

The European Green Deal: Risks and opportunities related to Bulgaria`s transformation into an industrialized green economy.

Position of the American Chamber of Commerce in Bulgaria from the “EU Green Deal Transformation: Opportunities and Challenges” Conference, June 30th, 2021, Sofia

The European Green Deal is the EU`s new strategy “*which aims to transform the Union into a fair and prosperous society with a modern, resource-efficient and competitive economy, where there are no net greenhouse gas emissions in 2050 and economic growth is not dependent on resource use*”.

The implementation of the European Green Deal in Bulgaria will require a profound transformation of the Bulgarian economy, which is among the least developed among EU Member States in terms of GDP per capita, and is one of the most carbon-intensive economies in the union.

Vision

Bulgaria needs to quickly develop its potential by reaching the EU-average economic development indicators. The country has an opportunity to achieve the status of an industrialized and low-carbon economy by attracting and implementing significant long-term investments in strategic industries such as high value-added manufacturing, natural resource extraction and processing, energy, healthcare, and digital infrastructure. To reach this objective, Bulgaria needs full alignment between political, social, and economic stakeholders to implement long-term solutions.

Context

- The EU Green Deal provides potential opportunities, which are visible through the good examples of responsible companies which invest in Bulgaria for years, as well as projects and practices implemented in other countries, introducing appropriate changes in the regulatory framework.
- The necessary factors for Bulgaria`s transition to the status of an industrialized and low-carbon economy are the development of a high-tech industry that is based on (1) resource security, (2) energy stability, diversification and decarbonization, and (3) a developed digital infrastructure.

- Achieving the goals of the Green Deal in Bulgaria and the EU is only possible in conditions of stable economic growth, resource security, and the availability of abundant, reliable, affordable, and cleaner energy.
- Bulgaria needs to ensure a fair transition of its economy from a social standpoint and preserve supply security and independence to meet its needs in energy and raw materials.
- Bulgaria is also the most affected “border” county in the EU. This means that its energy and industry are most threatened by imports of electricity and goods from countries with a lower decarbonization ambition and no carbon related costs.

Recommendations and solutions

Rule of Law and investment climate

Bulgaria has a unique chance to transform its economic base and make a giant leap in terms of low-carbon technologies used, while not losing any competitive advantage on a regional and European scale and maintaining its population both in terms of numbers and intellectual capacity. The necessary preconditions include the political will for long-term solutions, guaranteed transparency and discussions with all stakeholders, both on the EU Green Deal and on other major issues for Europe’s economic future, including the development of the Transatlantic Economy. The rule of law and the predictable and sustainable investment environment guarantee the retention of existing investors and the attraction of new ones in every sector of the national economy.

Investors’ rights must be respected, and coherent solutions sought for future transformations and changes in the regulatory framework. The improvement of Bulgaria’s reputation as an investment destination means a lower cost of financing not only public but also private investments – ultimately more competitiveness for businesses and lower prices for consumers.

The development of a high-tech industry in Bulgaria is about building on the current extensive and relatively well-developed network of component manufacturing by investing in the production of high value-added technological products. Bulgaria has a great need to discuss and implement adequate steps to attract investment for sustainable transformation through targeted measures to reduce carbon emissions and to create new economic sectors, including appropriate financing schemes and a predictable regulatory and investment environment.

The focus of this institutional stability and approach should be sustainable economic growth in line with European requirements and national specificities, retention of the

working population within the country and an environmentally compliant industrial base and services. **Such investments in the final production of high-tech products require (1) resource security, (2) energy stability, diversification and decarbonization, and (3) a developed digital infrastructure.**

