BULGARIA

FOLLOW-UP
IN-DEPTH REVIEW
of the Investment Climate
and Market Structure
in the Energy Sector

Energy Charter Secretariat
2011
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I. INTRODUCTION


The current Follow-up ICMS Report is the second one for the country and its preparation is motivated, among others, by the need to reflect all relevant changes that have taken place in the country after its accession to the EU. As such, the document covers mainly the period 2004-2008 and is based on the latest publicly available data for Bulgaria. Nevertheless, in order to achieve maximum comprehensiveness of the document, preliminary figures for 2009 are also used in some cases.

Undertaken on a peer review basis, the Report serves the purpose of information sharing and cooperation among the member states. The Report contains updated information on development of the national economy; basic statistics on foreign direct investments (FDI); analysis of the legal framework; review of the investment climate and market structure in the energy sector of Bulgaria.

The Report is prepared by the Bulgarian authorities in close cooperation with the Energy Charter Secretariat.
II. POLICY CONCLUSIONS ADOPTED BY THE ENERGY CHARTER CONFERENCE

The Energy Charter Investment Group reviewed the present country report (together with the ICMS-Report of Bosnia and Herzegovina) at its meeting on 18 June 2010. It agreed upon a number of policy conclusions with regard to these reports that were subsequently approved by the Charter Conference on 24 November 2010. These conclusions read as follows:

The Charter Conference,

Having heard the report from the Investment Group with respect to the Reports on Investment Climate and Market Structure from Bulgaria and Bosnia and Herzegovina

NOTED

a) That the reviews have shown some progress in the legislative framework, in particular by adopting a number of energy-related laws and regulations and further steps towards restructuring and privatisation of the energy sector in the reviewed countries.

b) In particular, with respect to:

(i) Bulgaria

- Took note with satisfaction of the overall favourable climate for foreign investors in Bulgaria, and the considerable progress achieved in the restructuring and privatisation of its energy sector in recent years;
- Encouraged to continue liberalisation of the electricity sector with introducing greater competition among all supply chain and allowing consumers to choose supplier in practice;
- Encouraged to continue liberalisation of the gas sector with introducing greater competition and addressing high concentration of market power (monopolies);
- Welcomed measures taken to facilitate greater inter-connectivity of state gas transmission pipelines to ensure that Bulgaria has access to multiple gas supplies at competitive prices;
- Welcomed efforts aimed at greater integration within the regional energy market. New supply sources and interconnections will help diversify supply, enhance market performance, efficiency and transparency;
- Welcomed plans to facilitate improvements in fuel supply chain and storage facilities to ensure sufficient capacity to meet demand for fuel and greater use of natural gas at a household level;
- Noted efforts of Bulgaria in establishing conditions for competition in the energy sector of the country, improving the pricing mechanisms and the market structure, and introducing advanced regulatory practices;
- Welcomed steps to improve the investment climate but noted that more efforts are required, particular in streamlining issue of construction and environmental permits;

1 Adopted at the 21st Meeting of the Energy Charter Conference on 24 November 2010.
• Took note with satisfaction of introduced amendment of the existing non-conforming measure in the “Blue Book” relating to the acquisition of real estate which represents certain liberalisation measures in connection with accession of Bulgaria to the European Union;

• Noted that the level of private capital in the Bulgarian energy sector is significant and might increase even further through privatisation in the future;

• Encouraged more consistent measures in the creation and the assurance of stable conditions that facilitate investment, in particular improving governance and the actual implementation of the rule of law;

• Encouraged to promote the adoption of demand-side measures that contribute to more efficient energy use and improved use of existing infrastructure;

• Took note of the efforts to continue balancing regulated electricity prices to ensure public interest and provide a solid basis for return on investments and implementation of mandatory investment programmes;

• Encouraged to ensure energy affordability through a targeted support to the poor segments of population;

• Encouraged further development of the energy market and the regulatory arrangements that encourage energy industry developments that minimise growth in greenhouse gas emissions.
III. SUMMARY OF THE MAIN FINDINGS OF THE SECRETARIAT

- Bulgaria’s top foreign policy priority is further integration into EU, and there is a high level of popular support to that objective. Much of Bulgaria’s progress with economic and structural reforms has been geared towards EU approximation. Membership to the EU has contributed to lowering the perceived risk associated with the economy, thus making it a more attractive venue for investors.

- The Bulgarian energy sector is a key for the future development of the country’s economy. For the past decade energy exports and imports formed on average 12 percent (16 percent in 2008) and 21 percent (22 percent in 2008) of the value of the country’s outgoing and incoming trade flows respectively.

- Foreign Direct Investments (FDI) are a main factor for economic growth in Bulgaria as they have a direct positive impact on GDP in the country and stimulate opening of new work places and transfer of technology innovations, know-how and management and operational knowledge and skills.

- The Investment Promotion Act, last amended in May 2007, stipulates equal treatment of foreign and domestic investors. It creates conditions for improved administrative services and includes an investment incentive package. The law explicitly recognises intellectual property and securities as a foreign investment.

- EU accession requirements have led to the adoption of a constitutional amendment which allows EU citizens and entities to acquire real property, while all other foreigners will be able to do so only on the basis of an international treaty ratified by the Bulgarian Parliament. There are no legal restrictions against acquisition of land by locally registered companies with majority foreign participation.

- Bulgaria does not impose export performance or local content requirements as a condition for establishing, maintaining, or expanding an investment. For most categories of expatriate personnel from countries outside the EU a work permit is required. Some investors emphasise that entry visas and residence permits are often difficult to obtain. According to the Bulgarian law on Encouragement of Employment, total number of the foreign employees may not exceed 10 percent of the average number of the Bulgarian citizens. This 1:10 ratio requirement is applied between foreign, non-EEA residents and Bulgarian employees.

- Investors cited that corruption is still one of the most severe problems in Bulgaria’s investment climate, despite the Bulgarian government’s numerous advances in laws and legal instruments. Among other problems most often encountered by foreign investors in Bulgaria are bureaucracy, lack of adequate level or transparency, poor infrastructure, frequent changes in the legal framework as well as inadequate implementation of legislative framework and lack of qualified personnel, which is mainly due to the migration in recent years of many experienced workforce to other EU countries for economic reasons.

- Bulgaria has implemented a very successful privatisation programme. The Secretariat’s findings included following conclusions related to privatisation:

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2 These findings were submitted by the Energy Charter Secretariat to the regular session of the Investment Group in June 2010.
- Well established procedures for privatisation, public procurement and transparency can positively contribute to the improved competition and sustainability of the Bulgarian economy and the energy sector;

- Some companies have monopoly positions in the districts, so the current challenge is to balance between functioning business models and security of supply to population; and

- At present currently regulated electricity prices do not provide a solid basis for return on investments and implementation of mandatory investment programmes to improve the infrastructure. It seems that the inability for distribution companies to sufficiently raise tariffs impacts on the quality of service and subsequently the level of investment.

