



# **RESOLUTION**

under the National Recovery and Resilience Plan and  
the Territorial Just Transition Plans  
(own-initiative resolution)

**Sofia,  
October 2023**

The Economic and Social Council (ESC) included in its Activity Plan for 2023 the development and adoption of a Resolution on the National Recovery and Resilience Plan (NRRP) and the Territorial Just Transition Plans (TJTP).

The development of the resolution was drafted by the President's Board with rapporteurs - the vice-presidents of the ESC - Valentina Zartova (Group I), Plamen Dimitrov (Group II) and Bogomil Nikolov (Group III).

At the two meetings held on 15 September and 19 September 2023, the President's Board adopted the draft text of the resolution.

At its plenary session held on 2 October 2023, the ESC's plenary adopted this Resolution.

Abbreviations used:

RES	-	Renewable Energy Sources
EC	-	European Commission
EU	-	European Union
PPA	-	Public Procurement Act
ESC	-	Economic and Social Council
EGDAB	-	European Green Deal Advisory Board
ILO	-	International Labour Organization
NRRP	-	National Recovery and Resilience Plan
TPP	-	Thermal power plant
TJTP	-	Territorial Just Transition Plans

## **1. Conclusions and recommendations**

- 1.1. The ESC draws attention to the fact that the National Recovery and Resilience Plan (NRRP) as well as the Territorial Just Transition Plans (TJTP) reflect the European policies for the transition to a low-emission economy, circular economy and digitalization. Together with REpowerEU, the NRRP is a financial instrument for addressing targeted solutions in national action plans in response to different types of crises. Accordingly, TJTP, again as a financial instrument, should complement national measures for accelerated decarbonisation. The binding of a wide range of measures necessary for the economic development of the country with specific steps for accelerated decarbonisation in the energy sector, Bulgaria faces a difficult choice.
- 1.2. The ESC reminds that the implementation of investments and reforms must be carried out in compliance with the principles of cooperation and partnership and insists on the creation of a Monitoring Committee with the participation of socio-economic partners to oversee the progress of the implementation of all reforms and investments under the NextGenerationEU initiative.
- 1.3. The ESC insists on a transparent and effective mechanism for civil monitoring in planning, management, and distribution of funds to ensure the implementation of the low-carbon transition in a fair way for the people and the country's economy.
- 1.4. The ESC draws attention to the fact that the dialogue with civil society is not used effectively in the planning and implementation of the NRRP and TJTP.
- 1.5. The ESC recommends that the updated version of the Integrated Energy and Climate Plan be completed after achieving public agreement on the reforms contained in the NRRP. This will ensure predictability in the development of the energy sector in our country in the next 10 years, with maximum use of local resources and application of tools against market volatility, as well as to create a favourable environment for investments in the sector.
- 1.6. The ESC draws attention to the fact that the decarbonisation of the energy sector is integrally related to the decarbonisation of industry, for which no measures and instruments are planned.
- 1.7. The ESC is satisfied with the legislative actions taken to develop a definition of the concept of "energy poverty", but at the same time insists on better coordination between the responsible state institutions with a view to speeding up the processes for the development and adoption of the by-laws regarding the identification of

persons and households in a situation of "energy poverty" as a necessary and mandatory condition for a fair energy transition.

- 1.8. The ESC welcomes the progress on the legal regulation of the definition and conditions for consumers who can produce energy themselves ("active customers" and "civic energy communities") but insists on providing clear mechanisms to reduce the administrative and financial burden for these consumers, as well as to regulate the duties and responsibilities of state and municipal bodies.

