



Republic of Bulgaria  
ECONOMIC  
AND SOCIAL COUNCIL

OPINION

**on:**

**THE EC LEGISLATIVE INITIATIVE "FIT FOR 55" IN THE  
BULGARIAN CONTEXT**

**(own-initiative opinion)**

**Sofia, April 2022**

The action plan of the Economic and Social Council for the first half of 2022 includes the preparation of an own-initiative opinion on the topic: "The EC Legislative Initiative "Fit for 55" in the Bulgarian context".

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

Dobri Mitrev - BIA, from group I, Ognyan Atanasov - CITUB, from group II and Ina Agafonova - VPF, from group III were appointed as rapporteurs.

At joint meetings of the two commissions on 29 March 2022 and on 12 April 2022 the draft opinion was adopted.

At its plenary session, held on 26 April 2022, the Economic and Social Council adopted this opinion.

List of abbreviations used:

GDP	Gross Domestic Product
DHW	Domestic hot water
RES	Renewable energy sources
EC	European Commission
EU	European Union
EU ETC	European greenhouse gas emission allowance trading scheme
LULUCF	Land use, land use change and forestry
ESC	Economic and Social Council of the Republic of Bulgaria
CoM	Council of Ministers
SMEs	Small and medium-sized enterprises
MFF	Multiannual financial framework
NEEAP	National Energy Efficiency Action Plan
NECP	National Energy and Climate Plan
NSI	National Statistical Institute
UN	United Nations
CAP	Common agricultural policy
GG	Greenhouse gases
RV	Road vehicles
ETS	Emissions Trading Scheme
COP26	26th Conference of the Parties to the United Nations Framework Convention on Climate Change
NGEU	Next Generation EU Mechanism
OGMP 2.0	Framework to monitor, report and reduce methane emissions

## 1. Conclusions and recommendations

1.1. Bulgarian entrepreneurs, workers and employees, representatives of civil society support the ambitious goals of the package of proposals "Fit for 55", taking into account the scale of the new challenges to the economy, society, its institutions and management strategies and mechanisms. The widespread development of low-carbon and renewable energy sources, hydrogen and alternative fuels, and increased energy efficiency continue to be important elements in the response to the energy crisis. However, it is of the utmost importance that our economy remains efficient, and this requires a review of the timelines for realistic energy and climate policies, avoiding sudden disruptions in energy supplies.

1.2. Considering the ambitious goals set by the "Fit for 55" package of proposals, it should be noted that Bulgaria has taken the place of a global leader in reducing greenhouse gas emissions, over 60% compared to the base year 1988 under the Kyoto Protocol, which is realized at an extremely high economic, social and demographic price, namely - lower than the potential GDP growth of about 20%, employment decline of over 30% and population size of over 27%. Over the same period, the EU has reduced its greenhouse gases by 20% compared to the base year 1990 under the Kyoto Protocol, increasing GDP by more than 60%.

1.3. ESC reports that the package "Fit for 55" will strengthen the effect of current measures to reduce carbon emissions in the energy sector by updating the objectives set in the Integrated Energy and Climate Plan of the Republic of Bulgaria until 2030. The National Recovery and Resilience Plan introduces updated short-term goals, which are an additional challenge for the sector. In the absence of a National Energy Strategy, finding the balance between the need to overcome the challenges to the economy and households and to take advantage of the new opportunities provided by new technologies for the development of national supply chains requires significant improvement of interaction with social partners and long-term planning at the national and regional levels.

1.4. ESC notes that the proposed package "Fit for 55" contains special financial instruments to ensure a fair transition, including the proposed new Social Climate Fund. At the same time, the expansion of the emissions trading system, especially with regard to buildings and transport, is a significant challenge to our country. In this regard, ESC emphasizes that the slow pace of implementation of energy efficiency measures in our country stems from the relatively limited investment opportunities of the population. It is imperative that the measures contained in the Recovery and Resilience Plan to finance the energy efficiency of the building stock and the production of energy from renewable sources in single-family buildings and multi-family buildings be developed with additional financing mechanisms based on the definition of "energy poverty" for households.

1.5. ESC notes that the package of proposals "Fit for 55" builds on the need for short-term investments to overcome the negative impact of the crisis caused by COVID-19 on jobs, incomes and enterprises, including in the sectors covered by the EU Emissions Trading System. To this are

already added the effects of the war in Ukraine and the related new challenge of reducing dependence on supplies from Russia and changing the resource base. The planned measures for the construction of RES capacities in our country by 2030 have the potential to provide significant growth in electricity production, but they alone are not enough. Taking into account the forthcoming limitation of electricity production from coal-fired power plants and the trends for general increase of electricity consumption, it is necessary to plan additional measures, including measures for the development of the national hydro potential and for the construction of a new nuclear power plant.

1.6. ESC draws attention to the fact that making commitments for more ambitious goals requires ensuring adequate funding. Funding under the National Recovery and Resilience Plan, as well as the funds from the Social Climate Fund are extremely insufficient to take effective measures in all areas, which is why it is necessary for the state administration to intensify the use of special EU funds - from the Modernisation Fund and the Innovation Fund.

1.7. ESC points out that due to the high share of energy vulnerable consumers, the increase in the speed for withdrawal of allowances from auction sales is not supported. It is of particular importance for Bulgaria to maintain the allocation of free allowances for as long as possible within the European Emissions Trading Scheme for industry and to ensure its competitiveness. ESC supports Bulgaria's position that the Carbon Border Adjustment Mechanism should be a complementary instrument to protect against carbon leakage, and not replace the free allocation of allowances.

1.8. ESC recommends that the incentives for the development of RES should be given priority to the development of conditions for the construction and connection of small installations close to consumers, including supporting households and industry to meet their own needs; supporting municipalities and industrial zones for the development of local production and consumption systems (energy cooperatives); as well as general support for the development of distribution networks for the introduction of smart grid technologies and distributed generation.

1.9. ESC emphasizes the potential of green hydrogen and synthetic fuels for the efficiency of industrial processes in which electrification is not possible, including today's energy-intensive industries, and therefore supports the promotion of renewable and low-carbon gases to decarbonize these sectors and increase system flexibility and increasing security of supply by reducing dependence on natural gas imports.

1.10. ESC notes that energy efficiency is a key area of action without which a complete decarbonisation of the economy cannot be achieved, and the renovation of buildings has widely recognized positive economic impact and should continue to be supported simultaneously with the implementation and use of more efficient heating and air conditioning installations.

1.11. ESC supports the application of the principle of technology neutrality as a cornerstone of climate policy, as well as the restructuring of EU's legal framework for taxation of energy products and electricity and recommends that it be done predictably, with the growth of fuel taxation being

stepped in the coming years to ensure a smooth transition for households and industry through cost planning and predictability.

1.12. ESC recommends that excise rates on fuels that are defined as transitional (e.g. LPG) and lower emissions be revised, setting a longer transition period for them and focusing on low-emission fuels as a significant tool for reducing of harmful emissions.