- As Bulgarian Government plans to continue with privatisation of certain energy enterprises there are emerging issues that needs to be addressed by both regulators and investors:
  
  - Long-term political commitment to privatisation;
  
  - Clear and stable investment terms;
  
  - Continued dialog between the regulator and investors to address emerging issues;
  
  - Impact of gaps or lack of clarity in regulatory framework; and
  
  - Quality of service linked to new investment required after the privatisation.

- The Energy sector in Bulgaria has undergone major restructuring in recent years. One of the most important factors for the power sector reform and for attracting private investors is achieving regulatory stability in the country. In the last three years, the liberalised electricity and natural gas market in the Republic of Bulgaria has been developing successfully.

- Overall, the country has been on a continuous move to liberal market principles and significant structural changes in the energy sector are taking place. Planned privatisation opportunities may be another challenging development in the near future, taking into account the new priorities to be set up through the upcoming new Energy Strategy. Much has been accomplished in terms of improving investment climate but more efforts are required to attract more FDI preferably with less risk premiums into the economy. Improved procedures for licences allocation, issue of construction permits and increased transparency in the energy sector may certainly be considered at part of overall reform programme.
IV. OVERVIEW

1. General Information

General information regarding the Republic of Bulgaria is presented in Table 1 “Key Information”.

Table 1: Key Information

<table>
<thead>
<tr>
<th>Official Name</th>
<th>Republic of Bulgaria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of State</td>
<td>President: Georgi Parvanov (since 22 January 2002)</td>
</tr>
<tr>
<td>Head of Government</td>
<td>Prime Minister: Boyko Borisov (since 27 July 2009)</td>
</tr>
<tr>
<td>National Legislature</td>
<td>National Assembly</td>
</tr>
<tr>
<td>Capital</td>
<td>Sofia</td>
</tr>
<tr>
<td>Major Cities</td>
<td>Plovdiv, Varna, Burgas, Stara Zagora, Ruse, Pleven, Sliven,</td>
</tr>
<tr>
<td>Total Land Area</td>
<td>110,910 km²</td>
</tr>
<tr>
<td>Population</td>
<td>7.6 million</td>
</tr>
<tr>
<td>Labour Force</td>
<td>67.8%</td>
</tr>
<tr>
<td>Literacy</td>
<td>98.2%</td>
</tr>
<tr>
<td>Official Language</td>
<td>Bulgarian</td>
</tr>
<tr>
<td>Independence Declared</td>
<td>(3 March 1878 – National Holiday)</td>
</tr>
<tr>
<td>Religion</td>
<td>Christianity (82.6% orthodox)</td>
</tr>
<tr>
<td>Currency</td>
<td>Lev (BGN)</td>
</tr>
<tr>
<td>Time Zone</td>
<td>GMT + 2</td>
</tr>
</tbody>
</table>

Source: National Statistical Institute of Bulgaria

2. Geography

Figure 1: General Map of Bulgaria

Source: http://www.webscavengers.net/modules/tinyd0/rewrite/factbook/maps/bu-map.gif
Bulgaria is situated in south-eastern Europe. It occupies the central part of the Balkan Peninsula on both sides of the Balkan Range (the Balkans), from which the peninsula has taken its name. The greater part of the northern border with Romania passes along the Danube, and the eastern border is the Black Sea. To the South, the state has borders with Greece and Turkey, and to the West – with the Republic of Macedonia and the Republic of Serbia. The total area of Bulgaria is 110,910 square kilometres. It is positioned at a crossroads between Europe, Asia, and Africa. Major roads from Western and Central Europe to Asia and from Northern and Eastern Europe to the Eastern Mediterranean cross its territory.

The territory of the Republic of Bulgaria is divided into 263 municipalities from 28 districts (provinces), grouped into 6 “planning economic regions”. The administrative territorial division is:

**Figure 2: Map of the Administrative Territorial Division of Bulgaria**

- North-West Region – Districts: Vidin, Vratsa, Montana
- North-Central Region – Districts: Veliko Tarnovo, Gabrovo, Lovech, Pleven, Russe
- North-East Region – Districts: Dobrich, Shumen, Varna, Razgrad, Silistra, Targovishte
- South-West Region – Districts: Sofia-Town, Blagoevgrad, Kyustendil, Pernik, Sofia-District
- South-Central Region – Districts: Pazardzhik, Plovdiv, Smolyan, Kardzhali, Stara Zagora, Haskovo
- South-East Region – Districts: Burgas, Sliven, Yambol

The relief of Bulgaria is exceptionally varied. On its small territory, there is a succession of high mountains, foothills, spacious plains, and valleys. The country is situated on the margin between the moderate and the Mediterranean climatic zones. In the North, the climate is moderate continental, while towards the South – the Mediterranean climatic influence can be felt.

### 3. State Structure

**Constitution**

The acting Constitution of the Republic of Bulgaria was adopted in July 1991 and latest amended in February 2007. It was built on the basic principles of the contemporary
constitutionalism. The Constitution provides a multi-party parliamentary system and free elections, in which all the citizens of the Republic of Bulgaria take part with the right to vote. After the elections, the largest parliamentary group constructs the government. So that the government (The Council of Ministers) is approved, as well as for adoption of regular legal acts, general parliament majority is required. Amendments to the Constitution are to be adopted through three quarters of parliament majority.

**The President**

The President is the Head of State and is elected with direct elections once in every five years, for not more that two mandates.

The Vice President is elected at the same time, with the same voting paper, and under the same conditions and procedure, as the President.

The President is the supreme commander of the military forces of the Republic of Bulgaria. He assigns and discharges the supreme command staff of the military forces and promotes the supreme officers into higher ranks on proposals by the Council of Ministers. The President is the Chairperson of the Consultative Council for National Security and has the power to:

- declare war in case of armed attack against Bulgaria, or if necessary, the country’s implementation of international agreements;
- declare general, or partial mobilisation on request of the Council of Ministers;
- declare martial law, or any other state of emergency, at cases when the National Assembly is not in session and is impossible to be called;
- give order to the Prime Minister to form the government;
- select the date of the elections for the National Assembly, as well as for the local self-management authorities;
- point out the date for national referendum, after the corresponding decision of the National Assembly;
- approve the laws adopted by the Parliament with a Decree.