Resource availability

- The mining industry is at the beginning of the supply chain and sourcing is a strategic issue. High technology and the energy transition depend on mining products.
- The Bulgarian mining industry and the related metallurgy are modern industries. They are ready to provide the raw materials needed for a green economy and are investing in carbon-neutral practices and products today.
- Bulgaria can play a key role in the implementation of the European Raw Materials Strategy. To this end, mining and metallurgy must develop and our energy sector must be able to provide them with abundant, reliable, affordable, and clean energy.
- Copper is the main raw material of the global transition to low-carbon energy. Domestically produced copper and copper products account for almost 10% of the country's export. In 2019 Bulgaria is the third largest exporter of copper blister and anode globally. The mining industry itself generates up to 5% of the GDP of Bulgaria, and it is among the main factors for regional development.
- Copper extraction and production should find a place on the EU Critical Raw Materials List as well as in the European Taxonomy for Sustainable Investment. Furthermore, they require large amounts of electricity and should be treated on an equal footing with steel and aluminum when taking measures to protect against carbon leakage.
- Bulgaria has significant resources and production of other metals such as gold, lead and zinc, which are also the basis for the development of entire regions in the country.
- Bulgaria has a large processing industry. This means it is in an excellent position to benefit from the Green Deal's circular economy targets – Bulgaria has a very high level of reuse of everything from cars to appliances and to clothes, and a huge recycling industry, especially of metals, plastics, and glass.

Energy stability, diversification and decarbonization

- The formation of the Green Deal Action Plan should consider the state of each country's energy sector and the timeframe and cost for transitioning to carbon-free fuels in a way that will guarantee security of supply, the stability of the electricity grid and Bulgaria's energy independence.
- The effects of the Green Deal on employment in the regions of the country where the largest energy production facilities are located should be assessed and measures identified to minimize the negative effects of the transition and ensure EU objective that no one will be left behind: alternative employment in new investment projects (following the development of new economic zones for example), staff retraining, etc.
- Bulgaria is among the least gasified countries in the EU (only 3% gasification rate) and our building stock is energy inefficient. Mass gasification would drastically reduce seasonal variations in electricity consumption, the need for primary energy resources and associated carbon emissions. The savings potential with renovation projects is also very high.
- Bulgaria has significant untapped potential for hydro, wind, solar and geothermal power generation, as well as biomass and waste-to-energy. This should be carefully assessed (with the support of reputable EU market modelling tools used in most EU countries and EU institutions – ENTSO-E, ACER, others) and new investment framework planned according to Bulgarian Grid system needs.
- Bulgaria has a strong nuclear power industry, meaning we have a huge potential for low-carbon energy production. It is also a potential source for production of pink hydrogen, which could decarbonize natural gas in the future. Bulgaria can develop its nuclear power industry and attention should be paid to small modular nuclear power plants.

Developed digital infrastructure

- Bulgaria is famous for the availability of the Internet, including broadband, as well as the presence of an excellent fiber optic infrastructure.
- The need for increasing connectivity began to be recognized not only because of the effects of the pandemic in 2020. The development of Industry 4.0 through the attraction of investors and local development of high-tech industries, automation and robotics, smart city management systems, the need to build physical infrastructure (road, rail, air) that allows efficient traffic and cargo management,

safety in operation and in relation to people, the construction of a fifth-generation mobile network or even a leapfrog with the broadcast of Internet signals from satellites in low-Earth orbit, must be met with the necessary technological, resource and regulatory backing.

- The development of Bulgaria as an attractive destination for sustainable investments, for public-private partnerships, and for retaining existing investors in the country should be based on a visionary understanding based on digitalization, education, efficient administration, and a healthy population.

Next steps

AmCham Bulgaria is committed to actively participate in the important discussion about the future of Bulgaria's economy in the eve of the EU Green Deal to provide expert-based opinion about the potential solutions for fair, smooth, affordable, and well-planned transformation to decarbonization. It could serve as the platform for national debate and building a common vision – political, social, and economic one – of the needed steps for policies and their implementation that will structure such a transition.

EU Green Deal will not happen overnight. It requires careful and timely planning of each member-state. In the case of Bulgaria, it needs an accurate evaluation of the economic, technological, social, and political impact of the decisions that should be taken to meet the Green Deal requirements.