1.13. ESC welcomes the proposal to amend Regulation (EU) 2018/841 on the sector of land use, land use change and forestry (LULUCF) to increase the contribution of the LULUCF sector to the new ambition in the field of climate for 2030 as part of the "Fit for 55" package.

1.14. ESC recognizes the role of the LULUCF sector in climate change mitigation, as well as the importance of forests as carbon sinks, while it is necessary to take into account national specifics in determining the overall framework and individual targets.

1.15. ESC recommends the creation of a single European methodology for setting benchmarks and monitoring, as the process of establishing forest reference levels for each Member State revealed challenges behind the application of this complex reporting rule caused by shortcomings in national systems for monitoring and reporting.

1.16. Recognizing that forests in the EU differ significantly and there are no universal solutions, ESC emphasizes that forest management and planning can best be considered at the national level in order to contribute to the maximum achievement of the common goals.

1.17. ESC shares the framework position<sup>1</sup> regarding the expressed skepticism towards the proposal in Article 12 of the LULUCF Regulation, concerning the general flexibility, namely to eliminate the possibility for "banking" of surpluses at the end of the period 2021-2025. The negative effects of climate change on forests in this period as well must be taken into account, incl. the damage caused by pests, forest fires and other natural and anthropogenic factors. At the same time, ESC supports the planned new mechanism for land use flexibility for the period 2026-2030 (Article 13b).

1.18. ESC emphasizes that the increased ambition must be accompanied by more effective flexible mechanisms, taking into account the specifics of the sector. These mechanisms are of great importance for our country, especially in terms of cost efficiency. ESC recognizes that they should be further developed. It is important for Bulgaria to maintain the flexibility between the LULUCF sector and the sectors outside the emissions trading scheme.

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<sup>1</sup> FRAMEWORK POSITION ON: Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2018/841 to include greenhouse gas emissions and removals from land use, land use change and forestry in the climate and energy framework by 2030 and to commit to collectively achieving climate neutrality by 2035 in the land use, forestry and agriculture sectors and (EU) 2018/1999 in terms of improving monitoring, reporting, follow-up and review. INTERINSTITUTIONAL FILE NUMBER: 2021/0201 (COD).

1.19. ESC welcomes the proposals at the EU level for the creation, as of 2031, of a single land sector, combining net removals in the sector of the LULUCF and agricultural emissions, excluding CO<sub>2</sub>, and the goal of climate neutrality for the combined sector in 2035.

1.20. ESC recognizes that ensuring a smooth transition to greener agricultural practices must continue in the period 2023 - 2027 through policies and targeted funding, paying particular attention to supporting sustainable farms and small family eco-farmers who pursue important socio-environmental goals.

1.21. ESC recommends that pilot initiatives should be developed at the local or regional level in order to gather experience and strengthen carbon farming. This will improve the design aspects of the instruments, in particular carbon sequestration certification, and increase stakeholders' knowledge and understanding of their potential benefits.

1.22. ESC draws attention to the need for regular and effective work at the national level of the Consultative Council on the European Green Deal, and in particular on the package of proposals "Fit for 55". Considering that the Council facilitates the exchange of information between the social partners, public authorities, the research community, it is recommended that its work should be structurally supported by relevant analyses, structured information and conclusions on the consequences of the transition to climate neutrality by specialized working groups that expertly cover the main sectoral policies and priorities, as well as the Institute for Sustainable Transition and Development established for this purpose.

1.23. ESC draws attention to the need for coherence between the measures constituting the package of proposals "Fit for 55" and an assessment of their cumulative effect in terms of employment, investment and additional costs by economic sectors.

## **2. Content and goals of the legislative initiatives from the package "Fit for 55" of the EC**

2.1. The first package of proposals "Fit for 55" was presented by the European Commission on 14 July 2021, supplemented by a second package of proposals of 15 December 2021. The legislative package aims to align the EU's climate and energy policy framework with its new 2030 climate target to reduce net greenhouse gas emissions by at least 55% in the whole economy and to direct it towards the goal of climate neutrality by 2050 through a socially just, competitive and environmentally friendly transition.

2.2. According to the European Climate Act<sup>2</sup>, greenhouse gas emissions and removals across the European Union must be balanced within the Union by 2050 at the latest thanks to the collective efforts of the Member States. The Union's binding climate target for 2030 is to reduce net domestic greenhouse gas emissions (emissions after deduction of removals) until 2030 by at least 55%

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<sup>2</sup> Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing a framework for climate neutrality and amending Regulations (EC) № 401/2009 and (EU) 2018/1999 - <https://eur-lex.europa.eu/legal-content/en/TXT/?Uri=CELEX%3A32021R1119>

compared to 1990 levels. Energy consumption accounts for 75% of EU emissions<sup>3</sup>, so transforming the energy system is key to achieving the 2030 milestone.

2.3. ESC underscores the complex nature of the proposed package of legislative initiatives, which covers, inter alia, renewable energy sources, energy efficiency, land use, energy taxation, CO2 emission standards for light commercial vehicles, the distribution of efforts and the EU Emissions Trading Scheme (EU ETS) and will be implemented as part of the update of integrated national energy and climate plans.

2.4. ESC recognizes that the package of proposals "Fit for 55" to achieve the EU's climate goal by 2030 on the path to climate neutrality, the use of more energy from renewable sources and the realization of greater energy savings are supported. It sets the price of carbon emissions for more sectors and emphasizes the taxation of energy sources in accordance with the set goals in the field of climate and environment. In particular, the following legislative initiatives are directly applicable to the energy sector:

- The updated **Renewable Energy Directive** proposes to increase the overall binding target for the use of energy from renewable sources in the EU energy mix from the current 32% to a new level of 40%, making the energy system cleaner and more effective, but also by expanding their participation in satisfying final consumption by promoting electrification.
- In preparing the **Directive on common rules for the internal markets in renewable and natural gases and in hydrogen**, it is estimated that the share of gaseous fuels in total EU energy consumption in 2050 will be about 20%, with biogas, biomethane, hydrogen from renewable sources and low-carbon (low-carbon) hydrogen, as well as synthetic methane (all together renewable and low-carbon gases) accounting for about 2/3 of my gaseous fuels for energy 2050, with the rest going to be natural gas from fossil fuels with carbon capture, storage and use (CCS/U). In particular, hydrogen is expected to be used mainly in areas where electrification is not possible, as well as in energy-intensive industries (e.g. refineries, fertilizer and steel production) and some heavy goods transport sectors. The aim of the Directive is to decarbonise these sectors by promoting renewable and low-carbon gases, to increase the flexibility of the electricity system (thanks to power-to-X technologies), to increase security of supply by reducing dependence on natural gas imports. and to allow for accumulation.
- More substantial attention is also paid to methane as a greenhouse gas through the proposal for a **Regulation to reduce methane emissions in the energy sector** in line with the adopted in 2020 EU methane strategy as part of the European Green Pact. It is also in line with the joint EU / US initiative and the 26th UN Climate Change Conference (COP26), in which more than 100 countries have pledged to reduce their collective methane emissions by 30% by 2030 (compared to 2020 levels)<sup>4</sup>. A new legal framework for measuring, reporting and verifying all energy-related methane emissions is being established, based on the Oil and Gas Partnership methodology (OGMP 2.0);

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<sup>3</sup> Communication from the EC "Fit for 55", COM (2021) 550, 14.7.2021 - <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021DC0550>

<sup>4</sup> EC - Methane emissions - [https://energy.ec.europa.eu/topics/oil-gas-and-coal/methane-emissions\\_en](https://energy.ec.europa.eu/topics/oil-gas-and-coal/methane-emissions_en)

an obligation to detect and eliminate leaks in all fossil gas infrastructure as well as any other infrastructure that produces, transports or uses fossil gas, including as a raw material; revision of the **Industrial Emissions Directive** with regard to the refining of crude oil and gas.