The President is vested with an important power related to the law-making process. Whenever he or she finds a law passed by the National Assembly to be unconstitutional or where any such law contains solutions that are unacceptable to the President, the head of State may return it to the National Assembly for further consideration. This power is popularly referred to as the “veto” power. The President may challenge the content of an entire law or of particular provisions.3

**The Parliament**

Bulgaria is a Parliamentary Republic and the basic power in the country is the legislative one. The Parliament (The National Assembly) exercises the legislative power, as well as the right to parliamentary control. The mandate of the National Assembly is a 4-year one. The National Assembly consists of 240 MPs. They are elected directly by the voters for a 4-year term, on the basis of a mixed (proportional and majority) system with ballot lists of parties, coalitions

and candidates, so that the parties and the pre-election coalitions enter the National Assembly, they must collect above 4% electoral threshold. The MPs of the National Assembly represent not only their election regions, but the whole nation as well. The MPs work in compliance with the Constitution and the legislation, following their conscience and convictions. The National Assembly elects temporary and permanent commissions, where MPs participate. It adopts laws, decisions, declarations and statements. Every member of the National Assembly or the Council of Ministers has the right to introduce a draft of a law. The draft law on the state budget is developed and introduced by the Council of Ministers.

**The Government**

The government (The Council of Ministers) is the main body of the executive power, headed by the Prime Minister. The Council of Ministers rules and conducts the internal and foreign policy of the state, secures the public order and the national security, exercises control over the public administration and the military forces.

The Prime Minister to be is nominated by the largest parliamentary group, after which the President hands in the mandate to him for forming the government. The proposed Council of Ministers is voted by the National Assembly, which controls directly the activity of the government.

**Local Executive Authorities**

The municipality is the main administrative territorial unit. The policy of every municipality is determined by the Municipality Council and includes the economic development, the environmental policy, the educational and the cultural, etc. activities. The Municipality Council approves the annual budgets and development plans of the corresponding municipality. Every municipality is ruled by a Mayor. The Mayor is in charge of the whole executive activity of the municipality, of keeping the public order, and organises the distribution of the municipality budget.

The region is the bigger administrative territorial unit. Through it the governmental local policy is conducted in a decentralised and more effective way. A regional governor, assigned by the Council of Ministers, rules each region.

**The Judiciary**

The judicial power in Bulgaria is independent. It is built up on the basis of a procedure of three instances.

The Supreme Administrative Court (SAC) and the Supreme Cassation Court (SCC) exercise control over the implementation of the law by the courts of lower instances, and take decisions on the legality of the executive power’s acts.

The Constitutional Court determines if the laws and the international agreements are in compliance with the Constitution.

**4. Population and Employment**

At the end of 2008 the population in Bulgaria amounted to 7,606,551 persons. Female population share was higher – 51.6%. 1 066 women corresponded to 1 000 men in 2008. Some
5407.1 thousand persons or 71.1% were living in urban areas and 2 199.5 thousand or 28.9% – in rural ones.

Process of population ageing continued over past years, which led to increase of population mean age. It was 40.4 years in 2001, compared to 41.7 years at present.

Tendency of population ageing leads to changes in the age structure – distribution of population under, at and over working age. Number of population at and over working age is influenced not only by the population ageing, but by the legislative changes in the retirement age also.

**Figure 3: Population under, at and over Working Age**

<table>
<thead>
<tr>
<th>Year</th>
<th>Under working age (%)</th>
<th>At working age (%)</th>
<th>Over working age (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>21.6</td>
<td>55.5</td>
<td>23.9</td>
</tr>
<tr>
<td>1995</td>
<td>19.1</td>
<td>56.6</td>
<td>24.3</td>
</tr>
<tr>
<td>2001</td>
<td>16.3</td>
<td>59.2</td>
<td>24.5</td>
</tr>
<tr>
<td>2005</td>
<td>14.8</td>
<td>62.4</td>
<td>22.8</td>
</tr>
<tr>
<td>2006</td>
<td>14.6</td>
<td>62.8</td>
<td>22.6</td>
</tr>
<tr>
<td>2007</td>
<td>14.5</td>
<td>63.2</td>
<td>22.3</td>
</tr>
<tr>
<td>2008</td>
<td>14.5</td>
<td>63.2</td>
<td>22.3</td>
</tr>
</tbody>
</table>

*Source: National Statistical Institute of Bulgaria*

At the end of 2008 the population at working age amounted to 4 806 thousand persons or 63.2% of the total population. It decreased by 11 thousand compared to the previous year.

The main problems related to the country’s demographic development are the high mortality level, relatively lower life expectancy compared to the other European countries, as well as the negative net international migration. Nevertheless, the positive tendencies observed in the demographic development during the last years are a good basis for overcoming the serious demographic crisis passed during the last decade of the twentieth century.

According to the data from the National Statistical Institute, the biggest employer in the country is the service sector of Bulgaria's economy, where are employed around 1,862,000 people, representing 57.1% of the working Bulgarians. The industry takes the second place with 1,184,000 Bulgarians, or 36.3% employed in this sector. The third place holds the agriculture – 6.6% – 216,000 of the working people. Currently, the total number of actively working Bulgarians is 3,262,000, out of which 53.3% are men, and 46.7% are women.

The unemployment rate in the country decreased significantly from 12.16% in 2004 to 6.27% at the end of 2008, as a result of economic growth as well as labour market programmes implemented by the government. The increase of overall employment in the country is entirely due to higher economic activity in the private sector leading to increased demand of labour and appointment of new staff. Despite the global financial crisis of 2008-2009, unemployment remained relatively low at 6.3% for 2008, but increased to almost 8% in 2009.

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4 However, in some rural areas the unemployment rate still continues in high double digits.
5. Economic Situation

a) Performance of the Economy

Following the severe economic and financial crisis that occurred in late 1996 and early 1997, Bulgarian government adopted a comprehensive economic reform programme, supported by the international financial institutions. The establishment of a Currency Board in 1997 whereupon the Bulgarian Lev (BGN) was initially fixed to the German Mark and later to the Euro, resulted in quick stabilisation of the Bulgarian economy. In order to guarantee this stability, a cautious fiscal policy was pursued over the following years on the basis of a low budget deficit and mechanisms put in place to resist external shocks. In pursuance of this policy, the country has been achieving significant economic growth, with more than 6% average growth of GDP for the period 2004-2008. The fiscal reserve of the country amounted to over €4 billion.

As a result of the active policy aimed at fiscal consolidation the overall fiscal deficit of the country was reduced from 15.2% of GDP in 1996 to a balanced budget in 2003 and increasing fiscal surpluses since then. Meanwhile, the prudent fiscal policy has contributed to a significant reduction in public and publicly guaranteed debt, which surpassed 100% of GDP in 1997 and was decreased to below 16% in 2008. It is clear that the broad structural reform adopted by the government contributed to this solid economic performance.