## **2. Introduction**

- 2.1. The ESC is involved in the different versions and stages of the preparation and implementation of the NRRP. In an opinion dated 1 December 2020<sup>1</sup>, specific recommendations were made to the Plan's draft developed by the government at that time.
- 2.2. In its Resolution adopted in April 2021, the ESC called for a consensus between the political parties represented in the Parliament on the reforms and investments laid down in the draft plan and for its timely submission to the EC for consideration. This was not carried out and the following period of political uncertainty delayed the adoption and implementation of the Plan.
- 2.3. Chronologically, the Plan was submitted for assessment and approval to the EC on 15 October 2021, after a few changes were made to it that were not agreed upon and not subject to public discussion. The plan was approved on 4 May 2022, which is the formal basis for starting the implementation of the planned reforms and investments.
- 2.4. In its Resolution adopted in December 2022, the ESC presented the view of organized civil society regarding the implementation of the Plan and its possible revision with a new chapter under the REPowerEU plan.
- 2.5. The Opinion<sup>2</sup> adopted in March 2022 recommends speeding up the development of the TJTP by the Ministry of Energy for the three coal regions, clearly stating the objectives for: taking comprehensive measures to prevent a demographic crisis in the affected regions; preservation and improvement of employment conditions;

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<sup>1</sup> <https://esc.bg/wp-content/uploads/2021/02/opinion-esc-3-70-2020-bg-rev1-4.pdf>

<sup>2</sup> Opinion of the ESC "Territorial plans for a just transition - objectives, challenges and expected effect", March 2022 - [https://esc.bg/wp-content/uploads/2022/04/%D0%A1%D1%82%D0%B0%BD%D0%BE%D0%B2%D0%B8%D1%89%D0%B5-%D0%A2%D0%9F%D0%A1%D0%9F%D0%98%D0%A1%D0%A1\\_29.03.2022\\_FINAL%D0%BD%D0%BF.pdf](https://esc.bg/wp-content/uploads/2022/04/%D0%A1%D1%82%D0%B0%BD%D0%BE%D0%B2%D0%B8%D1%89%D0%B5-%D0%A2%D0%9F%D0%A1%D0%9F%D0%98%D0%A1%D0%A1_29.03.2022_FINAL%D0%BD%D0%BF.pdf)

gradual industrial reorientation in the affected regions; providing support for educational and scientific programs aimed at development in the affected regions.

- 2.6. Paying attention to the consistency and consistency of the proposals and recommendations presented so far, this resolution reflects the concern of the representatives of organized civil society in relation to the reforms in the energy sector and the design, planning and implementation of the NRRP and TJTP.

### 3. Current status of the implementation and preparation of the NRRP and TPJT

#### *Energy and Industry*

- 3.1. **The NRRP proposes a set of reforms and/or investments to help implement the green transition and modernize the energy sector and set energy efficiency targets.** Despite the positive nature of the measures taken separately, the ESC points out that they do not contribute equally to the achievement of the objectives. For example, investments in energy efficiency have a relatively limited result in the years up to 2030, while the ambitions to build new RES capacities are too high, compared to the capacity of the electricity transmission and distribution networks. Thus, one of the main measures to protect consumers from rising costs for meeting energy needs will have a much slower effect than initiatives leading to higher final prices for consumers.
- 3.2. **The ESC expresses concern that key reforms in the energy sector will be developed ahead of planned compensatory measures.** Thus, the accelerated removal of coal-fired capacities precedes the process of building replacement capacities, and the social effects on the affected workers and employees are aimed at desirable measures provided for in the TJTP. In the same way, the foreseen full liberalization of the regulated market is planned in a period in which the measures to protect the energy vulnerable groups of consumers will not be developed, and the preparation of the remaining consumers will be insufficient.
- 3.3. The ESC emphasizes the focus in the Decision of the National Assembly of 12 January 2023 on the renegotiation of the NRRP, which directs to improve the balance of specific investment programs, as to achieve better effect. The decision concerns optimistic planning for large-scale development of battery and geothermal energy projects in the short term, recommending **a redirection of efforts to established measures for which there are established national service chains, and which are**

**key to energy efficiency.** In this regard, the question of the measures taken to renegotiate the conditions under the NRRP is particularly serious.

