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**TO
VALENTIN NIKOLOV
CHAIRMAN
ENERGY COMMISSION TO THE
PARLIAMENT OF THE REPUBLIC OF
BULGARIA**

CC:

**TSVETA KARAYANCHEVA
CHAIRPERSON
PARLIAMENT OF THE REPUBLIC OF
BULGARIA**

**ANNA ALEKSANDROVA
CHAIRPERSON
LEGAL COMMISSION, PARLIAMENT
OF BULGARIA**

**PETAR KANEV
CHAIRPERSON
ECONOMIC POLICY AND TOURISM
COMMISSION,
PARLIAMENT OF BULGARIA**

**SUBJECT: Proposed amendments to the Energy Act by the honorable Mr. Ramadan Atalay,
Inc.№ 054-04-313 / 16.12.2020.**

Sofia, January 12th, 2021

DEAR MR. NIKOLOV,

The Board of Directors of the American Chamber of Commerce in Bulgaria raises its concerns with regard the proposed changes of the Energy Law, introduced by the honorable Member of the Parliament Mr. Ramadan Atalay on December 16th, 2020.

Initiated as part of the needed improvements of the Energy Law to meet the next phase of the liberalization of the wholesale electricity sector of Bulgaria, these proposals, if approved, would bring a lot of damage to the energy system of the country, its main producers, to the end consumers, and – moreover – to the investment reputation of Bulgaria before international partners and lenders.

We all agree that the Electricity system of Bulgaria needs further improvements based on the principles of energy independence, security of supply, predictability, and sustainability.

However, such proposals raise the following concerns:



1. Introduction of **significant legislative changes to a complex system such as the Electricity** sector in Bulgaria in the period between two of the votings at the Parliament, raises questions why such an approach **does not follow more public and transparent process** with consultations and coordination with all involved stakeholders. Moreover, despite the constitutional right of any member of the parliament to have their legislative opportunity, such practice does not bring any predictability or certainty to any stakeholder and it jeopardizes the established institutional dialogue so far.
2. **Legislative proposal that comes less than three months before the end of the mandate of the current Parliament** and just a day before the Christmas holidays, cannot bring any positive improvement of the energy system. On the contrary, it can only bring more tension to all stakeholders – energy producers, financial institutions, authorities, business organizations. It is even offending for the energy producers that are still carrying – like many other businesses in the country - the burden of the pandemic and to keep the economy running by securing power generation and supply to households and businesses, as well as to continue with their social investments on a regional and national levels.
3. In its substance **the proposed changes do not have a solid argumentation “Why they are introduced?”**, nor **any holistic analysis** of the consequences of the changes in power. These changes do not have any impact assessment – which is mandatory for any proposal that should be voted at a Parliamentary Commission or at the Plenary Hall. Such an approach undermines the trust of the citizens and business to the supreme power in Bulgaria – The Parliament.
4. Such a proposal does not reflect of the **potential risk for lack of power supply to major stakeholders** in the country in a year in which we all hope will bring economic relief and growth. At the time of the largest transformation of the energy sector of Bulgaria due to the EU Green Deal, such proposals open another front for confrontation instead of introducing large public discussion about the future of the energy regions.
5. The proposed changes create uncertainty regarding the ability of the National Electricity Company (NEK) to fulfill its obligations under fully valid long-term Power Purchase Agreements with power generators with total capacity of more than 1,500 MW and securing 1,000 jobs and other at least 12,000 - 28,000 in their supply chain represent the most modern and environmentally compliant conventional power stations in the Southeast Europe. **Their Power Purchase Agreements were introduced to secure the supply of electricity of Bulgaria through renewal of its generation fleet in full compliance with the European environment requirements** for combustion installations. Their projects – for newly build power station and completed refurbishment of an existing one – were completed with own funding, and with the support of leading European financial institutions: both commercial banks and multilateral agencies. So, any threat towards legitimate contracts in the European Union can damage the reputation of Bulgaria before international partners.
6. The proposed full liberalization of the energy market for households implies the existence of a **well-regulated and well-functioning IBEX, which, unfortunately, is not yet de facto in place**. There is a risk of unsustainable operations of the electricity traders, which in parallel



with balancing problems could lead to sudden and uncontrollable volatility in IBEX's prices. In that respect, the elimination of NEK as a public supplier is undoubtedly a step towards the elimination of the regulated market segment. However, taking such a step requires a number of prerequisites, the key of which is the existence of a liquid, transparent, predictable, sustainable free market.

7. Last but not least, **we consider that the proposed changes**, in their current wording and time frame, **would not contribute to the investment environment in Bulgaria**. On the contrary, at a time when the European Green Deal could make Bulgarian a very attractive nearshoring investment destination, instead of ill-timed and unsustainable legislative changes, Bulgaria should meticulously analyze and reasonably implement all good practices to actively attract new investments in the energy sector.

The position of the American Chamber of Commerce in Bulgaria is that these proposal of the honorable Member of the Parliament Mr. Ramadan Atalay should not be approved, nor the current Parliament and the Ministry of Energy should introduce any changes of the Energy system of Bulgaria without transparent, timewise, and constructive discussion with all stakeholders.

YOURS SINCERELY:

**OLIVIER MARQUETTE
PRESIDENT
AMCHAM BULGARIA**