However, despite the overall very positive performance that Bulgarian economy achieved over the last five to ten years, the country joined the EU in 2007 as one of the poorest member states, with a per capita income in 2008 at PPP (purchasing power parity) amounting of around 40% of the average of EU27.

---

5 €1 = BGN 1.95583. This is an anchored Lev/euro exchange rate until Bulgaria joins the European Monetary Union.

Table 2: Main Economic Indicators for Bulgaria

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth (annual %)</td>
<td>5.4</td>
<td>6.6</td>
<td>6.2</td>
<td>6.3</td>
<td>6.2</td>
<td>6.0</td>
</tr>
<tr>
<td>GDP per capita (€)</td>
<td>1700</td>
<td>2600</td>
<td>2800</td>
<td>3300</td>
<td>3800</td>
<td>4500</td>
</tr>
<tr>
<td>Inflation rate (average %)</td>
<td>10.3</td>
<td>6.1</td>
<td>5.0</td>
<td>7.3</td>
<td>8.4</td>
<td>12.3</td>
</tr>
<tr>
<td>Total FDI</td>
<td>1103.3</td>
<td>2735.9</td>
<td>3152.1</td>
<td>6221.6</td>
<td>8595.8</td>
<td>6549.0</td>
</tr>
<tr>
<td>FDI inflows (% of GDP)</td>
<td>8.1</td>
<td>13.8</td>
<td>14.4</td>
<td>24.7</td>
<td>29.7</td>
<td>19.2</td>
</tr>
<tr>
<td>Current account (€ mln)</td>
<td>-761.4</td>
<td>-1306.9</td>
<td>-2705.7</td>
<td>-4647.8</td>
<td>-7274.0</td>
<td>-8653.1</td>
</tr>
<tr>
<td>Capital and financial account (€ mln)</td>
<td>923.8</td>
<td>2458.3</td>
<td>4213.6</td>
<td>7264.6</td>
<td>12619.3</td>
<td>11656.0</td>
</tr>
<tr>
<td>Trade balance (€ mln)</td>
<td>-1279.9</td>
<td>-2953.49</td>
<td>-4409.7</td>
<td>-5562.3</td>
<td>-7245.3</td>
<td>-8597.3</td>
</tr>
<tr>
<td>Trade balance (% of GDP)</td>
<td>-9.4</td>
<td>-14.9</td>
<td>-20.2</td>
<td>-22.0</td>
<td>-25.1</td>
<td>-25.2</td>
</tr>
<tr>
<td>Export (€ mln)</td>
<td>5253.1</td>
<td>7984.9</td>
<td>9466.3</td>
<td>12011.9</td>
<td>13511.9</td>
<td>15203.8</td>
</tr>
<tr>
<td>Import (€ mln)</td>
<td>6533.0</td>
<td>10938.4</td>
<td>13876.1</td>
<td>17574.7</td>
<td>20757.2</td>
<td>23801.1</td>
</tr>
<tr>
<td>Gross external debt (€ mln)</td>
<td>11882.7</td>
<td>12658.5</td>
<td>15506.9</td>
<td>20690.9</td>
<td>28988.8</td>
<td>36973.7</td>
</tr>
<tr>
<td>Gross external debt (% of GDP)</td>
<td>86.9</td>
<td>63.8</td>
<td>70.9</td>
<td>82.0</td>
<td>100.3</td>
<td>108.4</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>18.00</td>
<td>12.16</td>
<td>10.73</td>
<td>9.12</td>
<td>6.91</td>
<td>6.27</td>
</tr>
</tbody>
</table>

*Source: National Statistical Institute, Ministry of Economy, Energy and Tourism, Bulgarian National Bank, World Bank*

Within the structure of the economy, for the period 2005-2008, the industrial sector represented around nearly one third of the value added in the economy, amounting to 30.5% in 2008. At the same time, the industrial production recorded a 17% growth in 2008 compared to 2005, and industry sales – 55.8% for the same period. Restructuring of the industry after its privatisation was a major driving factor of this growth.

The service sector takes the biggest share within the Bulgarian economy, constantly increasing over the past years – from 59.8% in 2004 to 62.8% in 2008. To compare, a decade ago (in 1997), its share in the value added in the economy was only 45.9%. The branches developing most significantly within the sector, among others were financial services /credit, insurances/ and communications.

During the period 2004-2008 a contrary trend had been observed in the agricultural sector. Representing some 11% of the gross value added (GVA) in 2004, the agriculture sector recorded only 7.3% five years later. Among others, one of the main reasons for this decrease is the poor harvest that the sector faced in 2007, partly overcome the next year.

The investment has been the most rapidly growing component of GDP over the past years. Domestic investment (gross capital formation) constituted 23.1% of GDP in 2004 and reached 38.4% in 2008. Despite the long period of underinvestment in the last decade of the previous century, now the economic growth of the country is driven mainly by the investment.

Over the past years, the inflation consistently showed an upward trend: from 5% in 2005, the mean annual inflation increased to 12.3% in 2008. Among the basic factors determining the rise of the inflation rate were: the price increase in the “housing” sector (rents, repairs and maintenance), water, electric power, gas and other fuels, as well as the growing private sector wages and higher food prices after a drought damaged crops.
b) Foreign Direct Investment

Beside domestic investment, foreign investment also continued to increase. As a result of the far reaching reform programmes launched and successfully applied, the country has witnessed high FDI realisations especially since 2005. More importantly, the success story of the FDI is evident also by way of comparisons of its figures in GDP ratio terms, which are well above than those of the neighbouring country Romania, the EU average, developed economies, and furthermore the world figures in the same period.

In 2007, a record-breaking amount of foreign direct investment (FDI) was accumulated – €8.6 billion (29.7% of GDP). To compare, in 2004, the FDI amounted to €2.7 billion, which represented 13.8% of GDP.

