



Republic of Bulgaria
ECONOMIC
AND SOCIAL COUNCIL

OPINION

on

**"CHALLENGES AND OPPORTUNITIES
FACING THE EUROPEAN UNION AND BULGARIA
FOLLOWING THE PARIS CLIMATE CHANGE NEGOTIATIONS"**

(own-initiative opinion)

Sofia, 2016

The Economic and Social Council (ESC) included in its Action Plan for 2016 the elaboration of an opinion on "**Challenges and Opportunities Facing the European Union and Bulgaria Following the Paris Climate Change Negotiations.**"

The elaboration of the opinion was assigned to the Regional Policy, Sustainable Development and Environment Commission.

Mr. Dimitar Brankov - member of ESC Group I - Employers, Dr. Ivan Kokalov - member of the ESC Group II - Trade Unions, and Mrs. Dilyana Slavova - member of ESC Group III - Other Organizations, were appointed rapporteurs on the opinion.

At the plenary session, held on 31 October 2016, ESC discussed and adopted this opinion.

1. Conclusions and Recommendations

- 1.1. Months after signing the Paris Agreement on Climate Change (the Agreement), adopted at the twenty-first session of the Conference of the Parties (COP 21) under the UN Framework Convention on Climate Change (UNFCCC) in December 2015, it must be assessed soberly, its implementation subjected to reasonable debate and adequate possible solutions should be found for its adaptation to climate change.
- 1.2. The agreement ends a long period of resistance and skepticism (after Copenhagen 2009) concerning the measures to reduce temperatures and prove that global engagement and consensus between countries are possible. It is a step forward in combating climate change and making an attempt to pave the way for a global response from the international community to the challenges related to climate change.
- 1.3. ESC accepts the Paris Climate Agreement as an extremely important and necessary achievement of combating climate change and multilateral cooperation as well as progress in the efforts to determine the global course of action for integrated conservation of natural resources on the planet. The Agreement is an ambitious, balanced and moderate attempt to accelerate the transition to a climate resilient global economy.
- 1.4. ESC welcomes the national designated contributions from 187 countries at COP 21, and their efforts for comprehensive and collective global action to combat climate change.
- 1.5. At the same time, however, the Agreement is characterized by the absence of specific provisions and contains texts that are insufficiently clear, making rather wishful statements, rather than stipulating legal obligations.
- 1.6. ESC calls on the European Union (EU) and its Member States, who are engaged together with other partners in a broad "coalition of high ambition", to include in this coalition and rely on organized civil society comprising employers, trade unions, environmental, consumer, farmers, social and other organizations.
- 1.7. ESC proposes the creation of a European platform for dialogue and exchange between all stakeholders from the civil society and supports the EESC's proposal¹ to build a "coalition between politicians, administration and civil society" to "cover a wide range of possible strategies of civil society to mitigate climate change".

¹ The EESC (NAT / 684, 2016) - "Coalition to deliver commitments of the Paris Agreement"

- 1.8. ESC believes that the Agreement should help the global transformation towards economies with near-zero levels of carbon dioxide and other greenhouse gases as well as allow countries to achieve greater flexibility to deal with the problem. At the same time, all countries should make efforts to assist vulnerable groups and ecosystems that are already faced with inevitable negative impacts of climate change.
- 1.9. ESC emphasizes the need for the transition to a low carbon economy at the national level to be smooth and gradual, without massive pressure on the labour market, employment and income, the prices of consumed energy, investment in new carbon-free power generation facilities, the potential for economic growth and improved competitiveness. The effective national and responsible management of this transition is one of the biggest challenges in the coming years, which implies consultation and coordination with key stakeholders, incl. social partners.
- 1.10. The Agreement is only the beginning of a long journey. All stakeholders - NGOs, business and citizens - need to act together in order to bring this Agreement into concrete action.
- 1.11. At the same time, the Agreement contains a number of open questions which need to be resolved during the next annual climate conference to be held in November 2016 in Marrakech, Morocco.
- 1.12. Policy change, with time framework to 2030, and a more distant horizon at the global and EU level, requires the serious attitude of participating countries in defining their national contribution. This process is yet to come and the ESC calls on the responsible authorities to take appropriate action so that civil society representatives may participate actively in it by submitting basic information and includes specific proposals and initiatives.
- 1.13. ESC expresses its common position that against the backdrop of changing climate and in the context of the Paris Agreement, the role of individual citizens and civic organizations will be essential for the implementation of concrete solutions in enterprises, cities, municipalities and regions. It is necessary to understand that civil society has a huge potential to address the problems of climate change in the world and has the potential for contributing effective innovative solutions at the local level.
- 1.14. ESC emphasizes that in reality the Agreement does not change anything for the EU. The objectives that Europe has set in Paris are not new and are provided in the "A

