

Assessment of country performance and opportunities from the Energy Union

Bulgaria shows good performance on two dimensions of the Energy Union: With regard to *Energy Efficiency* and *Decarbonisation*, Bulgaria is on track to meet its 2020 targets for greenhouse gas emission reductions, renewable energy and energy efficiency. Despite significant decreases of primary energy intensity in the last ten years, the energy intensity of the industrial sector is more than three times higher than the EU average.

Bulgaria faces challenges along the remaining dimensions of the Energy Union: On *Energy Security*, Bulgaria is among the most vulnerable Member States, as shown in the recent stress tests performed by the European Commission. The construction of critical infrastructure projects has been plagued with significant delays. Six years after the 2009 gas crisis, Bulgaria has yet to report the successful completion of any of the EU-funded interconnection and reverse flow projects. An additional challenge in the longer term is the fact that domestic energy resources (lignite) will have to be scaled down as the EU is moving closer towards a decarbonised economy. Part of this fossil fuel based capacity will have to be replaced either with new domestic sources (less carbon intensive fossil fuels and renewable energy) or with additional energy imports through further integration with neighbouring Member States. With regard to the *Internal Energy Market*, Bulgaria is yet to develop a transparent wholesale and retail market for electricity and natural gas. A combination of complex issues (e.g. expansion of renewable energy; long-term purchase agreements for electricity; delays in phasing out of power plants which are not compliant with the Large Combustion Plant Directive; weak energy regulator) and insufficient action in reforming the energy sector have exacerbated the problems and compromised the financial stability of public and private stakeholders. With regard to *Research and Innovation*, Bulgaria lags behind the EU average and main trading partners on R&D indicators in the field of sustainable energy and low-carbon developments.

Against this background, the **Energy Union Strategy can provide potential benefits** for Bulgaria:

- *Energy Security*: The diversification of European gas sources, suppliers and routes and the better coordination of emergency response mechanisms among Member States will significantly help to provide adequate level of energy security for Bulgaria. The funding of critical infrastructure (domestic grids and interconnections) and the reinforcing of regional cooperation (High Level Group on Central East South Europe Connectivity) are also important elements of the Energy Union Strategy with direct benefits for Bulgaria.
- *Internal energy market*: A completed internal energy market combined with strong regional cooperation will provide more cost-effective options on dealing with generation adequacy. Bulgaria's structural overcapacity in electricity generation can ensure affordable prices to domestic consumers and offer export opportunities in an integrated regional electricity market.
- *Energy Efficiency*: The Energy Union will strengthen the targeted use of financial instruments. This will trigger investments in areas where Bulgaria has significant energy savings potential (e.g. transport and industry) and help to improve the energy efficiency of residential buildings, thereby reducing energy costs for households.