**Figure 5: Record FDI Inflows in 2006-2008, MEUR**

![Graph showing FDI inflows]

*Note: 2008 Preliminary data and data for 2009 covering only January-September
Source: Bulgarian National Bank*

**Table 3: FDI Flows, by Type of Investment, MEUR**

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>2735.9</td>
<td>3152.1</td>
<td>6221.6</td>
<td>8595.8</td>
<td>6549.0</td>
</tr>
<tr>
<td>Equity capital</td>
<td>1831.9</td>
<td>1789.3</td>
<td>3234.1</td>
<td>4765.1</td>
<td>3309.0</td>
</tr>
<tr>
<td>Other capital</td>
<td>462.7</td>
<td>954.1</td>
<td>2030.0</td>
<td>2801.6</td>
<td>2705.7</td>
</tr>
<tr>
<td>Reinvested earnings</td>
<td>441.4</td>
<td>408.7</td>
<td>957.5</td>
<td>1029.1</td>
<td>534.3</td>
</tr>
</tbody>
</table>

*Source: Bulgarian National Bank*

This significant growth resulted from the improved business environment in the country and the government’s pro-active policy for attracting and supporting investment. In April 2004, new investment promotion and support legislation was adopted, which has been amended and updated after the accession of Bulgaria to the EU. It provides for equal treatment of foreign and domestic investors and a new approach to attracting foreign investment. The law, as well as the accession of Bulgaria to the European Union, accelerated the process of real integration of the Bulgarian economy into the single European market, which contributed to the enhanced interest in Bulgaria on the part of foreign investors. The volume of attracted investments (both domestic and foreign) is of key importance for improving the competitiveness of the Bulgarian economy and increasing the economic growth rate.
The attracted foreign investment offset, to a great extent, the current account deficit of the country, which has been constantly increasing over the years and reached €8,653.1 million in 2008 (25.4% of GDP), compared to €1,306.9 (or only 6.6% of GDP) in 2004. The trade balance was the main cause of this deterioration. Due to the higher rate of import increase, it had a negative effect on economic growth. The increased demand for raw materials and components and for investment and consumer goods and services as well as the real increase of imported energy resources were among the main drivers of volume of the import growth. Accesses to the European single market and cheap lending have fuelled consumer demand and imports after the country joined the European Union.
FDI Policy

According to the Investment Promotion Act, the government’s policy in the field of investment is carried out by the Minister of Economy, Energy and Tourism in cooperation with the executive authorities. The new law requires equal treatment of foreign and domestic investors. It also provides for improvement of the administrative investor service, as well as assistance on the part of the state in the building of an infrastructure, such support depending on the size of investment. The provisions for promotion of investments are in pursuance of the requirements of Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty. The measures for individual support for the promotion of investments are applied as a multi-sector regional aid scheme and training aid scheme, complying with all conditions set out in Chapter One, as well as all relevant conditions set out in Chapter Two of Regulation (EC) No 800/2008 for compatibility with the common market in the meaning of Article 87, paragraph 3 of the Treaty Establishing the European Community and are exempted from the obligation for notification in accordance with Article 88, paragraph 3 of the Treaty under the conditions of Article 3 of Regulation (EC) No 800/2008. The measures for individual support which do not satisfy the above mentioned conditions, have to be notified to the European Commission, in accordance with Article 88 of the Treaty Establishing the European Community.

The Foreign Investment Agency has been transformed into the InvestBulgaria Agency (Bulgarian Investment Agency) – an executive agency under the Ministry of Economy, Energy and Tourism. The Bulgarian Investment Agency, upon receipt of an application, issues a certificate of category of investment, and provides information and administrative services to investors by granting support in dealings with the central and regional administrations. Besides, shorter time limits for administrative services are stipulated.

The policy of attracting foreign investments includes other measures aiming at an improvement of the overall business climate. They are part of the initiatives of the Ministry of Economy, Energy and Tourism and are related to a relief of the licensing and authorisation regime, as well as a reduction of the corporate tax rate: for 2004 it amounted to 19.5%, and in 2005 it was reduced to 15%, subsequently decreased to 10% after the accession of Bulgaria to the EU.

Investor Programme for Residence and Citizenship

A new Bulgarian legislation, in force as of May 2009, provides significant advantages for foreign investors in Bulgaria concerning investors' business activities in the country and at the same time their personal sphere as individuals with foreign citizenship. On one hand investors' business in Bulgaria is supported by the measures for encouragement of investments granted by the Investment Encouragement Act and the Regulations for implementation thereof. And on the other hand, those foreign investors who have invested in Bulgaria more than 1,000,000 BGN (€511.292) are considered special by the State according to the legislation in force.

Foreign investors under this programme may receive Permanent Residence Permit and have the unique benefit to be exempted from physical residency as per Art. 40, para 1, sub para 6 of the Foreigners Act of the Republic of Bulgaria (FARB). They can reside freely in Bulgaria for indefinite term for the only reason they have made a significant investment in the local economy.

To that effect they obtain Permanent Residence Permit, issued by the Ministry of Interior on the grounds of a certificate of the Ministry of Finance proving the amount and type of investment made. There is a strict statutory procedure to be followed. The procedure is provided into the Foreigners Act of the Republic of Bulgaria, the Regulations for its implementation and in the Ordinance for the conditions and procedure for issuance of visas as well. These legislative acts give the Legal Framework of entry, residence and exit in and out of the Republic of Bulgaria by citizens of non-EU Members. The “residence” advantages outlined above are applicable for the non-EU Members’ citizens. Rights of EU citizens in this regard are regulated by the Act on entry, residence and exit from the Republic of Bulgaria by citizens of the European Union and members of their families. Having received Permanent Residence Permit at least 5 years earlier the Foreign Investor may apply for Bulgarian Citizenship according to the Bulgarian Citizenship Act.

c) Foreign Trade

Bulgaria has been a member of the World Trade Organisation (WTO) since December 1996. In March 1993 Bulgaria signed the European Agreement of Association with the European Communities and their member states. The country entered into an Agreement with the European Free Trade Association (EFTA), enforced in 1993 and in July 1998 became a member of the Central European Free Trade Agreement (CEFTA). Bulgaria has free trade agreements with Turkey, FYROM, Albania, Israel, Moldova, Bosnia and Herzegovina, Serbia and Montenegro. As a result of these treaties, the number of goods subject to duties has been significantly reduced.

Today, Bulgaria’s main foreign trade partners are located in Europe. Germany, Greece, Italy and Romania are the countries that held more than one quarter (27.5%) of the volume of Bulgarian foreign trade in 2008. Outside the EU, the major contractor with significant importance on Bulgaria’s imports is Russia, providing near one fifth (17.7%) of the import in 2008 – due mainly of energy resources supply. The macroeconomic trends in these countries had a containing effect on the dynamics of Bulgarian foreign trade in recent years. Nonetheless, there is a trend towards a continuous increase of the Bulgarian exports and imports. Among the factors that determine the dynamics of the foreign sector of Bulgarian economy are: high economic growth rates, income increase, significant in-flow of FDI and prices of raw materials and energy resources.

For the period 2004-2008, the volume of the exports increased significantly and amounted to €15,203.8 million in 2008, compared to only €7,984.9 billion in 2004. This was a result of higher Bulgarian exports to the countries of the EU, which relative share represented 59.9% in 2008.
In 2008, total imports amounted to €25,093.5 million, which was more than two times higher compared to the registered import volume of €11,619.5 million in 2004. The increase was observed in almost all trade partner regions. Imports from the EU almost doubled over the period 2004-2008, and had the highest absolute value among various trade partner regions – €12.696.1 million. Nevertheless, the highest rate of increase was recorded by the import form Russia, which almost tripled, attaining €4.430.7 million in 2008.