policy framework for climate and energy in the period from 2020 to 2030" adopted in October 2014 by the European Council.

- 1.15. At the same time, ESC believes that Bulgaria needs a new sound, long-term energy strategy and an adequate strategy for adapting to climate change, developed with the participation of civil society and all stakeholders.

2. Introduction

- 2.1. From 30 November to 12 December 2015 Paris hosted the 21st session of the Conference of the Parties to the UN Framework Convention on Climate Change and the 11th session of the Meeting of the Parties to the Kyoto Protocol (CMP 11).
- 2.2. On 12 December 2015 the parties reached a new global agreement in the field of climate change. It is a balanced result of the efforts of all participating countries and contains an action plan to curb global warming far below 2°C.
- 2.3. The Paris Agreement was opened for signature in New York on 22 April 2016 and will remain open for one year until 21 April 2017, then each signatory must carry out the procedure for ratification by parliament. The Agreement will enter into force 30 days after at least 55 countries, responsible for at least 55% of global greenhouse gas emissions, have successfully completed this procedure at the national level. One hundred seventy-five countries, including Bulgaria, have signed the Paris Climate Agreement at the UN Headquarters in New York.
- 2.4. ESC is pleased to note that in October the European Parliament approved the Agreement and its ratification by the EU². As a result, by 5 October 2016 it was joined 72 countries which account for almost 57% of global emissions of carbon gases, which means that the climate agreement will enter into force on 4 November 2016- in time for the Climate Change Conference (COP 22) in Marrakech, 7-18 November 2016.

3. Essence of the Agreement

- 3.1. Paris Agreement is the first of its kind universal, legally binding global agreement on climate issues based on EU priorities. It is a framework for decisive acceleration of the global transition to sustainable low-carbon future, as a reaction to climate change, and contains substantive provisions for financial and technical support to

² A8-0280 / 2016 - draft Council decision on the conclusion, on behalf of the European Union, of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change (12256/2016 - C8-0401/2016 - 2016/0184 (NLE))

meet the needs related to the adaptation, loss and damage resulting from climate change.

3.2. The agreement is a balanced result and contains an action plan to curb global warming, the goal is for all countries to reduce their greenhouse gas emissions to levels that will help limit global warming to 2° Celsius.

3.3. The main elements of the Paris Agreement³ include:

- long-term goal: governments have agreed to limit the rise in average global temperature to well below 2°C, compared to pre-industrial levels and to pursue more ambitious goal - to 1,5°C;
- contributions: before and during the Paris conference countries have presented comprehensive national action plans on climate in order to reduce their emissions;
- ambition: governments agreed to report every five years their contributions and possibly set more ambitious targets;
- transparency: governments also agreed to render accounts to each other as well as the public about how they cope with the objectives in order to ensure transparency and oversight; a uniform credible framework for accountability is to be developed;
- solidarity: the EU and other developed countries will continue to provide financing climate support to developing countries to enable them to reduce their emissions and build resilience to the impacts of climate change. An annual ceiling for funding of USD 100 billion is set for the period until 2020.

