

The possible failure of the Belene NPP and misconceptions about the future of coal-fired power plants are part of the main problems in Bulgaria's energy sector. It is hard to imagine that the Bulgarian authorities have no real idea what a stalemate the Bulgarian energy sector has reached. But in the interest of fairness, some undeniable successes of the government in the period 2017-2019 should be mentioned, when numerous, albeit shy, market reforms began - launching electricity and gas exchanges and developing their platforms, diversification efforts in natural gas supply, market plan integration of IBEX with European stock exchanges, takeover of a share in the liquefied gas terminal in Alexandroupolis by the Bulgarian operator. Important structural reforms in Bulgaria's energy sector remain just intentions. The government's actions, led by two motives - unbalanced populism, probably due to lack of courage, and the desire to satisfy all geopolitical currents through Bulgaria, have led to serious irreversible distortions in the sector, for which a high price will be paid.

The future bankruptcies of structural energy companies, the complete outflow of foreign investments, the postponement of market liberalization, the rejection of reality, the avoidance of public debate on problems, are the main features of today's Bulgarian energy policy.

What will inevitably happen in the next three years, what will activate a kind of Bulgarian Armageddon in the energy sector?

### **The failure of the NE Belene project will cause a collapse**

It is becoming increasingly clear that the latest attempts to implement the Belene NPP project have been doomed for a number of reasons, but the main one is incompetence and ignorance of new requirements in Europe for nuclear projects.

At the core of everything is the reluctance of those responsible to hear the opinions of experts and the decision to faithfully follow the utopian ideas of the political leadership. The postponement of this project cannot continue after 2021 - either bids will be submitted (certainly with a request for state support, which will not be accepted) or the procedure will have to be suspended by a political decision.

However, the recognition of the end of the Belene NPP experiment will lead to the calculation as liabilities of NEK's current off-balance sheet costs for the project in the amount of over 3 billion leva (1.53 billion euros), which will lead to the company's non-Slovenianness. As the leading company in the holding BEH, the bankruptcy of NEK is likely to cause shocks for other companies in the holding as well.

And for BEH and NEK, there is no other way out in case of stopping Belene's projects,

except for the sale of collateral assets to creditors and banks. This is a long and complex procedure, and it will cause extremely negative reactions in society. To this threat must be added another significant risk for BEH - the possibility of refinancing the BEH loan in the amount of 500 million euros, which was taken by the government of Plamen Oresharski in 2013, whose maturity is imminent, is becoming increasingly problematic. In the background of these pessimistic forecasts, the only possible scenario for rescuing BEH and NEK appears - to sell or transfer the assets of the Belene project and register them as the assets of the Kozloduy Nuclear Power Plant for the construction of new replacement capacities. Although this would be a complex and risky procedure, it is the only possible way out of the stalemate. The European Commission must also be consulted for such a complex procedure, due to the possibility of qualifying it as illegal state aid.

### **Misconceptions about the prospects of coal-fired power plants**

Actions, policies and promises to stabilize state-owned companies NEK, Mini Marica Istok and TPP Marica Istok 2 can be assessed as demagoguery, with urgent radical market reforms being delayed for a long time, while companies continue to sink. An absurd unconstitutional decision was made by the National Assembly on January 31, 2020 to support the Marica East complex, which is a shame for Bulgarian parliamentarism, because it is not only contrary to the market development of the sector, but also discriminatory in relation to other coal-fired power plants. And in the published draft of the new energy strategy of Bulgaria, the work of TPP Marica East 2 and the mining company is foreseen in the perspective until 2050. It is interesting what are the results of the analysis of how exactly coal production will be competitive on the market, against the background of increasingly strict European requirements for reducing carbon emissions by 55% in the period until 2030?

The goal the government wants to achieve with this strategy is clear - to please miners, unions, Russia, overseas partners and, in part, Europe. However, these are mechanically composed utopian goals, which as an integrated approach are unfeasible because they are in conflict with each other. TPP Marica Istok 2 has received several times a significant financial subsidy from BEH in the form of an increase in capital to pay for its emissions, which, although legitimate, distorts the market and leads to a predictable impasse. And it definitely increases the prices on the regulated and free market by increasing the so-called "Obligation to society". Opportunities for further support of TPP Marica East 2 from 2021 will already be completely exhausted. Experts and consumers must know that this policy leads to higher electricity prices and increased government spending.

EC signals related to the transition of the coal region prove that Bulgaria has failed and it is extremely uncertain whether the capacity mechanism will be applied, ie, if applied, it will not provide the load of thermal power plants in the Marica East complex to the extent necessary to were profitable, and thus the mines.