- The revision of the **Energy Efficiency Directive** proposes to increase the level of ambition of the energy efficiency targets at EU level and to make them mandatory, which should lead to a further reduction in energy consumption by 2030 with a new 9% compared to the baseline forecasts.

- The increase in the environmental contribution of the EU Emissions Trading Scheme (EU ETS), as set out in the amendment to the **Directive establishing a scheme for greenhouse gas emission allowance trading within the Union**, implies, first of all, an adjustment of the total number of (upper limit) of allowances issued under the EU ETS. However, the lower amount of allowances available on the market affects other pillars of the EU ETS and the price of carbon emissions. This reduction affects key principles such as the need for market stability, protection against the risk of carbon leakage, the carefully balanced distribution of effects between Member States, the availability of funds for increased investment needs in low-carbon technologies, and the need to address distribution and energy poverty. In connection with the more ambitious climate plans, the transport sector is identified, which has significant potential for economically effective cost reduction. The buildings sector currently emits directly and indirectly 36% of energy-related greenhouse gas emissions in the EU and also has great potential for cost-effective emission reductions. More than half of these emissions are already covered by the existing ETS, in particular the supply of electricity for building consumption and most of the central heating emissions. However, many homes are still heated by outdated systems that use polluting fossil fuels such as coal and oil.

2.5. In addition, ESC notes that the package of proposals "Fit for 55" covers the need for short-term investment in order to achieve a fair and sustainable recovery and overcome the negative impact of the crisis caused by COVID-19 on jobs, income and businesses, including in the sectors covered by the EU Emissions Trading Scheme. The effects of the war in Ukraine are compounding this, including through:

- **Directive to strengthen cost-effective emission reductions and low-carbon investments**, which creates a market stability reserve to address the structural imbalance between supply and demand for emission allowances on the market and improve the resilience of the EU ETS to major shocks.

- The revision of the **Energy Taxation Directive** proposes that the minimum tax rates for heating and transport fuels be brought in line with the EU's climate and environmental objectives, while mitigating the social impact.

- The envisaged measures for decarbonisation of the energy sector are implemented through the EU budget (Multiannual Financial Framework for 2021-2027 (MFF)), reinforced by the European Union recovery instrument, called the Next Generation EU (NGEU), which is the main European instrument for this effort and includes the EU Special Funds - the **Modernization Fund** and the

**Innovation Fund.** Climate action will be integrated into MFF- and NGEU-funded policies and programmes. The overall climate target of 30% will apply to the total expenditure of the MFF and NGEU and will be reflected in appropriate targets in sectoral legislation. They must be respected in order to achieve EU climate neutrality by 2050 and contribute to the achievement of the new EU climate targets by 2030.

- The proposed **Carbon Border Adjustment Mechanism** is designed as a climate action tool that introduces safeguards for the integrity of EU and global climate policy by reducing greenhouse gas emissions in the EU and worldwide. This mechanism will be introduced gradually for several selected main product groups.

- The revision of the **Directive on the restructuring of the Union legal framework for the taxation of energy products and electricity** deepens the conditions for the application of green taxation and the removal of incentives for fossil fuel consumption throughout the EU. It is proposed that the measures cover the applications of natural gas, liquefied petroleum gas and hydrogen derived from fossil fuels for a transitional period of 10 years, applying a rate of 2/3 of the reference rate. This amount will then increase to the full extent of the reference rate. The next category covers sustainable biofuels, which, however, are not of new generations. In order to limit the economic and social costs associated with the introduction of taxation in certain sectors and in particular in those that can currently benefit from full exemptions, such as aviation or heating fuels for non-vulnerable households, transitional periods will apply.

2.6. ESC notes the special attention paid in the "Fit for 55" package to the building stock, due to the fact that buildings account for 40% of energy consumption and 36% of energy-related direct and indirect greenhouse gas emissions. In the EU, 80% of the energy consumed by households is used for heating, cooling and domestic hot water (DHW). In this regard, the EC proposes to further develop the key components of the strategy for the wave of rehabilitation - greening of buildings, job creation, improving the quality of life by expanding the emissions trading system for buildings and road transport, and in combination with EU regulatory measures and additional national measures stimulated by the proposed higher ambitions in the Effort Sharing Regulation, the Energy Efficiency Directive and the Renewable Energy Directive, in particular:

- The revision of the **Energy Efficiency Directive** proposes stronger promotion of energy efficiency, where cost-effective, in all areas of the energy system and in all relevant sectors where activities affect energy demand, such as transport, water supply and agriculture. Special attention shall be paid to the need for data centres with high energy efficiency and sustainability and to transparency measures for telecommunications operators regarding their footprint on the environment. Consumer and citizen behaviour has a significant impact on this energy consumption, and the Energy Efficiency Directive contains a number of provisions that support the granting of rights to citizens and consumers. The risk of energy poverty for middle-income households may also increase, as even today the majority of households affected by energy poverty belong to the lower half of the group of middle-income households. Energy efficiency has been identified as the most effective solution to reduce energy poverty and to overcome some of the potential negative effects of distribution as a result of price measures.

- The Commission's "Fit for 55" package contains proposals for mandatory minimum energy performance standards following an impact assessment examining their scope, timetable, entry and accompanying support policies. The revision of the **Energy Performance of Buildings Directive** will set out concrete measures to accelerate the pace of renovation of buildings, which will contribute to energy efficiency and the achievement of renewable energy targets, as well as to the reduction of greenhouse gas emissions in the building sector. The renovation of the building stock is carried out taking into account the needs for dealing with energy poverty and the problem of buildings with the worst characteristics. Measures aimed at renovating public buildings and social infrastructure, which show the way to follow and decarbonise heating and cooling systems, are encouraged.

- By amending the Regulation on mandatory annual reductions of greenhouse gas emissions for Member States in the period 2021-2030 (**Effort Sharing Regulation**) it is proposed that the overall reductions in greenhouse gas emissions across the economy be increased by around 10 percentage points from the current target of -30% compared to 2005, including the creation of a new emissions trading scheme for road transport and buildings.