3.4. On 6 March 2015 the European Union and its Member States have announced their planned national contribution, which involves binding reduction target of at least 40% of domestic emissions of greenhouse gases by 2030 as compared to the levels of 1990 - stated in the conclusions of the European Council of 23 October 2014 on the framework for policies on climate and energy by 2030.

4. Problems and challenges after COP 21

4.1. Limiting global warming below 2°C

³ The text of the Agreement is available on the UNFCCC

4.1.1. The most unclear part of the Paris Agreement remains the one concerning the actions that states must take to reduce their greenhouse gas emissions. What at first glance seems impossible is the long-term goal to limit global warming to 1.5°C. According to experts, if the current trajectory persists, the world probably will not even reach the goal of 2°C. The Paris Agreement does not contain a strategy to achieve such a high goal, but the meaning is actually symbolic. This means that the world recognizes the risks of climate change for small island states. The inclusion of the target of 1.5° C serves as a reminder that there is no "safe level" of global warming and the international community should become engaged.

4.1.2. Article 2 of the Agreement provides for "efforts" to be taken to limit the temperature rise to a maximum of 1.5°C, but the only stated political intention is to neutralize the threat of climate change is keeping the temperature rise *"to no more than 2 degrees compared to pre-industrial levels"*. Of the 195 countries participating in the conference 186 have already announced measures to limit or reduce greenhouse gas emissions by 2025 to 2030. The problem is that despite the planned measures, according to various estimates, the temperature will rise by 3°C.

4.1.3. Another controversial element is the review every five years of national plans to curb global warming. In 2018 a special report of the Intergovernmental Panel on Climate Change (IPCC) will be presented, on the basis of which a plan will be developed on how to reach the result of 1.5°C, while the 195 countries will be invited to take appropriate decisions. The first mandatory review is scheduled for 2023, which is too far ahead in time.

4.1.4. The lack of concreteness in the Agreement is evident in Article 4, paragraph 1, which calls for the timid *"global reduction of greenhouse gas emissions as soon as possible"*. So vague terminology is unusual for an agreement of this scale and demonstrates a lack of adequate planning. The conditions for offsetting losses and damages resulting from the agreement **are also unclear.**

4.2. Financial support for developing countries

4.2.1. As early as 2009 industrialized countries committed themselves to providing funding for developing countries amounting to USD 100 billion by 2020 needed to switch to cleaner energy and to address the damage caused by global warming, as they will be the first victims of pollution and "desertification". Developing countries insist that they should be joined in this action by countries like China,

South Korea, Singapore and the oil-producing countries. The wording of the text remains vague and too general, confirming the commitment of developed countries and "encouraging" other countries to support the fund through voluntary donations.

4.2.2. The assistance to irreversibly affected by climate change countries also remains unclear. The fact that this issue is placed on a sufficiently broad international footing is a successful step in the support of such countries, yet there is great uncertainty about the sources and mechanism of distribution of future aid for them.

4.2.3. Further ambiguity is raised by Article 15 of the Agreement which proposes the creation of an "*Expert Committee*" for implementing and compliance with the Agreement, but does not provide for any powers of this Committee, except clarifying uncertainties under the Agreement.

4.3. **Towards renewable energy**

4.3.1. ESC notes that the Agreement is accepted with moderate satisfaction and cautious optimism by stakeholders who continue to be concerned with whether the direction taken is correct, but it is necessary to involve all of them and implement the decisions in practice. The Agreement may within several decades bring the use of fossil fuels down to a minimum. ESC believes that the increased use of renewable energy sources (RES) after 2020 It depends on three factors: strong political commitment, adaptation of the market, and creating financial instruments that can ensure income stabilization and reduction of the risk for investors.

4.3.2. In recent years dynamic development has been observed in the market for shifting from coal and oil as sources of energy to the so called clean energies (natural gas, solar, wind, etc.). According to UN studies, limiting the use of coal and stemming the rise in temperature would cost one trillion dollars annually. According to estimates by the International Energy Agency, over the next 10 years renewable energy will attract 59% of investments in the energy sector, while for the period 2026-2040 these investments will reach 75%. This both increases the cost of producing electricity and becomes a challenge for the economies of developing countries.