Also, one of the most serious risks for the liquidity of the Marica Istok mine will arise after the withdrawal of TPP Marica Istok 2, probably in 2022, when coal production in the complex is expected to fall by more than 50%. This will cause a very serious shock in the company and will probably lead to the termination of jobs and the closure of one or two of the three mines.

### **Expected earthquakes in the electricity market**

Commitments made to the EC, related to the implementation of the long-delayed reform of the wholesale electricity market from July 1, 2021, including the obligation of NEK to sell electricity on the regulated market according to the new market model, will lead to pressures on electricity prices. In parallel, the ongoing processes associated with the entry into the free market of small and micro enterprises will inevitably cause market turbulence. This will cause new dissatisfaction of industrial and small consumers outside the household category, but the opportunities to influence these processes are almost non-existent due to the fragmented market.

In 2022, another large group of consumers - households - will also have to enter the free market. This represents a very serious market reform, but the lack of readiness and short preparation period will again jeopardize the whole process and likely create space for complaints and appeals.

These events will create a combination of two negative trends - on the one hand, a wide range of negative-minded domestic and industrial consumers, and on the other - state-owned energy companies with depleted resources. This will cause the accumulation of risks of market shocks and social dissatisfaction. The importance of the government's persistent underestimation of the categorization system and measures to support energy-vulnerable households must be explicitly emphasized here. The lack of an adequate state policy regarding energy poverty is a major obstacle to the successful liberalization of the energy market, its regional integration, the creation of attractive conditions for foreign investment and, as a result, the creation of new jobs.

### **Bulgaria's "juggling" with the Green Deal will be over**

The quarrels over this important topic and the deception of thousands of workers in the coal

sector are already isolating the country, which is losing billions from the funds of the Fund for Fair Transition. Bulgaria will soon miss the last train for the conversion of certain thermal power plants from coal to natural gas, which is still acceptable, however, from 2022, financial institutions in the world will not finance either gas or nuclear projects. We must openly qualify the National Energy and Climate as wrong and with unacceptably unambitious goals. The construction of new capacities of renewable energy sources is discussed by the way, without taking into account their advantages, real possibilities and current economic advantages of distributed production that they provide.

Under these conditions, Bulgaria will have to prepare and submit to the EC in 2022 a revision of the implementation of medium-term goals according to NEKP, which will not be easy, because the EU Green Law has already entered into force and Bulgaria will have no justification for implementing such low national goals, unrealistic plans for the role of coal-fired power plants. Meanwhile, the opportunity to absorb 1.8 trillion euros from European funds and other sources will now be used by other “coal” countries.

### **The risks of the Turkish / Balkan Stream project will emerge**

This project, like NE Belene, was “conceived in sin”, during the official visit of members of the Bulgarian government to Gazprom in 2017 and the signing of the Roadmap. All attempts to find out the details of the agreements reached were unsuccessful. The official request for access to the document under the Law on Access to Public Information was denied.

It is obvious that these are agreements of the type of Russians giving gas for transit through Bulgaria, Bulgaria is building a gas pipeline at its own expense and at its own risk. And what the Bulgarian interest is, is not clear yet.

In light of these risks for the country and for Bulgartransgaz, there could be a good side - the realization of the Balkan Stream creates an opportunity for gasification of the Danube cities, the municipality of Kozloduy and the whole of northwestern Bulgaria. Unfortunately, however, this possibility was not taken into account, because according to unofficial data, switches for turning the gas pipeline to these cities are not being built. Although the Balkan Stream project is being built as an extension of Bulgaria’s gas transmission system, not as a transit pipeline for Russian natural gas.

### **Uncertain future of natural gas supply contract according to the existing scheme**

The current contract for the supply of natural gas with Gazprom expires at the end of 2022. What is the forecast for its future, there is no official information for now, and the diversification of natural gas sources is constantly being postponed.

As a result of the delay in the project of the terminal in Alexandroupolis, as well as the project of the Komotini-Stara Zagora gas pipeline, Bulgaria's position in future negotiations with Gazprom in 2022 on a new contract for the delivery of natural gas from Russia will be much more difficult.

This could be offset by Bulgaria's active policy to supply liquefied natural gas from Turkey through a regasification terminal on the Sea of Marmara. However, the Bulgarian and Turkish sides do not comment on this option, which could be realized in the short term.

### **Lack of engineering experts**

Everyone admits, but no one is doing anything to solve another critical problem - the increasingly acute crisis of lack of energy engineering experts. Until then, people without qualifications were hired for operational jobs, who passed the quickly organized retraining courses.

The state must hear repeated concerns expressed in the forums and by the management of NE Kozloduj that there is a serious problem with staff, and especially with operational workers, which could become a threat in terms of plant safety if urgent measures are not taken.

Source: capital.bg