- 3.4. The ESC notes that a major conditionality for the financing of the measures under the NRRP is the implementation of 11 reforms in the energy sector, which are still in the process of development and coordination.** Therefore, there are open programs for partial financing under the investment programs for energy efficiency and small RES for own needs. It should be pointed out that 40 months before the end of the period for the implementation of the measures under the NRRP, there are still no actions on 4 investment programs for which 50% of the financial resource under the Plan is foreseen. **A development is being outlined, in which the main part of the reforms required by Bulgaria will be undertaken, but the funding, which should limit the shock of their effect on the economy and consumers, will remain unused.**
- 3.5. The ESC points out that the implementation of reforms under the NRRP is also tied to the application of the TJTP, which creates an additional obstacle for planning actions in the sector.** The lack of an acceptable solution for implementing the energy sector decarbonisation reform has led to a lack of agreed TJTP for the three coal regions, which in turn is a source of growing social anxiety. With the latest proposals for changes in the Energy Act, additional obstacles are created to achieve a smooth energy transition by 2038, due to the repeal of Art. 4 (2) item 8<sup>3</sup>. Thus, a basic instrument for providing reserve capacities in case of crises is cancelled, which contradicts the proposal to apply a model for a smooth transition in TJTP.
- 3.6. The ESC pays attention to the difficult process of making a widely supported decision based on facts and data, and this is clear in the work of the specially created Energy Transition Commission,** in implementation of one of the reforms under the NRRP. Although the base model was prepared by a leading European consulting company and although a second independent model was used to reflect developments at the sector level, the results were interpreted differently by stakeholders. At the same time, there is a clear divergence between the positions of

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<sup>3</sup> Art. 4 (2) item 8 of the Energy Law "determines a total annual quota for compulsory purchase of electrical energy from producers using local primary energy sources (of fuel), up to 15 percent of all primary energy required for the production of electrical energy, consumed in the country for each calendar year, for reasons of security of supply"

organizations protecting the public interest and those protecting the interests of investors in RES projects.

- 3.7. The mandatory application of the European Greenhouse Gas Emission Allowance Trading scheme and the agreed accelerated withdrawal from the market of emission quantities on an annual basis, makes fossil fuel power generation capacities in the EU increasingly uncompetitive. At the same time, the operation of national coal plants has been put under administrative pressure to make political decisions to limit their operation. The ESC insists that **political decisions should be prioritized to achieve national energy security, based on a high-tech, balanced, sustainable and adaptive system of energy supply, which effectively uses the national energy potential, guarantees affordable energy and favours the competitiveness of the economy.** To achieve this priority, it is **necessary to achieve a smooth transition with the maintenance of a high share of low-emission capacities in the long term**, including RES, nuclear and hydropower capacities.
- 3.8. The ESC reminds that a significant part of the industry (combustion plants, energy-intensive industry) is covered by the Emissions Trading Scheme, which ties the decarbonization and operation of our electricity system to risks for the economic activity of enterprises.
- 3.9. The ESC supports the already expressed recommendation that the TJTP reflects the changes contained in the EC legislative “Fit for 55” package considering the need for input from all sectors. This implies considering:
- the possibilities for decarbonisation of the industrial sector in compliance with the principle of technological neutrality both in terms of technologies and in terms of the application of measures to specific technological processes;
  - to take into account the specifics of the regions and the specific factors and prerequisites for development at the local level;
  - to provide conditions for technology transfer in sync with incentive measures and appropriate support for scientific and applied developments.
- 3.10. The ESC draws attention to the fact that the accumulated delays in the adoption and implementation of the NRRP are accompanied by additional economic risks related to the budgeting of projects and investments and difficulties in their implementation (both on the part of the contracting authorities and on the part of public procurement



contractors). As a result of economic and political events in the last two years, inflationary processes emerged, caused by the imbalance in the demand and supply of basic industrial raw materials and goods because of the global epidemic situation, as well as by the disrupted channels of supply of raw materials.