2.7. ESC notes that the proposed package "Fit for 55" contains its own special financial instruments to ensure a fair transition based on revenues generated by the expansion and strengthening of emissions trading. The proposed new ETS Social Climate Fund aims to bridge the gap between the Mechanism for Reconstruction and Sustainability and the transition between the current MFF and the period after 2027 and will mobilize 72.2 billion euros for the period 2025-2032 in support of households, especially those living in the worst-performing buildings.

2.8. ESC notes that in response to high energy prices and the war in Ukraine, the EC has developed a joint European action plan for more affordable, secure and sustainable energy, called REPowerEU, including measures to reduce its dependence on energy supplies from Russia. The measures include increasing green energy production, diversifying supplies and reducing demand, focusing mainly on natural gas, which has a significant impact on the EU electricity market. The proposed measures are formulated as building on those of the "Fit for 55" package and the measures already proposed to partially loosen state aid rules by the end of 2021.

2.9. ESC notes that the legislative proposals also cover more significantly the Transport sector, for which, in addition to some of the initiatives presented above - on fuels and emissions trading, stricter CO<sub>2</sub> emission standards are also applicable for cars and minivans, which should accelerate the transition to zero-emission mobility. The proposed parameters are a reduction in average emissions from new cars by 55% after 2030 and by 100% after 2035 as compared to the levels of 2021.

2.10. The change in the vehicles used requires the appropriate infrastructure provision through the construction of a transport network for modern mobility, reflected in the proposal for a **Regulation on the deployment of infrastructure for alternative fuels** and repealing Directive 2014/94 / EU, which sets specific requirements for increasing charging capacity in proportion to the sale of zero-emission cars, as well as the installation of charging points on motorways at certain constant intervals.

2.11. With regard to fuels, the maritime and aviation sectors are also covered by the proposals for a Regulation to ensure a level playing field for sustainable air transport and a Regulation on the use of renewable and low-carbon fuels in maritime transport. A gradual increase in the share of sustainable aviation fuels - synthetic aviation fuels and new generation biofuels by 2% in 2025 is envisaged up to 63% in 2050, of which a minimum share of 28% for synthetic aviation fuels. The aim is also to reduce the average intensity of greenhouse gas emissions from the energy used on board anchored ships arriving or departing from ports, which will gradually decrease from 2% in 2025 up to 75% in 2050. The use of a shore-side power supply system for passenger ships and container vessels is foreseen after 1 January 2030.

2.12. In addition to the above, the "Fit for 55" package envisages strengthening the contribution of the land use sector, land use change and forestry (LULUCF) to the EU's greater overall climate ambitions. Recognizing the need to reverse the current trend of declining carbon sequestration and increasing natural carbon sequestration across the EU.

In particular, the revision of existing legislation as part of the "Fit for 55" package proposes:

- setting an EU-wide target for net greenhouse gas emissions of at least 310 million tonnes of CO<sub>2</sub> equivalent by 2030, to be shared between Member States as binding targets;
- simplification of reporting and compliance rules, as well as improvement of monitoring;
- extending the scope of the 2031 Regulation so as to include non-CO<sub>2</sub> emissions from agriculture;
- setting an EU-level target for climate neutrality by 2035 for the new combined land sector, covering land use, forestry and agriculture.

### **3. General remarks - effects for Bulgaria from the legislative initiatives from the package "Fit for 55" of the EC**

3.1. ESC reports that the package "Fit for 55" will strengthen the effect of current measures to reduce carbon emissions in the energy sector by updating the targets set in the Integrated Energy and Climate Plan of the Republic of Bulgaria until 2030. The previous targets were:

- reduction of total greenhouse gas emissions compared to 1990 – 40%;
- share of energy from RES in the gross final energy consumption by 2030: 27.09%, incl. electricity production - 30.33%, heating and cooling - 42.60%, and transport - 14.20%;
- energy efficiency - reduction of primary energy consumption by 27.89% and reduction of final energy consumption by 31.67%;

- reduction of GHG emissions by 2030 as compared to 2005 for sectors outside the EU ETS (building stock, agriculture, waste and transport) 0%.

3.2. It should be noted that Bulgaria can be defined as a global leader in reducing greenhouse gas emissions under the Kyoto Protocol with a reduction of over 60% compared to the base year 1988. The economic and social consequences of this process are lower than potential GDP growth (around 20%), accompanied by deindustrialisation, deteriorating demographic structure, declining population (negative demographic growth, migration flows) and employment.

3.3. ESC notes that in the absence of a lacking National Energy Strategy, the update of national targets is forthcoming, including in view of the EC's comments on the Recovery and Resilience Plan. However, the latter introduces the following updated short-term targets:

- share of energy from renewable sources in gross final energy consumption in 2024 - 26%;
- cumulative reduction of the energy intensity of the economy for the period 2021-2024 - 10%;
- cumulative reduction of the carbon intensity of the economy for the period 2021-2024 - 10%;
- reduction of annual CO<sub>2</sub> emissions from the electricity sector compared to 2019 by 40%, without any commitment to close specific facilities.

3.4. ESC draws attention to the fact that the undertaking of commitments for more ambitious goals is tied to funding under the Recovery and Sustainability Plan in the amount of about 40% of the total resource, or BGN 12.6 billion ("Green Bulgaria" pillar). Funding under the Plan provides an opportunity to improve the sustainable management of natural resources, allowing to meet the current needs of the economy and society while maintaining environmental sustainability through targeted reforms and measures such as:

- financing of projects for construction of wind and photovoltaic power plants, including small installations, construction of battery fields and modernization of the electric transit system;
- pilot projects for production of green hydrogen and biogas, as well as for development of the geothermal potential in our country;
- energy efficiency measures in single-family and multi-family buildings;
- establishment of a National Decarbonisation Fund;
- developing a definition of "energy poverty" for households.

3.5. ESC reports that the planned measures have the potential to provide significant growth in the construction of renewable energy capacity in Bulgaria by 2030, which is mainly due to the reduction of related investment costs. At the same time, the restriction of electricity production from coal-fired power plants and the tendencies to increase the consumption of electricity require the planning of measures, including for the development of the national hydro potential and for the construction of a new nuclear power plant. In this direction are the recommendations of a

number of analytical developments presented this year<sup>5</sup>. ESC recommends to continue the support for scientific and applied projects for establishing the possibilities for capture and storage of CO<sub>2</sub> in geological formations in our country.

3.6. ESC underscores that a significant challenge for our country is the expansion of the emissions trading system, especially with regard to buildings. The useful area<sup>6</sup> of the dwellings as of 31 December 2020 total for the country is about 200 million m<sup>2</sup> and about 50 million m<sup>2</sup> in the non-residential sector. In 2015 started the National Programme for Energy Efficiency of Multifamily Residential Buildings, which is implemented with 100% administrative management of the process and public resources. As of 31 December 2020 under the Programme, 1921 buildings with a total built-up area of 10.8 million m<sup>2</sup> were completed and put into operation. The indicative target for the period 2021-2030<sup>7</sup> is the renovation of residential and non-residential buildings with a total area of 22 million m<sup>2</sup>, which does not cover the increased ambitions set in the "Fit for 55" package.