**Figure 8: Imports – Bulgaria’s Main Trade Partners**

![Bar chart showing imports from Germany, Greece, Italy, Romania, Russia, and Turkey from 2004 to 2008.](chart)

*Source: Bulgarian National Bank*

The trade balance of Bulgaria was constantly negative during the period. In 2004, the deficit was €2,953.5 million (on FOB export and FOB import terms), reaching a value of €8,756.8 million in 2008 (on FOB-FOB basis) and representing some 25.7% of the GDP of the country.

d) Privatisation

The privatisation process in Bulgaria started in 1992 with the adoption of the Transformation and Privatisation of State-Owned and Municipal Enterprises Act and the setting up of the Privatisation Agency. The sale of state-owned enterprises in that period was both made by the Privatisation Agency – for the bigger enterprises, and by the line ministries.8

In the period 1996-1997 the Mass Privatisation Centre privatised state-owned enterprises through investment vouchers. Share packages of 1,050 enterprises were offered for sale, which resulted in the privatisation of assets to the amount of 14.58% of the total state-owned enterprises assets or 22.08% of all state-owned assets subject to privatisation.

In 2002 a new Privatisation and Post-Privatisation Control Act (PPCA) was adopted under which the whole activity as regards the sale of state interest in the enterprises was centralised in the Privatisation Agency, while the privatisation of municipal property was done by the municipal councils or bodies specified by them. The line ministries preserved their role of principals and representatives of the state, as owner of the state interest in the company capital. With the PPCA coming into force the post-privatisation control activity has been severed from the Privatisation Agency and centralised within the Post-Privatisation Control Agency (PCA), which has the statute of an independent agency to the Council of Ministers.

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Its function is to control the execution of the new owners’ obligations undertaken under the privatisation agreements for sale of the state-owned enterprises.

**Privatisation Results**

As of the moment greater part of the enterprises from the key sectors of the economy has been privatised and the resource of companies with state interest subject to privatisation is considerably limited.

The total amount of non-current assets privatised amounts to 65.49% compared to the amount of all state-owned assets and 99.18% compared to the assets subject to privatisation. Interests and shares of 5,256 state-owned enterprises have been privatised – 2,934 whole enterprises and 2,322 detached parts. 4,174 minority packages, left non-privatised after already concluded deals, have been sold. The total financial effect of the deals concluded amounts to US$ 12,139 million, including US$ 6,095 million agreed payments under the deals, US$ 1,192 million liabilities undertaken or paid by the buyers, US$ 4,852 million investment commitments made. The greatest is the number of privatised enterprises and detached parts sold in the field of industry (1,646), trade (1,174), agriculture (621), construction (535), tourism (524) and others.

In total, 173 deals have been concluded with foreign investors, who have considerable contribution to the financial results achieved. As a result of the privatisation investors such as Viva Ventures Ltd., Vienna, Austria (Bulgarian Telecommunication Company, 2004), E.ON Energie AG, Germany (EDC Varna and EDC Gorna Orahovitsa, 2004), EVN AG, Vienna, Austria (EDC Stara Zagora and EDC Plovdiv, 2004), CEZ a.s., the Czech Republic (EDC Stolichno, EDC Sofia Oblast and EDC Pleven, 2004, TPP Varna, 2006), SOLVEY, Belgium (Sodi, Devnia, 1997), Lukoil Petrol (Neftochim, Bourgas, 1999), BrewinInvest S.A. – Greece (Zagorka, Stara Zagora, 1994), Interbrew – Belgium (Kamenitza, Plovdiv, 1995), Haidelberg Cement AG, Germany (Zlatna Panega and Granitoid, Batanovtsi, 1997), MARVEX, Spain (Devnia Cement, Devnia, 1997), KNAUF, Austria (Gipsfazer, Vidin, 1997), Union Miniere, Belgium (MDK, Pirdop, 1997) and many others have been attracted to Bulgaria.

Since the beginning of the privatisation process the biggest enterprises in the Bulgarian economy have been privatised – Kremikovtsi Sofia, Bobov dol TPP, Parahodstvo BMF EAD, Neftochim Bourgas, BTC, Sodi – Devnia, SOMAT, Arsenal Kazanlak, Asarel-Medet Panagjurishte, MDK Pirdop, Albena Resort and many others.

**Companies to be Privatised**

As of the moment the privatisation in Bulgaria is carried out under conditions of considerably limited resource of companies with state interest, subject to privatisation. The privatisation of 29 majority packages, mainly in the industry sector and trade, is forthcoming. The sale of minority packages of shares/interest in 140 commercial companies is forthcoming.

Part of the resource to be privatised includes commercial companies with state interest therein, which are important for the country’s national security. Their privatisation is preceded by restructuring and development of privatisation strategies to guarantee the protection of public interests.

**Privatisation in the Energy Sector**

In pursuance of the Energy Strategy of the Republic of Bulgaria and the favourable privatisation environment created after the adoption of the new Energy Act and the relevant
secondary legislation, the Privatisation Agency has undertaken the privatisation of the electricity generation companies.

The privatisation of most of District Heating Companies and some TPP has been already successfully done. The work on the sale of District Heating Company Shoumen EAD and District Heating Company Pernik EAD continues.

e) Business Climate and Economic Outlook

According to “Doing Business 2010 – Bulgaria” – a co-publication of The World Bank and the International Finance Corporation, Bulgaria is ranked 44 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business. The classification is based on the evaluation of a set of regulations affecting ten stages of a business’s life: starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business.9

Figure 9: Doing Business in Bulgaria

![Image of Doing Business in Bulgaria graph]


The report points out that Bulgaria has eased business start-up by reducing the paid-in minimum capital requirement and making the company registry more efficient. An integrated Web-based property register providing online access to the ownership and cadastre status of properties has shortened the time required to register property.

However, it is important to notice that later in the year 2009, additional changes aiming to improve the process of doing business in the country have taken place, e.g., a significant drop of the minimum required capital to incorporate a limited liability company (Ltd.) company in Bulgaria has been adopted. Bulgarian Parliament has approved the initial capital to be 2 BGN (approximately 1 EUR), which represents a significant reduction from the previous threshold of 5000 BGN.10 The proposal for a symbolic capital for initial registration of Ltd. has been announced by the Government as one of the anti-crisis measures to increase the level of entrepreneurship and stimulate the business in the country.