### *Labour market*

- 3.11. The ESC states that at the national level, measures have been developed to support the labour market, aimed at overcoming unemployment and promoting employment, work life balance, active participation of the elderly, including on the labour market, and active aging, the adaptation of enterprises to changes and a safer and healthier working environment, increasing the qualifications, skills and competencies of the employed, including in connection with the green transition and digitalization of enterprises; support for entrepreneurship, development of social enterprises and support for the social and solidarity economy, etc.
- 3.12. At the same time, the ESC emphasizes that **the objectives of market liberalization in the electricity sector must be combined with measures for predictability and lack of price volatility, in connection with which regulatory mechanisms and a well-functioning market infrastructure are needed.** Reforms in the regulated market depend on the introduction of a mechanism for the protection of energy-vulnerable consumer groups, but are also directly related to the goals of a just transition in the coal regions. Market liberalization and decarbonisation must not lead to an increase in unemployment and marginalization of significant groups of the population. **We believe that adequate active labour market measures should be planned from the earliest stage, and the application of support measures (according to the "energy poverty" criteria for households) should precede liberalization.**
- 3.13. **The ESC supports labour market planning efforts, where measures should be introduced to identify competence profiles and skills that are transferable.** Also, mechanisms related to the quality of jobs created by the transition to low-carbon technologies should be implemented, including decent pay, respect for fundamental rights at work, collective bargaining, gender equality and workplace democracy, decent working conditions work and ensuring social protection - in accordance with the Decent Work Program of the ILO. Linking active labour market policies (such as training, retraining and career counselling) with social

protection measures will guarantee the opportunity for workers to retrain and stimulate the search for new work.

- 3.14. **ESC emphasizes that TJTP should not only discuss potential risks, but also propose convincing measures for sustainable development of the labour market in coal regions.** Expectations according to various estimates are that by 2030, limiting the operation of coal-fired power plants will lead to significant job losses<sup>4</sup>, which could lead to a serious increase in the unemployment rate, create strong pressure on the local labour market and expectedly lead to labour migration.
- 3.15. Under these conditions, the general messages found in the TJTP, such as that the laid-off workers "will have to be transferred to other economic sectors", are too general and vague. The ESC insists on an integrated and multidimensional approach to solving this problem, combining economic and social parameters. In doing so, **the potential of already existing economic entities in the affected areas, including large enterprises, should be used to the maximum extent.**
- 3.16. The ESC states that **logically, the planning, preparation, and start-up activities of the reorientation of the workforce to new activities should be started before the actual actions on the gradual reduction of the workforce or the closing of individual activities, before laying-off staff.** It is also important to bear in mind that for proper and successful career counselling and vocational guidance, it is necessary to be clear about the decisions about the economic/industrial development of the respective region and/or about the redeployment of labour force to other areas. In this regard, the preparatory actions should be in two directions: mapping the skills of the employed and developing a clear vision for the economic development of the regions.
- 3.17. The ESC notes that if in the regions affected by the transition to climate neutrality, employed persons become unemployed, they will be able to benefit from all active labour market policy instruments, including:
- promotion of employment and entrepreneurship;
  - promotion of mobility;
  - improving employability;
  - support to employers and released persons in cases of mass layoffs.

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<sup>4</sup> Project of TJTP of Stara Zagora region, page 14, September 2023 - page 14-  
<https://www.strategy.bg/FileHandler.ashx?fileId=33697>

**3.18.** The ESC points out that for this purpose it is important to ensure coordination between the applicable measures with funding under the Just Transition Fund, the National Recovery and Resilience Plan and the Human Resources Development Program 2021-2027, along the lines of two territorial approaches: **Integrated territorial investments**, as well as the local approach **Community-led local development**.

*Social aspects, households*

3.19. The ESC draws attention to the fact that rejecting or being too hasty in carrying out reforms has its price, which necessitates orientation towards a more pragmatic approach. The reform related to the introduction of the provisions of Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on the general rules of the internal electricity market and amending Directive 2012/27/EU **is extremely imperative and it must be done, even though it is late in time.**

3.20. The reform for "Liberalization of the electricity market" (C4.R8) and the implementation of the Reform "Development of definition and criteria for "energy poverty"" (C4.R3) by NRRP are planned to be implemented through the developed Draft Law on Amendments and Supplements to the Law on energy (the public discussion of which ended on 26/08/2023). At the same time, the ESC expresses its serious concern regarding its timely adoption by the National Assembly, as it contains important provisions for society, the economy, the energy sector and households, including the definition of the phenomenon "energy poverty" and the criteria for determining the scope of persons and households in a situation of energy poverty.