4.3.3. Proof of this process is the fact that in 2015 the world for the first time invested more in renewable energy sources than in conventional ones. Indeed, the sum of

USD 286 billion invested in renewable energy in 2015 surpassed the last record of USD 278.5 billion invested in 2011 according to Bloomberg⁴.

4.3.4. International Energy Agency⁵ data show that global carbon dioxide emissions from the energy sector were 31.1 billion tonnes in 2015 and have been maintaining approximately the same level since 2013 so far. According to a study of the World Resources Institute⁶ - More than 20 countries including Bulgaria, reduce annual greenhouse gas emissions, while also showing growth. Between 2000 - 2014 emissions in Bulgaria fell by 5%, while GDP growth was 62%.

4.4. Changes in the labour market

4.4.1. ESC notes that the process of transition to a low or zero level of carbon emissions requires large investments and involves changes in the labour market. These challenges require joint efforts on part of the EU and Member States for taking measures to protect the people facing the social impact of these changes, especially in terms of job losses. In this regard, ESC joins the European Economic and Social Committee (EESC)⁷ in the proposal not only to establish a European Energy Union, but also to initiate a European energy dialogue to ensure that civil society across the EU will continue to participate in the transition to an economy and a society with low carbon emissions.

4.4.2. At the same time, ESC believes that it is necessary to account for the fact that the so-called "polluting industries" provide jobs and income for thousands of families in many EU countries and therefore the transition process should be accompanied by a social plan.

4.4.3. ESC emphasizes the need for equitable restructuring of the labour market resulting from the Agreement of Paris and the development of a new economic model involving the creation of high quality jobs. ESC joins EESC in its position⁸ that this can be achieved "robust social dialogue, as well as via collective bargaining with the participation of employers, in conjunction with substantive measures and activities such as continuing education for employees to allow them to gain the new

⁴ Bloomberg New Energy Finance, 2011.

⁵ www.iea.org

⁶ World Resources Institute, January 2016 – After COP 21: What needs to happen for the Paris Agreement to take effect?

⁷ Speech by EESC President Dassis during the 513th plenary session of the EESC.

⁸ EESC opinion (NAT / 684, 2016) - "Building a coalition to implement commitments under the Agreement of Paris"

qualifications that are necessary for the energy and ecological transition, and also in conjunction with measures to strengthen social security systems". On the other hand, it is necessary to create a favourable framework for the process. Only then can civil society actors compensate for "losses in employment and competitiveness in some sectors – inevitable during a transformation – and enable social, sustainable and inclusive economic growth".

5. The situation in Bulgaria

- 5.1. For Bulgaria climate policy is the responsibility and obligation to find balance in development, without causing irreparable damage to nature, using the maximum available financial tools to create new jobs and use the best available technology.
- 5.2. It should be noted that the Paris Agreement set new requirements for Bulgaria, beyond those that our country has already undertaken as a member of the EU in relation to the climate-energy legislative package. The framework until 2030 (adopted in October 2014) brings together various policy objectives in the field of climate and energy, including: security of energy supply, competitiveness of the economy through an approach based on high technology and cost efficiency of expenses and resources, reducing greenhouse gas emissions, etc.
- 5.3. ESC believes that improving energy efficiency is a good niche for development for Bulgaria. Investments in energy efficiency and carbon-free energy facilities may be contributing to the overall policy - to be socially acceptable and without negative impact on employment and price increases. This approach must be reflected in the preparation of the new energy strategy with the active involvement and consultation with the expert community of stakeholders. It is necessary to ensure the necessary conditions for the development of a modern, efficient, green economy based not on expensive imported fuels but on local renewable resources. Such a model would be appropriate for the economic development of Bulgaria and in line with the objectives of the most ambitious countries in shifting to low carbon economy. The strategy should provide protection for sectors at risk of "carbon leakage". It is necessary to create conditions to safeguard our economy, so that it could develop without allowing its climate policy to have a negative impact on its competitiveness, employment and social acceptability of prices.
- 5.4. The new energy strategy should be developed and adopted with maximum support by the National Assembly in search of opportunities for the implementation of new technologies related to the capture and respectively the storage of emissions and opportunities for increasing the efficiency of the respective plants in direction to

preserve, to further develop and improve upon everything that exists in the sector at present.