9 The data indicators are current as of June 1, 2009.
Nevertheless, the global economic crisis has ended abruptly Bulgaria’s fast economic expansion over the recent years. GDP declined from 6 percent in 2008 to estimated 4.2% year-on-year in the first half of 2009. Manufacturing and construction were hit hard by falling demand and tightening of credit conditions. Exports declined by 18% year-on-year in the first half of 2009 with imports declining even faster in response to rapidly shrinking domestic demand.

The drop in domestic demand and the decline in international commodity prices have helped to launch the much needed unwinding of economic imbalances. Inflation is coming down rapidly from double-digit rates in 2008 to 1% by July 2009. External current account deficit, which expanded to 25% of GDP in 2007 and 2008, is narrowing and for 2009 is expected to be around 10% – almost half of its level year ago. However, capital inflows have contracted much faster leading to some loss of foreign exchange reserves. Private capital flows, however, are declining even faster. The downturn in capital flows was more pronounced in debt-related capital flows and investments in real estate while FDI inflows in the form of equity were less affected. Net FDI continues to finance around 73% of the current account deficit, unchanged from early 2008.

Bulgaria is relatively well positioned to face the current downturn with its large foreign exchange reserves and buffers accumulated in the fiscal reserve account and in the banking sector. Generally prudent fiscal and income policies have been the main cushions against growing external vulnerabilities. Meanwhile, sizeable fiscal surpluses have been accumulated in a fiscal reserve account which reached 12% of GDP by July 2009. Public and publicly guaranteed debt was reduced substantially as a result of series of early repayments of outstanding external debt. Strong banking supervision and more stringent prudential regulations than in other EU countries are expected to help mitigate the negative impacts of global financial turmoil on the Bulgaria’s banking sector.

Bulgaria's per capita income in 2008 was estimated at only 40% of the EU-27 average. The large income differences reflect significant gaps in productivity, in the level and quality of human and physical capital stock, in the functioning of products and factor markets, and, despite many recent improvements, more generally in the quality of the Bulgarian policy and institutional frameworks to some extent. Improving the efficiency of the economy and closing these gaps are the central challenges of convergence towards EU averages and sustained improvements in living standards. According to the World Bank, to achieve this target, Bulgaria has to raise its growth of productivity to 5% per year.

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12 Provisional data.
V. LEGAL FRAMEWORK


Amendments to the Constitution of Bulgaria have taken place with a view to its membership in the EU. Among the most important amendments in the Constitution was the removal of the existing ban on acquisition of title on land by foreigners.

**Art. 22 of the Constitution of Bulgaria, which was amended** (SG 18/05) and entered into force from 1 January 2007, stipulates:

1. Foreigners and foreign legal entities may acquire property over land under the conditions ensuing from Bulgaria's accession to the European Union, or by virtue of an international treaty that has been ratified, promulgated and entered into force for the Republic of Bulgaria, as well as through inheritance by operation of the law.

2. The law ratifying the international treaty referred to in paragraph 1 shall be adopted by a majority of two thirds of all members of the Parliament.

3. The land regime shall be established by law.

2. Establishment of Enterprises, Entrepreneurship and Corporate Law

The main act setting legal provisions concerning the types, corporate structure and governance, as well as the requirements for the establishment of commercial companies in Bulgaria is the Commerce Act 1991. In addition, the new Commercial Register Act 2008 regulates the requirements and procedures for registration in a centralised electronic-based register of commercial legal entities operating under Bulgarian law.

Bulgarian law recognises the following types of commercial companies – all being recognised as separate legal entities:

- General partnership;
- Limited partnership;
- Limited liability company (“LLC”) or Individually-owned limited liability company;
- Joint stock company (“JSC”) or one-person-owned joint stock company;
- Company limited by shares.

In addition to the above mentioned types of commercial companies, business activities may also be conducted in one of the following organisational forms:

- Sole trader;
- Holding;
- Branch;
- Trade representative office (“TRO”);
- Cooperative.

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13 Shall not apply to international treaties found.
Each company registered in Bulgaria is considered as Bulgarian legal entity and should be governed in compliance with the Bulgarian laws and regulations in effect. The procedure for incorporation of a company in Bulgaria does not differ when local or foreign persons participate in its establishment.

As of 1 January 2008 all types of commercial companies and all branches of foreign commercial companies are incorporated by way of registration in the Commercial Register administered by the Registry Agency developed under the authority of the Ministry of Justice. This is a one-stop-shop registration upon which the registered company obtains a Unified Identification Code (“UIC”) which serves for all commercial, tax, social security, statistics and other public purposes.

The requirements for the registration of each particular type of commercial company or branch are set forth in the Commerce Act, while the registration procedure and applications and documents relevant to each particular type of commercial company or to a branch thereof, in the Commercial Register Act.

A substantial change related to the requirements for establishment of Limited Liability Company in Bulgaria took place with the adoption of the amendments of the Commerce Law in October 2009. According to Art. 117 (1) (Amend. – SG 82/09) the registered capital of a limited liability company shall be not less than BGN 2. It shall consist of the interests of the company's partners, and no interest shall be smaller than BGN 1.

This significant reduction from the previous threshold of 5,000 BGN envisages stimulating the entrepreneurship and corresponds to the “Think first small” principle – being at the heart of the European Commission Communication “Small Business Act” for Europe. The aim is to be minimised the administrative barriers to small businesses and created favourable conditions for its emergence and development.

3. **Investment-Related Legislation**

*Investment Promotion Act*

(Promulgated in the State Gazette No. 97/24.10.1997, in effect since 24.10.1997 and subsequently supplemented and amended several times, the last amendment as of SG N.82/16.10.2009)

The Act regulates the conditions and procedure of investment promotion in Bulgaria, and activities of state authorities in relation to investment promotion and protection. The main purposes of this law are:

- To enhance the competitiveness of Bulgarian economy through increase of investments in scientific research, innovations and technological development in production and services adding high value while observing the principles of sustainable development;
- To improve the investment climate and to tackle regional disparities in social and economic development;
- To create new and highly productive jobs.

Within the meaning of the Law, a “foreign person is:

- A legal person not registered in Bulgaria;
• A company that is not a legal person and is registered abroad;
• A natural person – a foreigner with permanent residence abroad.

Investment promotion under this Act shall be applied mainly through:

• Provision of administrative services in shorter deadlines and provision of individual administrative services, and
• Sale or establishing, against a consideration, of limited rights in rem over corporeal immovables – private state or private municipal property without an auction or competitive bidding, at market or lower prices;
• Sale or establishing, against a consideration, of limited rights in rem over sites without an auction or competitive bidding, at market or lower prices, with developed connecting technical infrastructure – public property;
• Financial assistance for the development of elements of the technical infrastructure;
• Financial support for training aiming at acquiring a professional qualification;
• Tax concessions under the Corporate Income Taxation Act;
• Opportunities for other forms of state aid, institutional support, public-private partnership of establishing of joint companies for investment projects of high priority;
• Different types of transactions closed between the investor and a commercial company established for the purpose of construction and development of industrial zones.