3.21. The ESC reminds that **the definition of "energy poverty" and the related criteria and practical rules for identifying individuals and families in a situation of energy poverty is an important methodological and organizational tool in the hands of the executive power in the conditions of a just energy transition.** In order to have concrete results from the adoption of the legislative framework of the "energy poverty" phenomenon, the ESC insists in the shortest possible time and with mandatory coordination between the various responsible institutions (including the Ministry of Energy, the Ministry of Labour and Social Policy, the Agency for social assistance, Ministry of Regional Development and Public Works) to take urgent measures to speed up the preparation, public discussion and adoption

of the by-laws on this matter. Only through good coordination and expert actions on behalf of these institutions, it can be ensured that successful steps are taken to inform the relevant interested persons and households, the conduct of the relevant administrative procedures for accepting documents, processing, registering the persons and households in a situation of energy poverty.

- 3.22. The ESC draws attention to the fact that by accelerating the deadlines for determining and registering individuals and households in a situation of energy poverty, real prerequisites will be created for the social assistance of these subjects and a higher degree of fairness of the energy transition and a reduction of the negative impact on the specified subjects in the conditions of liberalization of the energy market.
- 3.23. The ESC once again shares its conviction that with the legal regulation of the "energy poverty" phenomenon and the related real steps to identify individuals and families in a situation of energy poverty, good conditions will be created for the inclusion of these people in various energy efficiency projects. In this way, the process of improving the energy efficiency (predominantly of housing) of households in a situation of energy poverty can be regulated and supported, and with this, an active state policy to overcome energy poverty in Bulgaria will be implemented.
- 3.24. ESC pays attention to the projects that can contribute to overcoming energy poverty in Bulgaria, among which are those for renovating multi-family and single-family residential buildings. With the identification of the number, scope, location of households in a situation of energy poverty, it is possible to plan specific targeting of European funding to their homes, with the participation of the state being complete (at 100%), or including limited co-financing of the respective household (for example, up to 20 %). The approach compared to the rest of the households is differentiated with co-financing rate of more than 20%. This will accumulate more financial resources and increase the overall range of households that would benefit from the rehabilitation programs.
- 3.25. The ESC welcomes the steps taken regarding **the legal stipulation of the definition and conditions for consumers who can produce energy themselves - the so-called "active customers" (or "producing users") and "civic energy communities"**. We believe, however, that the implementation of these measures,

through relevant legal regulations, are already late, which is why the process should be accelerated, including and through the adoption of the by-laws. In this regard, the ESC insists:

- For the adoption of regulatory mechanisms to reduce the administrative and financial burden for the so-called "active customers", including through the application of net metering and virtual net metering of the energy they produce.
- For the regulation of the application of administrative and financial mechanisms to support the design, construction and operation of facilities and installations for energy production, including from renewable sources that will be used by "active customers"/producing users on the territory of a given municipality (including in municipal facilities), or by "energy communities" including for the production of energy from renewable sources, with the participation of the relevant municipality and projects for servicing these processes in one stop.
- For the regulation of the obligations of central and local government to provide preliminary and complete information (via web pages and in another appropriate way) about the procedures for upcoming programs and projects, which provide opportunities for end customers to participate in the processes for turning them into "active customers"/producing users/. Better awareness of citizens and households be guaranteed this way and their activity will be encouraged to turn them into productive consumers - "active customers".
- For the regulation of the obligations of central and local authorities to develop schemes to support the production and consumption of electricity by "active customers"/producing users and energy communities, including and from renewable energy.
- For the regulation of the exemption of "active customers"/producing users from taxes and obligations applicable to final customers or electricity producers.

