

Just transition entails a phase-out that is both timely and socially fair. Clear political guidance and commitment across all levels are essential to providing planning security, as well as adequate social measures for workers, affected communities and investors.

However, the continuous political shortsightedness and resistance of the national government in Bulgaria jeopardize the ‘just’ aspect of the transition.

In the EU’s poorest Member State, coal provides 40% of the electricity and the coal industry employs over 13,000 people. The government has resisted providing a timeline for the phase-out of coal, instead focusing its efforts on keeping the industry afloat and creating false illusions for the long-term future of coal in time for the next elections. The continuous delay of structural reforms in the majority state-owned sector could have high social costs, jeopardizing the ‘just’ aspect of the impending transition.

Prehod (in English, “transition”) is a word deeply ingrained in the Bulgarian psyche.

Bulgaria’s transition away from communism was particularly difficult, not least because it dragged on for almost a decade before decisive economic and institutional reforms were implemented. The prolonged period of delay was characterized by an economic collapse and a state capture with long-lasting social and demographic ramifications. Since 1989, the country has lost over 22% of its then 8.9 million people and is projected to lose another 23% by 2050, making its population one of the fastest-shrinking in the world. While experiencing a continuous rise in living standards since joining the EU in 2007, Bulgaria remains the poorest Member State with a GDP per capita in purchasing power standard that is half the EU average. Rampant corruption, lack of an independent judiciary, and issues of media freedom plague the country to this day. Most recently, in the summer of 2020, a wave of anti-government protests in response to political cronyism and corruption lasted for over 100 days. In this context, Bulgaria is embarking on another structural transition, albeit one of a smaller scale but with a highly concentrated impact — that of phasing out coal. Years of myopic measures have kept the coal industry afloat and unreformed in time for the next elections, whether local, national, or European, making the transition all the more difficult.

### **Bulgaria’s misguided path to coal phase-out**

Despite agreeing to the EU’s carbon neutrality 2050 goal and being one of the largest beneficiaries of the Just Transition Fund, the government of Bulgaria has not yet announced plans for a post-coal future, let alone a timeline for the coal phase-out. According to Bulgaria’s National Energy and Climate Plan (NECP) for 2021-2030, the country “plans to make full use of the existing potential of indigenous coal, which is sufficient to generate electricity for the next 60 years.” Without details on how this would be achieved, the annex

to the NECP paints a vastly different picture from the government's rhetoric. As the figures below show, coal-based electricity generation is projected to start decreasing after 2025. By 2030, a 23% reduction is projected, followed by another 50% reduction by 2035. While the government has formed a national advisory board on the European Green Deal in mid-2020, so far it is known to have met only once, and its members do not include representatives of civil society or NGOs. Among the board's five goals and without a set deadline is the preparation of a plan for the "sustainable operation" of coal-fired thermal power plants. The contradictory messages of the NECP, but also of other national energy policy documents, illustrate the government's attempt to align itself with the EU decarbonization policies, while at the same time seemingly acting as a defender of the local coal industry. In anticipation of the upcoming parliamentary elections in April 2021, the incumbent government has resisted providing a coal phase-out timeline, instead perpetuating false illusions about the long-term future of coal.

### **The state of coal in Bulgaria**

Coal provides on average 40% of the electricity generation in Bulgaria (up to 60% during cold winter months) and has been an essential provider of baseload energy for over five decades. The Maritsa East Energy Complex in the south-east of Bulgaria hosts four thermal power plants that represent over 80% of all coal capacity in the country. Three opencast mines, also part of the Complex, supply low-quality lignite coal through an internal railway network, while dozens of businesses carry out maintenance and other servicing work. The mines and the biggest power plant are fully state-owned, while the other three plants are majority privately owned. With nearly 13,000 people directly employed in the Complex and roughly as many indirectly, the nearby province of Stara Zagora is expected to be the most impacted region by the impending closure of the mines and power plants. Roughly a fifth of the region's labor force works in the Complex and receives above-national-average salaries. However, the very existence of the mines and power plants has become largely dependent on various forms of government subsidies, which amount to roughly over €450 million every year and have been rapidly increasing with the rise in the price of emission allowances. In January 2020, the Bulgarian parliament unanimously passed a decision which formally obliges the government to take all necessary measures to prevent the closure of the state-owned Maritsa East 2 coal power plant, "regardless of the opinion of the European Commission on this issue." To fulfill this, the state increased the plant's capital by over €300 million — a move sharply criticized by both industry associations and environmental NGOs. In addition, the state also bought all emission allowances for 2019 on behalf of the plant,