5.5. Bulgaria participates actively in the overall efforts to mitigate climate change and adapt to the current changes, as well as in the European trading scheme for greenhouse gases (EU ETS), with 127 installations throughout the country.

5.5.1. The Republic of Bulgaria ranks high in the world in terms of cuts in greenhouse gas (GHG) emissions by 53.7% from the 1988 baseline as per the so called Kyoto Protocol due to the massive closure of a major part of the constructed industrial power plants.

5.5.2. ESC notes that during this period employment decreased by over 40% (a net loss of about 2 million jobs), and the population decreased in total by over 20%. There is a significant decrease in the available energy facilities, including installations with zero GHG emissions and low competitive prices (Nuclear Power Plant).

5.5.3. Financing of projects under the mechanisms of the Kyoto Protocol and the EU, and provided partial compensation for the period 2008-2012, as well as by 2020, cover an extremely modest scale of sustained economic and social losses. ESC also notes that unlike the Czech Republic and Poland, Bulgaria managed to achieve a significant part of the available emissions rights and huge quantities of the so called Assigned Amount Units (AAU).

5.5.4. As a result of our policy of accelerated introduction of electricity capacity from RES, the national target of 16% share of renewables in final energy consumption was already reached in 2012 instead of in 2020. Early achievement of the RES targets has been facilitated by legislation adopted and guaranteed extremely high purchase prices, at certain times exceeding more than 20 times the price of carbon-free energy produced by nuclear power plants. This involves substantial increases in the price of energy for industrial purposes and worsens the long-term prospects for the industry and the competitiveness of the Bulgarian economy. At the same time, significant losses and liabilities have been incurred in structuring companies in the energy sector.

5.5.5. ESC is concerned the current National Energy Strategy, adopted in 2011, employs the extremely passive macroeconomic approach of the widely criticized

in the EU PRIMES (Price-Induced Market Equilibrium System) model⁹ developed by Technical University of Athens.

5.5.6. Bulgaria's energy strategy is based on an unambitious scenario for average annual GDP growth of under 2.5% growth in intermittent renewable capacities, as well as extremely ambitious and unattainable targets for reducing overall energy intensity, not corresponding to existing technological capabilities and the structure of energy consumption in industry, transport and households. This approach involves very high expectations from innovation and investment in new energy capacities and achieving expansive growth. At the same time, the total energy consumption in households is twice lower than the comparable average household in the EU and no substantial change is expected in the long run.

5.6. ESC calls to protect national positions for sensible reform of the European scheme for trading greenhouse gases, because our production is oriented predominantly in small and medium enterprises. It should not be forgotten that a major part of the electricity capacities is based on local production of low-grade coal and their closure poses a risk of dependence on external energy suppliers. Currently Bulgaria's energy dependence is 33 per cent against the European average of 54 percent. In this regard, ESC believes that our efforts should be focused to achieve a common goal - secure jobs and guarantee an equitable transition to a low carbon economy.

5.6.1. The current European trading scheme for greenhouse gases creates for EU Member States worse business conditions incl. the so-called carbon leakage and added value leakage to countries outside the EU. Moreover, workers in state owned enterprises cannot compete, or face serious difficulties, in local markets, markets outside the EU and the stock exchanges with producers from third countries (producers of cement, ceramics, chemical products, metallurgy, etc.). Operators from affected sectors are faced with significant problems or will be unable to achieve the projected reductions of 40% by 2030 as compared to 2010 and the stated intentions for reductions of 80-95% by 2050. The threat to restrict and/or terminate the operations of a number of industries even in the short term is very real.