3.7. ESC notes the factors that determine the slow pace of implementation of energy efficiency measures in our country, which stem from the relatively limited investment opportunities of the population and the fact that:

- 97.6% of the existing residential buildings are privately owned;
- over 90% of the buildings were built before 1990 and their energy performance is poor (classes E, F and G);
- energy consumption by energy sources shows that it is unbalanced, with a significant share of non-environmentally friendly / cheap energy sources. Heat energy from central heating makes up only 18% of total energy consumption. The relative share of electricity is 45% (incl. for heating) and the share of solid fuels is 36%. The use of natural gas for heating and household needs is very limited;
- the share of uninhabited residential buildings is significant (over 25%). The share of unoccupied dwellings in inhabited residential buildings, which are not covered by energy efficiency policies, is also high, which further reduces the effect of the measures on occupied housing.

3.8. ESC takes into account Eurostat data, according to which Bulgaria is among the countries with the highest relative share of poverty in the EU. At the same time, the 'overcrowding' indicator shows<sup>8</sup> a high proportion of people living in overcrowded housing (45%), and the risk of falling

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<sup>5</sup> <https://bica-bg.org/>, <https://amcham.bg/>

<sup>6</sup> Useful area National Statistical Institute (nsi.bg)

<sup>7</sup> Long-term national strategy to support the renovation of the national building stock of residential and non-residential buildings until 2050 - [https://www.me.government.bg/uploads/manager/source/EE/LTRS\\_Bulgaria.pdf](https://www.me.government.bg/uploads/manager/source/EE/LTRS_Bulgaria.pdf)

<sup>8</sup> National long-term programme for investment promotion for the implementation of measures to improve the energy performance of buildings from the public and private national residential and commercial building fund 2016-2020

into poverty affects 50% of people living in overcrowded housing. These data underline the importance of policies that address social inequality and energy poverty.

3.9. ESC notes that it is difficult to meet the new renovation targets set in the proposal to amend the Energy Efficiency Directive, and all buildings owned by public authorities. It should be borne in mind that the majority of owners of public buildings do not have the necessary financial resources for such a structural renovation, as they can only spend funds within approved budgets, which are traditionally very restrictive on capital expenditures for this purpose.

3.10. ESC notes that the measures contained in the Recovery and Resilience Plan for energy efficiency of the building stock and in the Programme for financing single measures for energy from renewable sources in single-family buildings and multi-family buildings should be developed with additional funding mechanisms based on definition of "energy poverty" for households and normative definition of models for energy cooperatives, as well as application, if possible, of other financial instruments besides those mentioned.

3.11. ESC points out that until recently, emergency measures to support economic recovery and resilience took into account the exceptional nature of the economic and social situation related to the coronavirus pandemic, but now it is necessary to take measures in view of the exceptional nature of the military challenge. Despite the different nature of the challenges, European recovery will again require huge public and private investments at the European level. Reaffirming the objectives of sustainable recovery and job creation, the Union's green and digital priorities continue to be supported, but special attention will now need to be paid to maintaining the critical state of critical infrastructure and ensuring social balance. .

3.12. ESC recommends that in the discussions of the package "Fit for 55" to take into account the changed circumstances both through a more balanced formation of national targets by 2030 and by reassessing the functioning of the emissions trading market and quota management mechanisms, kept in reserve.

3.13. ESC draws attention to the need for better preparation for the presentation of national positions in the update of the Integrated National Energy and Climate Plan for 2023, which should include discussed with the social partners parameters of national contribution to achieving the combined goals in the field energy and climate, as well as the related commitments under the "Fit for 55" package. The macroeconomic forecasting approach adopted by NECP, the specific scenarios used by the Technical University of Athens under the so-called PRIMES model. The model envisages 1.4 - 1.5% average annual GDP growth rate for Bulgaria until 2030-2050, higher electricity prices as well as reduced energy consumption per capita in Bulgaria compared to the European average at the end of the period. Under these parameters, economic, social, demographic development and convergence of income and productivity are doomed to fail. In this regard, ESC strongly insists on restoring the capacity of the state administration for macroeconomic forecasting, research, analysis and programming, by re-establishing the closed in 2010 Agency for Economic Forecasts and Analyses at the Ministry of Finance. Formal models and scenarios should also be developed by the competent state authorities, alternative to the PRIMES model, which

together with the developments of the non-governmental sector should form a solid basis for the national energy and climate policy in the main economic sectors.

3.14. ESC notes that significant risks and difficulties also arise for the Transport sector in terms of achieving the energy efficiency targets and the inclusion of an emission component in taxation. The transport sector relies mainly on fossil fuels to meet its energy needs. The main consumer of fuels and energy is road transport with a share of 97% in 2019 of the total energy consumption of the sector. The share of renewable energy in fuel consumption in transport in 2020 is 9.1%<sup>9</sup>, which is far from the set goals, although it has been growing steadily in recent years.

Energy consumption in the transport sector is increasing in the period 2008-2019 by 18.2% with a GDP growth of 21.9%, as a result of which the energy intensity of the sector decreased by 3%<sup>10</sup>. To accelerate the transition, it is advisable to introduce a progressive increase in the biocomponent - especially new generation biodiesel and a progressive increase in new generation sustainable bioethanol. The use of sustainable biofuels from agricultural products that reduce CO2 emissions should not be overlooked.

A significant risk of non-compliance, including with the national energy efficiency target, is the restriction on not reducing energy consumption from fossil fuels as energy savings.

A possible option to support the achievement of energy efficiency goals is the creation of a special fund financing projects to reduce the energy intensity of households and industry. The National Transport Strategy until 2030, adopted more than three years ago, developed on the forecast parameters of the PRIMES model, should also be updated.

3.15. ESC notes that the proposed reduction of CO2 emissions from transport fuels by 13% actually represents an increase in the share of renewable sources to 26% and is almost impossible due to the following factors:

- outdated fleet, which is incompatible with the higher content of biocomponent in energy products. Of those registered at the end of February 2022 3.8 million 75% of vehicles in the country are over 15 years old;
- absence of a new generation bioethanol producer;
- small current capacity of the existing biodiesel producer;
- minimal fleet of electric cars, which is difficult to increase significantly in current conditions due to high vehicle prices. In the country at the end of February 2022 according to the Ministry of Interior, only 5,674 vehicles with electric engines, 3,062 with diesel / electricity and 19,064 with petrol / electricity were registered.

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<sup>9</sup> According to NSI data - Share of renewable energy in fuel consumption from transport | National Statistical Institute (nsi.bg). The indicator is 1.0% in 2007, 5.9% in 2013, and 7.3% in 2017.