which added €150 million in intracompany loans. The massive state support has not prevented the Maritsa East 2 plant from continuing to incur losses throughout 2020, which now exceed €500 million and have made the plant de facto bankrupt. While operating on average at 25% of its maximum capacity, the plant still employs over 2,300 people and is the sponsor of a local football club.

The situation in the state-owned mining company is similar. Despite being the biggest beneficiary of the government's COVID-19 support scheme and having recorded a 21% fall in revenues during the first nine months of 2020, the company was still able to raise the salaries of its nearly 8,000 employees by 10% and give out end-of-year bonuses that were higher than those of the previous year. In an optimal scenario, the role of the state as an owner of the Maritsa East 2 plant and mines would be to implement long-term reforms that would restructure the two companies, while mitigating the negative social effects. Instead, the Minister of Energy has repeatedly insisted that the plan is for coal power plants to be in operation until 2030 with a horizon for 2050 — a view that does not correspond to the economic reality and fails to account for new stricter EU environmental requirements. To national stakeholders in Sofia, it is clear that the operation of most coal power plants would not be economically feasible beyond 2025. The Maritsa East 2 plant could close or be transformed into a reserve capacity as early as 2021, due to its financial state and low utilization. This would, in turn, also affect the mines, where most coal workers are based. According to the EU's Regulation on the internal market for electricity, plants that emit more than 550 grams of CO<sub>2</sub>/kWh would no longer be eligible to receive subsidies for generation after mid-2025. Arguably, all of Bulgaria's coal power plants are above this threshold. Furthermore, once derogations under the Industrial Emissions Directive expire, plants would require multi-million-euro investments in modernization. Given the grim outlook, actions in areas such as economic diversification and re-skilling are urgently needed. However, with the continuous government inaction, due to the upcoming elections in April 2021 and the fear of electoral backlash, the transition is set to be everything but 'just'.

### **What is next**

Anticipating the looming coal phase-out, stakeholders from the Stara Zagora province have already taken first steps towards a just transition. The Stara Zagora Regional Economic Development Agency, a non-profit association of local municipalities, industry, and academia, organized a public dialogue on the low-carbon future of the region and has recently initiated the creation of a regional council on the European Green Deal. The council

should help facilitate the preparation of the region's territorial just transition plan, which would unlock vital funding from the EU's Just Transition Mechanism. Local authorities have also established a new industrial zone to attract investments that could potentially offset some of the future job losses.

Although Bulgarian trade unions have repeatedly opposed the idea of a phase-out and have occasionally threatened the government with protests, they too have started suggesting ways to create alternative employment opportunities for coal workers. One of those is the construction of an industrial solar PV plant on the premises of former open-pit mines with possible participation and share ownership by the workers. The conflicting messages by the different stakeholders and the lack of clarity have, however, left coal workers and their families in limbo as to what lies ahead and, most importantly, when the transition will start. Spravedliv prehod (in English, "just transition") does not have to imply only challenges, as the Bulgarian government has portrayed the energy transition thus far. With Bulgaria's high potential for both onshore and offshore renewables, the available funding from EU programs, and the freed-up funds from the phase-out of coal subsidies, the country could seize the opportunity and spearhead an energy transition that is socially fair, creates new jobs, while also improving public health. Having experienced the economically and socially painful transition to a market economy in the 1990s, adult Bulgarians understand all too well how detrimental the effects of delayed reforms can be. Other EU countries from Central and South-Eastern Europe, including Greece, Hungary, and Slovakia, have already announced coal phase-out timelines and have started a dialogue with local communities. The Bulgarian government should finally engage in an open and honest discussion about a timeline for the phase-out of coal, giving Bulgarian coal regions a genuine chance to plan adequately their future.

Source: [just-transition.info](http://just-transition.info)