

FLAG – Financial instrument for clean energy transition

LIFE Programme of the European Union

Grant Agreement № 101076662 –
LIFE21-CET-PDA-FLAG FICET -- LIFE-2021-CET



SUMMARY REPORT

REPORT ON THE SUPPLY OF FUNDING FOR CLEAN ENERGY TRANSITION PROJECTS





GENERAL OVERVIEW

The main objective of the report is to assess the supply of municipal financing in Bulgaria for the implementation of CET projects, as well as the experience of Fund FLAG and similar financial instruments in Europe, which will support the structuring of the innovative financial instrument FLAG-FICET.

RESEARCH TASKS

The report has been prepared as a result of the implementation of the following Tasks:

- T.2.1. Analysis of the activity of Fund FLAG with regard to the implementation of financial instruments
- T.2.2. Study of the market for CET project funding in Bulgaria
- T.2.3. Study of good European practices and experience in the implementation of CET financial instruments

within Work Package 2: Analysis of the supply and demand for CET project financing of the LIFE Project „FLAG – Financial instrument for clean energy transition“, 101076662 -- LIFE21-CET-PDA-FLAG FICET -- LIFE-2021-CET.

STRUCTURE OF THE REPORT

The report covers:

1. Analysis and assessment of grant programmes and outlining funding opportunities for municipal CET projects in Bulgaria.

The analysis and evaluation covers the three areas in which the innovative financial instrument will work, namely:

- Use of renewable energy of thermal mineral waters.
- Energy efficiency of public municipal buildings, including administrative buildings, cultural and educational institutions (schools, community centres, theatres, cultural centres, etc.), social housing, including the installation of RES on the adjacent parts of these facilities.
- Renewable energy sources (RES) for electricity production, including the possibility of projects for the construction of solar systems/parks on reclaimed municipal landfills.

Based on the information and assumptions obtained, an estimate has been made on what financial resources will be available, as well as what resources will be sought from the municipalities to ensure their own co-financing.

2. Analysis and assessment of bank financing for the green transition in Bulgaria.

The analysis covers: UniCredit Bulbank, DSK Bank, ProCredit Bank (Bulgaria), Bulgarian Development Bank (BDB), First Investment Bank, Eurobank Bulgaria (Post Bank), KBC Bank - Raiffeisenbank (Bulgaria) and United Bulgarian Bank; Commercial Bank D, Tokuda Bank, TBI Bank, Bulgarian-American Credit Bank (BACB), Central Cooperative Bank, Municipal Bank, Investbank, and Texim Bank. Products, financial instruments, strategies, measures, initiatives, etc. for sustainable development and the green transition have been reviewed.

The necessary information was collected from the websites of the respective banks, from their annual reports and statements, from their development strategies and policies, as well as through a survey of individual banks and a questionnaire.

Conclusions and proposals have been made in regard to bank financing of the green transition in Bulgaria.

3. Presentation of the experience of two Bulgarian banks in lending to municipalities.

The credit process in granting bank loans to municipalities for the implementation of investment projects has been studied on the basis of two large banks operating on the Bulgarian market.

4. Analysis and evaluation of the financing of clean energy projects by international financial institutions operating on the country's territory.

The analysis includes the Council of Europe Development Bank; European Investment Bank; the World Bank Group - International Bank for Reconstruction and Development, International Development Association, International Financial Corporation, Multilateral Investment Guarantee Agency; European Bank for Reconstruction and Development, International Investment Bank, Black Sea Trade and Development Bank, International Bank for Economic Cooperation. The report provides an overview of international finance strategies, main green products and financing conditions, potential clients, financial instruments for financing green products, and financed projects in Bulgaria.

The report is based on official information published on the websites of the respective IFIs, their annual reports and statements, their development strategies and policies. In addition, a questionnaire with 9 questions was prepared for the purpose of the analysis. The questionnaires have been formally emailed to six IFIs (BSTDB, MIB, IBEC, EBRD, World Bank and EIB). Two institutions sent back their completed questionnaires within the set deadline – EIB and IBEC.

- 5. Analysis of the financing of municipal CET projects in Bulgaria through ESCO contracts –** nature, legal framework, main clauses of ESCO contracts, financial aspects, benefits for municipalities, main obstacles and difficulties for municipalities, main barriers for ESCO companies.
- 6. Analysis and evaluation of the Fund FLAG’s experience** in the implementation of FIs, highlighting good practices, problems and obstacles to be addressed in the structuring of the innovative FI for financing CET projects. The analysis is structured based on the following logic:
- Analysis of the context within which the financial instruments under the scope of Fund FLAG’s activities are implemented.
 - Analysis of key parameters and characteristics of each financial instrument and the stages and procedures for its implementation.
 - Comparative assessment of selected key elements of the different financial instruments and recommendations for the administrative structuring of the innovative financial instrument.
- 7. Study of the experience of European programmes and funds implementing CET financial instruments.**

A review, comparative analysis and assessment of the implementation of similar CET financial instruments in EU countries has been carried out with a focus on structuring the innovative financial instrument FLAG-FICET. The approach used to determine which European funds analyze is based on the volume of support (loans contracted) and results achieved, as well as the use of a combination of resources (ESIF/national/IFIs/banks/others). The study examined financial mechanisms and projects with an innovative component, as well as similar HORIZON 2020 and LIFE PDA projects to explore good practices and opportunities for synergies.

A detailed review of financial instruments with resources from the European Structural and Investment Funds (ESIF) and other public funds for CET projects in Portugal, Greece, Lithuania, Estonia, Denmark, and Poland has been carried out. In addition to the general characteristics, specifics are given on financing, the applicable state aid regime, the assessment of project applications and pricing conditions, where available. For each of the funds, strengths have been identified, potential weaknesses are discussed (where such were identified), and a comparative analysis has been carried out on the applicability of good practices in relation to the innovative financial instrument FLAG-FICET.