrial companies and public bodies; the EU EBRD Romania SME sustainable energy finance facility – supports SMEs in energy efficiency and renewable energy solutions; public financing (EU funds) through the Regional Operational Program and Big Infrastructure Operational Program 2014-2020.

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<http://bpie.eu/news/romania-successfully-submitted-its-second-renovation-strategy-to-the-european-commission/>

Even with this financial levers available together with joint efforts of all parties in this area, still little progress is being made, all of which generates general dissatisfaction, clearly depicted by the Romanian ESCOs Companies Association's (ESCOROM) Vice President, Carmen Pavel in her statement: "if we could, perhaps, teleport realities, I would like to live in another one, not the one we are in today in Romania". Apart from changing the public authorities' perspective towards the collaboration with ESCOs, Romanian consumers need to overcome their relatively sceptical attitude towards energy efficiency and gain more access to energy services.

It is necessary to cultivate a better relationship between all the institutional actors, investors and consumers regarding energy efficiency and all its benefits, as it seems that there are financial instruments available for facilitating the implementation of energy saving projects. It is essential to concentrate all parties' efforts into reshaping the energy services market in Romania and redefining the way-too-bureaucratic internal procedures, but more vital for improving the energy efficiency sector is to boost the awareness of the social, economic and environmental benefits of undergoing such energy efficiency measures.