5.6.2. ESC calls on Bulgaria, within a single EU position, to insist on:

- sharing responsibility for climate change among all participants using identical target indicators comparable reporting of future reductions;

⁹ <http://ec.europa.eu/environment/archives/air/models/primes.htm>

- differentiated approach to countries that have already achieved a significant reduction of greenhouse gas emissions in the period 1990 to 2010, respectively 1988 /base year for Bulgaria/;
- taking into account the significant technological progress improving energy efficiency and reducing the carbon intensity of installations in a number of sectors - incl. chemical industry, metallurgy, etc., using generally accepted standards for energy and carbon based on the so-called best available techniques.

5.6.3. In this respect a balance within the EU to implement the objectives and stated long-term intentions of the Framework Convention on Climate Change should take into account previous contributions of countries with the most significant reductions in greenhouse gases. According to ESC, the national position should reflect as much as possible the interests of operators in the energy and industrial sectors and the need to overcome the so-called energy poverty in households and reach the average levels of energy consumption of households in the EU in the foreseeable future.

5.6.4. At the same time, it is necessary to urgently reconsider the use of the PRIMES model, used by the EC to predict the long-term GDP growth, energy consumption and GHG emissions of EU Member States, which is subjected to repeated criticism from members of the expert community and the European industry.

5.6.5. ESC calls for immediate steps to accelerate the preparation of a new National Energy Strategy and to update of the National Plan on Climate Change, in connection with the changes in the EU ETS and declared unilateral commitments by the EU prior to the UN Conference on Climate Change - Paris 2015.

5.7. ESC notes that in the end of 2015 Bulgaria has successfully completed the implementation of the National Green Investment Scheme (NGIP).¹⁰ Under this scheme the National Trust Eco Fund spent for energy efficiency projects of 90 public buildings in 39 municipalities in Bulgaria 32 million BGN The achieved reduction of greenhouse gas emissions amounts to over 484 thousand tonnes CO₂/equivalent. Moreover, in 2015 15 million BGN were invested in similar projects, while in 2016 14 million were allocated to the National Trust Eco Fund BGN for projects to improve the energy efficiency of municipal and state

¹⁰ <http://www.moew.government.bg/?show=top&cid=5>

infrastructure. Besides, a pilot scheme was launched for the first time in the country providing 1 million BGN to stimulate public institutions to buy electric or hybrid cars.

5.8. It is also necessary to prepare an adequate national strategy for adaptation to climate changes our country falls into one of the risk affected regions of the world. In this regard, ESC supports the development of a draft National Strategy for Adaptation by 2030, initiated by the Ministry of Environment and Water. It should outline the adaptation measures to be taken in each sector of the Bulgarian economy in order for Bulgaria to react adequately to advancing climate change. ESC believes that the mechanism for the preparation of this strategy is to ensure the active participation of all stakeholders._

5.8.1. The strategy should include a set of adequate actions that lead to minimizing the risks of more frequent extreme weather events, to increasing the awareness of citizens, to finding the right direction for the management of risks and opportunities for prevention, but at the same time it should be conducive to the development of various sectors of the Bulgarian economy.

5.8.2. ESC expresses its conviction that joint efforts of all stakeholders, and the media should be directed to the formulation and implementation of concrete measures to address the effects of climate change, both at the national and at the local levels, contributing to tackling with them on a regional, European and international scale.

In conclusion, ESC states that the Paris Agreement leaves open a number of technical issues concerning its implementation. These include detailed provisions on transparency and accountability, low-carbon strategies by 2050, actions following up on the Lima-Paris Action Plan, and other specific mechanisms. Therefore, ESC deems necessary that the forthcoming COP22 meeting, to be held in November 2016 in Marrakech, should demonstrate progress on these issues.

(signed)

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