3.26. The ESC draws attention to the need for a clear commitment by the state authority to adequately support the affected persons from the replacement of the means for remote metering of the used energy (electricity, gas, heat energy, etc.), including through the application of a differentiated approach to households in a state of "energy poverty" and/or "vulnerable customers". The provisions of § 75 of the

Transitory and Final Provisions of the Energy Act (amended in 2021) stipulate that until 1 January 2027, the installed facilities under Art. 140, para. 1 of the Law on Energy, which are not capable of remote reading, should be rebuilt to provide the possibility of remote reading or be replaced by means of remote reading. ESC reminds that this is a provision with a very wide scope of the affected persons - end customers, it is still in force now, it represents a serious financial burden for households, creating a risk that it will not be successfully implemented within the specified period.

- 3.27. The ESC is paying attention<sup>5</sup>, that the timely structuring and organization of the activity of the Social Climate Fund is a necessary key mechanism for mitigating the adverse impact of the foreseen changes on people.

#### *Administrative capacity*

- 3.28. The ESC recommends taking the necessary actions to strengthen the administrative capacity of the units and structures responsible for the implementation of reforms and investments under the NRRP, to avoid unnecessary delays, corrections in the documentation, termination and re-announcement of procedures under the Public Procurement Act, extension of deadlines for submission of project proposals by interested parties, etc.
- 3.29. The ESC expresses concern about the chronological overlap of terms and periods for the implementation of investments and reforms under the NRRP, the other financial mechanisms and the programs of the Partnership Agreement 2021-2027, which creates a significant risk of non-implementation of projects and the achievement of planned goals.

## **4. Cooperation and partnership**

- 4.1. The ESC notes that the existing and purpose-built advisory and expert bodies, such as the Institute for Sustainable Transition and Development, the commissions for energy transition, for energy efficiency and energy poverty, for sustainable mobility, were not effectively used in the processes of design and implementation of the NRRP and TJTP, for the development and application of innovations and the

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<sup>5</sup> Opinion of the ESC on "Social Climate Fund - Challenges and Prospects", June 2022, [https://esc.bg/wp-content/uploads/2022/07/ESC\\_4\\_020\\_2022.pdf](https://esc.bg/wp-content/uploads/2022/07/ESC_4_020_2022.pdf)

circular and bio-based economy to the European Green Deal Advisory Board, etc., including due to the unstable and unpredictable political situation.

- 4.2. The ESC recommends not to abandon the good practices in partnership and cooperation between the state administration and the private sector for the creation of thematic working groups in the programming, discussion, and joint development of the relevant regulatory framework, which is a guarantee of transparency, quality and stability of the regulatory documents.
- 4.3. The ESC draws attention to the fact that the expert-advisory council provided for in the Council of Ministers No. 157/2022 for monitoring the progress of the implementation of the NRRP was not constituted.
- 4.4. **The ESC insists on the creation of a Monitoring Committee<sup>6</sup> on the implementation of reforms and investments under the NextGenerationEU initiative with the participation of socio-economic partners and representatives of organized civil society** based on the principle of partnership and cooperation. This covers both the Recovery and Resilience Mechanism, the Just Transition Fund and REPowerEU<sup>7</sup>, implemented through the national NRRP and TJTP. The establishment of a Monitoring Committee is an effective form of public monitoring of the implementation of reforms, the realization of investments, the expenditure of public funds and is a continuation of the good practice and established cooperation in the monitoring of the Partnership Agreement and its programs.

/signed/

**Zornitsa Roussinova**

PRESIDENT OF THE ECONOMIC AND SOCIAL COUNCIL

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<sup>6</sup> Opinion on "ESC Proposals in connection with the preparation of the "Recovery and Resilience Plan of the Republic of Bulgaria", 2020, <https://esc.bg/wp-content/uploads/2021/02/opinion-esc-3-70-2020-bg-rev1-4.pdf>

<sup>7</sup> EC initiatives - Recovery and Resilience Facility (RRF); Just Transition Fund (JTF)