

Omissions in the energy strategy disturb the investment climate



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In a previous article¹, I asked the question of whether the state is 'for' or 'against' green energy. The latest amendments to the law of April 10, 2012, as well as subsequent decisions by the State Energy and Water Regulatory Commission (SEWCR) confirmed that the state takes a stand against wind and photovoltaic power generation.

Not only the late adoption of a national energy strategy in 2011 after incentives for the green energy sector have been existing for years, but also the fact that the strategy does not provide for a smooth and predictable development of this sector, created huge administrative and organizational problems for both government and investors.

The lack of consistency among preferential prices, time limits for purchase and other terms, as well as the scrapping of the formula for preferential price formation and its replacement with the regulator's subjective discretion, often implemented more than once a year, have caused wind and photovoltaic energy projects, if nothing else, to collapse due to the dramatic decrease of preferential prices.

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These chaotic and unpredictable actions are due to the inconsistent and contradictory practice of the National Electricity Company (NEK) of approving large projects, as the government adopts their environmental plans and issues building permits without taking into consideration the capacity of the power transmission grid and without taking the requisite measures for its development and upgrade.

These failures have resulted in the excessive growth of investment in the sector, causing a number of disproportions and difficulties to the government. This process should have been regulated at the stage of initial assessment and approval for connection of new capacities, instead of doing it by placing barriers for the connection of advanced RES projects with signed contracts, which only creates insecurity and undermines the idea of a favourable investment climate.

As a matter of fact, there is still no single uniform public register of commissioned projects and pending connection projects, to ensure the much needed transparency. Thus, it is highly unlikely that anybody really knows what the real situation in the sector is.

It is very probable the same issues will soon crop up in relation to hydroelectric and biomass-fuelled power plants, for which the preferential purchase prices remain high.

The dramatic decrease of preferential prices for wind farms and photovoltaic power plants, combined with the fixing of the preferential price at the moment of commissioning and the simultaneous establishment of connection timetables with no deadline attached – it could even be the end of 2019 – will practically stop, under the present conditions, the development of this segment of the RES sector.

At the same time, a very dangerous trend, from a legal point of view, is at hand, whereby projects get their commissioning permits revoked. This constitutes inadmissible government interference in already implemented investments and places investors in a situation in which for them it becomes impossible to maintain the project.

The government should not allow and encourage discussions, or a public debate on changing the conditions for concluded and effective contracts for purchase of renewable energy, if it does not want to undermine the confidence of investors, including those in other sectors of the economy, in the applicability of the principles of rule of law in our country.

Obviously, dealing with the omissions in the energy strategy, which should anticipate and plan the development of the individual sectors and the investments in the development and update of the electricity transmission network and the whole infrastructure in accordance with the state's interests, is an indispensable priority. Otherwise, as already pointed out, the fate of wind and photovoltaic projects shall also befall water and biomass plants.

The present stage of development, however, also raises the question of whether the whole sector should continue to develop. Wind farms and photovoltaic plants open many long-term jobs in maintenance, security, cleaning, telecommunications and transport services, etc. Even with foreign investment projects, 30% of the project value

remains here and creates new products in the country, such as architectural work, the production of building materials, cables and transformers. With Bulgarian investors, the likely share is over 50%.

At the same time, all these investors significantly improve the infrastructure even without a well functioning public-private partnership, which has a very favourable impact on the regions concerned.

Last but not least, all income from interest payable on bank loans remains in the country, and domestic consumption increases.

The boom of wind and solar power plants has led to the growth of new technological consultancies specialized in the

development and construction of such power plants, and has turned our country into a regional leader in RES technologies and innovation. This is a very promising development with a potential benefit for the state, considering that the gained experience can be 'exported' to other potential markets.

There is an obvious conclusion to be made, that green energy is not and should not be anathemized – and no such implications should be made before the public – and should instead be carefully and sustainably developed.

The government should strive to do more than just achieve the 16% share for RES energy – it should aim at the potential 23% set by the EU. ■

1. World Commerce Review Volume 6 Issue 4, December 2011 http://www.worldcommercereview.com/publications/article_pdf/508

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