<sup>10</sup> Annual report on the implementation of the NEEAP in 2020, adopted by the Council of Ministers. The report for 2021 is in preparation.

3.16. ESC notes that the construction of infrastructure for alternative fuels will require significant financial resources, including the expansion and strengthening of the existing transmission network to provide the necessary capacity, which will be almost impossible for private operators and difficult for the state budget. For example, according to the draft regulation, it is necessary to provide the following power supply capacities - charging stations of at least 350 kWh for light commercial electric vehicles and 1.4 MWh for heavy goods vehicles every 60 km. According to data from the branch organizations, the average indicators for the gas stations located on the trans-European roads passing through Bulgaria have a delivered power of 30 kWh, maximum power of 100 kWh, average consumption of 40-50 kWh.

3.17. ESC welcomes the proposal for a regulation on the use of renewable and low-carbon fuels in maritime transport, which will lead to the decarbonisation of the maritime transport sector, but it should be noted that in the long run changes depend on technologies that have not yet been developed - in respect of new types of engines or low carbon fuel.

Bulgaria has a relatively small fleet - in terms of number of ships and tonnage. In 2021 1515 registration certificates are valid, of which 60 are for large ships (over 40 GT) and 1466 registration certificates for small ships. The majority of small vessels are purchased second-hand. On average, in the last ten years, between 25,000 and 30,000 tones of cargo have been loaded and unloaded in our seaports .

Among the difficulties facing the sector in achieving the decarbonisation targets is the provision and/or construction of the necessary infrastructure for refueling ships with alternative fuels or electricity.

3.18. ESC draws attention to the extremely short deadlines in the EC proposal for the transition from free allocation of allowances to the Mechanism for control of carbon emissions at the borders as a key tool for protection against carbon leakage. This is a tool that will be applied for the first time in world practice and the final effects of its use cannot be predicted at this stage. We believe that the instrument needs to be thoroughly tested in real conditions and over a longer period, at least until 2030.

3.19. In its current form, the proposed Border Carbon Adjustment Mechanism is likely to provoke carbon leakage through both imports and exports, without taking sufficient account of the needs and risks to exporters, which would lead to reduced competitiveness. of goods on international markets and declining sales. This effect would lead to a shift in the production of goods to countries with lower carbon costs and higher carbon intensity in production, i.e. it is possible to provoke carbon leakage by redirecting carbon emissions and added value. A possible solution to prevent or minimize this risk is to maintain a free allocation of allowances (or equivalent mechanism) for export-oriented industries.

3.20. ESC notes that the Mechanism for control of carbon emissions at the borders concerns only the main groups of raw materials and electricity, but does not provide solutions for industrial products in the value chain, i.e. industrial goods. According to various estimates, producers will face an increase of between 5% and 20% in costs as a result of the gradually increasing carbon

costs during the introduction of the Facility (and the parallel phasing out of free ETS allowances), which will seriously affect their competitiveness.

3.21. Bulgarian forests perform many economic, environmental and social functions of particular importance for the sustainable development of the country. They are a key factor in the formation and maintenance of the living environment, occupying over 37% of the country's territory. Forests provide and maintain the quantity and quality of 85% of the country's water flow, or about 3.6 billion cubic m resource of clean drinking water. They store over 80% of the protected plant species in Bulgaria, over 60% of the endangered animal species, eight of the twelve landscape complexes defined by the National Strategy for Biodiversity Conservation. In the last 25 years, the absorption of greenhouse gases from forest areas has compensated between 10.7% - 18.9% of the total greenhouse gas emissions in the country.

3.22. The European Forest Strategy for 2030 recognizes the central and multifunctional role of forests, as well as the contribution of foresters and the entire value chain in forestry to achieving a sustainable and climate-neutral economy by 2050, while ensuring that all ecosystems are restored, sustainable and adequately protected.

3.23. ESC draws attention to the fact that the Regulation on LULUCF came into force in 2018, but has been applied since the beginning of 2021. So far, only the initial stages of preparation for its implementation in the countries of the European Union have been completed. The implementation of these preparatory activities highlighted some implementation challenges. In particular, the analysis of those submitted by Member States at the end of 2019 Integrated National Energy and Climate Plans (NPECs) has shown that the LULUCF sector is about to be integrated as a component of Member States' climate strategies. The proposed amendment introduces only small insignificant changes in the regulatory framework of the LULUCF with regard to the first period of compliance, i.e. for the period 2021-2025. With the beginning of the second compliance period from 2026 until 2030 there is a significant change. In order to simplify the implementation and compliance, the Kyoto Protocol-inspired area accounting, rules after 2025 will no longer apply, and the flexibility between the LULUCF sector and the effort-sharing sectors will be adjusted in line with European climate legislation.

3.24. ESC notes that the sector LULUCF has the role of absorber of GHGs for Bulgaria through the two categories - "Forests" and "Pastures". All other categories (arable land, settlements, water areas) are sources of carbon dioxide emissions. The net CO<sub>2</sub> uptake by the LULUCF decreased by 57.1% compared to the base year 1988. The main reasons for the overall reduction of CO<sub>2</sub> emissions from the LFGA are the reduction of emissions from the category of Forests and the slight increase of emissions from the categories of Arable Land, Settlements, Water Areas. The main reason for the decline in takeovers in the category of Forests is the observed decline in the growth rate of forests, as the average age of forests increases steadily during the reporting period.

Despite the decline, the share of removals in total GHG emissions (with CO<sub>2</sub>ec) is still significant<sup>11</sup>.

3.25. ESC reports that the agricultural sector is the second largest source of greenhouse gases in 2016 with 11% of the total emissions of the country. Nevertheless, since 1988 there has been an overall downward trend in emissions of 52.6%. The reduction of emissions is mainly due to the systematic reduction of the area of agricultural land due to the abandonment of arable land and the reduction of the livestock population. Another engine for reducing emissions is reducing the use of fertilizers<sup>12</sup>.

3.26. In line with the new circular economy action plan, the European Commission is in the process of developing a regulatory framework for the certification of carbon sequestration based on reliable and transparent reporting to monitor and verify the authenticity of sequestration. Results-based carbon farming can make a significant contribution to the EU's efforts to tackle climate change by fostering carbon capture and storage and bringing other side benefits such as halting biodiversity loss and protecting ecosystems.

3.27. ESC notes that achieving the goals set out in the package "Fit for 55" poses extreme challenges and the need for significant investment and effort. The EC estimates that annual investment in decarbonisation will have to increase by more than 360 billion euros, and other sources suggest that member states will have to invest an additional 0.5% to 1.0% of their GDP annually in the coming years.

#### **4. Concrete proposals - challenges for Bulgaria from the legislative initiatives of the package "Fit for" of the European Commission**

4.1. ESC points out that for Bulgaria it is of particular importance to maintain the allocation of free allowances for as long as possible within the European Emissions Trading Scheme for industry and to ensure its competitiveness. ESC supports Bulgaria's position that the Carbon Border Adjustment Mechanism should be a complementary instrument to protect against carbon leakage, and not replace the free allocation of allowances.

4.2. With regard to the Market Stability Reserve, ESC does not support the increase in the rate for withdrawal of allowances from auctioning as a good approach, taking into account the existing imbalances in the carbon market. The proposal will lead to a significant increase in quota prices, which is expected to reflect at the national level in the loss of competitiveness of enterprises, carbon leakage, and Bulgaria as a border country for the EU is exposed to a higher risk of investment leakage, as and from the increase of the prices of the electricity, respectively the increase of the prices of the final products.

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<sup>11</sup> Integrated National Energy and Climate Plan of the Republic of Bulgaria 2021-2030 (p. 187) - [https://www.me.government.bg/files/useruploads/files/national\\_energy\\_and\\_climate\\_plan\\_bulgaria\\_clear\\_22.02.20.pdf](https://www.me.government.bg/files/useruploads/files/national_energy_and_climate_plan_bulgaria_clear_22.02.20.pdf)

<sup>12</sup> Ibid., pp. 186.

4.3. ESC points out that by revising the Renewable Energy Directive, the Commission proposes to increase the target for renewable energy to at least 40% by 2030 as compared to 32% at the moment. Although the text does not include binding national targets, the proposal contains a number of sub-targets, including a binding 13% reduction in the carbon intensity of transport fuel and 1.1% per year for heating and cooling. Bioenergy, which is now 60% of the energy classified as renewable, will remain important, but the sustainability criteria for wood biomass will be tightened. ESC insists that the inclusion of specific national goals in documents, plans and programmes of the Bulgarian government be agreed in advance with the social partners.

4.4. ESC recommends to shift the emphasis from supporting large installations for the production of electricity from renewable sources, which are connected to the electricity transmission system. The promotion of large installations for the production of electricity from renewable energy sources should be limited to those systems that are connected to the production of hydrogen.

4.5. ESC recommends that the incentives for the development of RES be directed with priority to the development of conditions for the construction and connection of small installations close to consumers, including support to households and small businesses for installations for their own needs; supporting municipalities and industrial zones for the development of local production and consumption systems (including through energy cooperatives); as well as general support for the development of distribution networks for the introduction of smart grid technologies and distributed generation. Currently, a number of administrative barriers persist, hindering or obstructing the construction of small and local installations, such as: restrictions on decision-making by owners of individual sites in multifamily residential buildings, which directly impedes the procedure for installing RES in the event of disagreement between owners; coordination with the electricity distribution network operator in the process of construction of installations for production of energy for own needs and for its storage; obligation to declare excise duty on electricity production for own needs, tax warehouse requirement for all electricity producers who do not sell electricity to end customers.

4.6. ESC emphasizes the potential of green hydrogen and alternative fuels for the efficiency of industrial processes in which electrification is not possible, including today's energy-intensive industries, and therefore supports the promotion of renewable energy sources and low-carbon gases to decarbonize these sectors, as well as increasing the flexibility of the electricity system and increase security of supply by reducing dependence on natural gas imports.

4.7. A particular challenge for our country is the creation of a separate emissions trading scheme for the buildings and road transport sectors. The new scheme for emissions trading in residential buildings given the specific features and characteristics of the housing stock in the country (type of ownership, type of construction, technical condition of buildings, property and income status of owners) would lead to deepening social division and risk from inability to maintain ownership. ESC is concerned about the significant increase in the burden on the most vulnerable groups of the population and the creation of additional administrative burdens. ESC insists that the impact of the new scheme for buildings and road transport on product prices be analyzed, incl. with regard to administrative burdens, given the significant number of regulated fuel suppliers, while stressing

the need for precise criteria on the fuels covered and how it will be ensured that these fuels are used only in the sectors concerned.

4.8. ESC notes that the transition to a low-carbon economy will require profound economic and social transformations. It is a transition to sustainable development that requires a change in our ways of consuming, producing, working and living. According to a significant number of Member States, without an adequate accompanying policy, this transition would have a significant adverse impact on certain regions, sectors and households and would potentially receive low support from citizens due to the speed and scale of change it requires. For the transition to a low-carbon future to be successful, it is necessary to ensure that it is carried out in an inclusive way, that it is socially just and that it takes into account the concerns of the most vulnerable.

4.9. ESC recognizes that energy saving measures are not a cheap endeavor, especially when implemented in a package prescribed on the basis of an energy efficiency audit. Practice shows that consumers have the attitude to stick to the most inefficient options, as far as it depends on them, just because they have a lower initial price. In addition, access to credit for renewal is still underdeveloped and no significant fiscal incentives are in place (e.g. tax relief) based on the achieved energy efficiency class.

4.10. ESC notes that energy efficiency is a key area of action, without which a complete decarbonisation of the Union economy cannot be achieved. Renovation of buildings has two widely recognized positive economic impacts: 1) reducing energy costs, alleviating energy poverty and 2) increasing the value of buildings with better energy performance. Other benefits include a better quality of life, improved human health and a shorter average length of time during which buildings remain unoccupied.

4.11. ESC supports the need in national plans for renovation of buildings to pay attention to reducing the number of people affected by energy poverty and the population living in inadequate housing (e.g. leaking walls or roofs) or with inappropriate thermal comfort conditions. The plans will provide an overview of national policies and measures to empower and protect vulnerable households, reduce energy poverty and ensure the affordability of housing.

4.12. ESC recognizes that the funds in the Social Climate Fund will be extremely insufficient to address the social consequences of the increased EU targets at the national level, and therefore recommends expanding the scope of financial mechanisms in support of the developed social action plans, including:

- support for building renovations, especially for those occupying the best-performing buildings, including in the form of financial support or fiscal incentives such as deductions for rent or building tax costs and subsequent reimbursements to municipal budgets, regardless of the ownership of the respective buildings;
- contributing to decarbonisation, including electrification, heating, cooling and cooking in buildings and the integration of energy from renewable sources in order to achieve energy savings;

- supporting public and private organizations in developing and providing affordable solutions for energy efficiency upgrades and appropriate funding instruments in line with the fund's social objectives;
- providing access to zero- and low-emission vehicles and bicycles, including financial support or fiscal incentives for their purchase, as well as appropriate public and private infrastructure, including refueling and refueling; for support for low-emission vehicles, a timetable is provided for the gradual reduction of support;
- providing free access to public transport or adapted tariffs for access to public transport, as well as promoting sustainable on-demand mobility and shared mobility services;
- assisting public and private actors in the development and provision of affordable zero- and low-emission mobile and transport services and the adoption of attractive opportunities for active mobility for rural, island, mountainous, remote and less accessible areas or for less developed regions or territories, including less developed urban areas.

4.13. ESC draws attention to the need to achieve effective structuring of the Social Climate Fund, and the measures and investments it encourages need to ensure its long-term impact by achieving an appropriate balance between the investment component and measures for direct support taking into account regional and national characteristics. Temporary income support will be needed to mitigate the effects of rising costs and fossil fuel prices for vulnerable groups, but in fact this is a passive measure that would have a temporary rather than a long-term effect. There is a significant risk that support funds will become a permanent non-employment benefit instead of investment-oriented or finance energy and transport costs. Investment, on the other hand, has a lasting and complementary effect and is crucial for structural change and the transition to a climate-neutral economy.

4.14. ESC recommends to be included in the range of potential beneficiaries of the Social Climate Fund and small and medium enterprises, not just micro-enterprises. In 2020 SMEs provided over 74.3% of employment in Bulgaria and, similarly to households, they face the same, even in some cases, greater difficulties and risks in terms of energy costs. In addition, SMEs can be an essential driver for the effective implementation of investments falling within the scope of the Social Climate Fund, while achieving a more tangible synergy and a fair transition.

4.15. ESC supports the application of the principle of technology neutrality as a cornerstone of climate policy. Different technologies can be successful in different uses and conditions, which vary considerably within and between Member States. This is particularly applicable to road transport, where infrastructure conditions and transport needs are extremely diverse.

4.16. ESC supports the restructuring of the EU's legal framework for taxation of energy products and electricity. However, given the current state of the national infrastructure and the necessary investments to bring it in line with the target values and requirements, the transition needs to be made predictably, with the increase in fuel taxation in stages in the coming years, ensuring a smooth transition for households and industry through predictability and cost planning.

4.17. ESC recommends that excise rates on fuels that are defined as transitional (e.g. LPG) and lower emissions should be revised, setting a longer transition period for them and focusing on low-emission fuels as a significant tool for reducing harmful emissions. Given the significant reduction of the country's emissions in recent years, it is appropriate to request a derogation from the application of the second component of the excise rate - CO<sub>2</sub> emissions of the energy product for the coming years. In this way, the necessary time will be provided for the transformation of the Bulgarian economy and enterprises.

4.18. In the National Recovery and Resilience Plan, the Bulgarian government envisages a special programme for "Sustainable Agriculture", including a set of measures aimed at digitalization of agriculture to address some of these challenges. ESC recommends that these efforts should be complemented by funding from other funds in order to speed up the introduction of new technologies in agriculture, which show a clear tendency to ensure sustainable agricultural practices. An example of this is precision farming, in which significantly fewer chemicals are introduced into the soil with improved yields.

4.19. The main challenges for the Bulgarian agricultural sector are the constantly deteriorating production conditions as a result of climate change, increased competition in the market of imported goods and limited access to markets for small farmers, who make up the majority of registered farmers in the country. ESC emphasizes that efforts to reduce carbon dioxide emissions should be accompanied by enhanced measures to overcome obstacles and stimulate agriculture as a key economic sector. It is important to focus more on eco-farmers who implement innovative organic farming, short food supply chains, community-assisted agriculture and food processing on the farms themselves. Their activities increase locally grown food, provide more local jobs and favor the transition to organic farming and economic systems<sup>13</sup>.

4.20. ESC recognizes that carbon farming will provide financial incentives for participants in the bioeconomy for climate-friendly activities leading to the absorption and storage of carbon, thus creating a new source of income and helping farmers to adapt their activity to the effects of climate change. Increased support for farmers under the CAP and other public and private funds can facilitate the uptake by farmers and the expansion of carbon farming. Developing pilot initiatives at local or regional level to gain experience is essential to increase farmers' knowledge and understanding of the potential benefits of implementing carbon capture initiatives.

4.21. ESC supports the position stated by the European Commission in the New EU Forest Strategy for 2030<sup>14</sup> that forests are multifaceted and have significant economic, social and environmental potential. The strategy identifies the central and multifunctional role of forests, as well as the contribution of foresters and the entire value chain in forestry to achieving a sustainable and climate-neutral economy by 2050, while ensuring that all ecosystems are restored, sustainable and adequately protected. The strategy's approach to monitoring, decentralized planning and

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<sup>13</sup> Agricultural atlas: facts and figures on EU agricultural policy. 2019. Heinrich Böll Foundation, Friends of the Earth Europe, BirdLife Europe & Central Asia, Brussels / Berlin, p. 29 - <https://eu.boell.org/en/agriculture-atlas-2019-PDF>

<sup>14</sup> <https://eur-lex.europa.eu/legal-content/BG/TXT/HTML/?uri=CELEX:52021DC0572&from=EN>

management will help ensure that forests can perform these diverse functions in full respect of the principle of subsidiarity and the competence of the Member States.

4.22. ESC emphasizes the importance of forming and maintaining living and multifunctional forest ecosystems, increasing the productivity of forests, improving their resistance to diseases, pests, natural disasters and other biotic and abiotic factors through targeted measures in the national strategy for forest sector development and forestry. plans, as well as through targeted subsidies for sustainable forestry activities. Particular attention should be paid to the problems related to forest ageing in Bulgaria.

4.23. ESC draws attention to the need for regular and effective work at the national level of the Advisory Council on the European Green Deal<sup>15</sup> and in particular the package of proposals "Fit for 55". The Council would facilitate the exchange of information between state bodies, the scientific community and the social partners and the formulation of the positions of the Republic of Bulgaria on the basis of data and impact assessment and taking into account the interests of all parties concerned.

In order to provide adequate, detailed and structured information, analysis and conclusions on the environmental, social, economic risks and consequences arising from the transition to climate neutrality, the commitments under the European Green Deal and the specific commitments under the "Fit for 55" package, the Advisory Council should to support and use the Institute for Sustainable Transition and Development set up for this purpose, as well as to structure specialized working groups to functionally and expertly cover the main sectoral and/or horizontal policies and priorities related to the European Green Deal.

The specialized groups can be respectively:

- national priorities in the field of climate until 2030-2050;
- clean, affordable and secure energy;
- industrial strategy for a clean and circular economy;
- sustainable and intelligent mobility, incl. electric mobility and hydrogen technologies;
- environmentally friendly construction and infrastructure;
- environmentally friendly agricultural policy - "From farm to fork";
- protection of biological diversity, zero pollution and non-toxic environment;
- research, promotion of innovation, education and training;
- socially engaged and fair transition;

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<sup>15</sup> In 2020 a similar council was set up, which held only two regular meetings - Decree №86 of 30 April 2020. for the establishment of an Advisory Board in connection with the European Green Deal - <https://dv.parliament.bg/DVWeb/showMaterialDV.jsp?idMat=147724>

- financing the transition.

4.24. ESC draws attention to the need for coherence between the measures constituting the package of proposals "Fit for 55" and an assessment of their cumulative effect in terms of employment, investment and additional costs by economic sectors. The private sector has stated its commitment to achieving the set goals, but this requires a predictable regulatory framework for investment, infrastructure construction and the creation of quality jobs.

**Zornitsa Roussinova**

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