The provisions for promotion of investments shall be in pursuance of the requirements of Commission Regulation (EC) No 800/2008 of 6 August 2008 declaring certain categories of aid compatible with the common market in application of Articles 87 and 88 of the Treaty.

Where an international agreement to which Bulgaria is a party makes provisions for more favourable conditions for performance of business activities by foreign persons, the more favourable conditions according to the international agreement shall apply.

The provisions of the Act shall not apply, in whole or in part, to investments of foreign persons from countries defined by the Council of Ministers, which apply discriminatory measures with respect to Bulgarian companies or citizens.

Investment Policy of the State

The Minister of Economy, Energy and Tourism in interaction with the executive authorities shall assure the implementation of the Bulgarian investment policy, in particular performing among others the functions aiming to:

• Elaborate a strategy for promotion of investments in Bulgaria in cooperation with the executive authorities and stake-holding non-governmental organisations, which shall be adopted by the Council of Ministers;
• Prepare and implement programmes and measures for investment promotion in cooperation with the bodies of the executive and interested non-governmental organisations;
• Propose allocation of the resources required for investment promotion under this Act in the State Budget of the Republic of Bulgaria Act for the relevant year;
• Award an investment class certificate and lay motions before the Council of Ministers for application of investment promotion measures according to the procedure established by this Act.

At regional level, with respect to carry out the State policy for investment promotion, each regional governor shall undertake the necessary measures and coordinate their implementation thereof.

For its part, each municipality mayor shall ensure the conduct of the policy of investment promotion within the territory of the municipality upon the elaboration and implementation of the municipal development plan and the programme for its implementation.

The InvestBulgaria Agency was established, with the purpose to assist the Minister of Economy, Energy and Tourism in the implementation of the state policy in the field of investment promotion. The Agency is a public-financed legal person enjoying the status of an executive agency with the Minister of Economy and Energy.

The principal aims of the Agency are to:
• Provide information services to investors;
• Perform investment marketing, presenting and advertising abroad investment opportunities in Bulgaria;
• Provide individualised administrative services to investors according to the established procedure;
• Prepare an annual plan for attraction and servicing of investors and present the said report to the Minister of Economy, Energy and Tourism for approval.
• Prepare an annual report on investments in Bulgaria and on the conditions for investment promotion, and present the said report to the Council of Ministers care of the Minister of Economy, Energy and Tourism;
• Issue documents certifying the execution of the investment project upon a request by the investor or the corresponding competent local or central authority in connection with the applying of the corresponding promotion measure.

Investment Promotion

The promotion of investments in tangible and intangible fixed assets and the new jobs linked thereto and situated in the territory of the Republic of Bulgaria, in accordance with the requirements of Regulation (EC) No 800/2008 is applied if:
• Investments are related to the setting-up of a new enterprise, to the extension of an existing enterprise/activity, to diversification of the output of an enterprise/activity into new products or to a fundamental change in the overall production process of an existing enterprise/activity;
• Investments are implemented in the economic activities specified in the Regulations for Application of the Investment Promotion Act with the corresponding codes, identified in accordance with the extant Statistical Classification of Economic Activities in the European Community (NACE) and its direct application in the Republic of Bulgaria through the corresponding classification.
In addition, the income from the investment project implemented shall be at least 80% of the total income of the enterprise of the investor for the period of at least five years /in the case of SMEs – three years. Regarding the timeframe, the period of implementation of the investment shall not exceed three years from the date on which the work under the project started to the date of the completion of the project.

Nevertheless, at least 40% of the eligible costs of the tangible and intangible investments shall be financed by the investor’s own resources or by external financing in a form excluding public support. However, the tangible and intangible fixed assets acquired must be new and purchased at market conditions from third parties independent from the investor.

It is important that investments shall create and maintain employment which will be directly related to the implementation of the investment project and the latter will lead to a net increase in the number of employees in the establishment/organisation concerned, compared with the average number of employees over the previous 12 months. In addition, the employment created shall be maintained during a minimum period of five years in the case of large enterprise and a minimum period of three years in the case of SMEs.

Promotion shall not be extended to the investment of any person:

- Who has been convicted by an effective sentence, unless rehabilitated;
- Which is the subject of pending bankruptcy proceedings, or has made an out-of-court arrangement with the creditors;
- Which has been put into liquidation;
- Which incurs any pecuniary obligations to the State or to a municipality, established by an effective act of a competent authority, save as where a rescheduling or deferral of the said obligations has been allowed.

Promotion according to the procedure established by the Investment Promotion Act is not extended to enterprises in difficulty, for implementation of privatisation contracts or concession contracts under the Privatisation and Post-privatisation Control Act, respectively, under the Transformation and Privatisation of State-Owned and Municipal-Owned Enterprises Act as superseded and the Concessions Act, and in implementation of compensatory (offset) arrangements, as well as investments for production of products in the coal and steel industry, the shipbuilding and synthetic fibres sectors, fisheries and aquaculture, as well as in activities linked to the primary production of agricultural products listed in Annex I to the Treaty establishing the European Community, according to Commission Regulation (EC) No 800/2008 on the application of Articles 87 and 88 of the Treaty to national regional investment aid.15

_Award of Investment Class Certificate_

The promotion measures under the Investment Promotion Act (IPA) apply only in respect of investors who have been awarded an investment class certificate. The certification procedure and the requirements of the plan for implementation of the investment project are provided for in the Regulations for Application of the Investment Promotion Act (RAIPA). The relevant investment class certificate is awarded by the Minister of Economy, Energy and Tourism or

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15 Ibid.
by an official empowered by him/her, on the basis of an application, submitted by the investor to the Invest Bulgaria Agency.

Depending on their value, investments are divided into two classes. Their threshold amount, fixed in the Regulations for Application of the Investment Promotion Act, is as follows:

- for Class A: BGN 32 million;
- for Class B: BGN 16 million.

Where the initial investment is implemented entirely within the administrative boundaries of municipalities where the rate of unemployment for the year last preceding the current year is equal or higher than the national average, the threshold amount of investments within a single establishment is:

- for Class A: BGN 16 million;
- for Class B: BGN 8 million.

The threshold amount of investments within a single establishment in the high technology activities of the industrial sector of the economy is:

- for Class A: BGN 16 million;
- for Class B: BGN 8 million.

The threshold amount of investments within a single establishment in the high technology activities of the services sector is:

- for Class A: BGN 11 million;
- for Class B: BGN 5.5 million.

The certificate determines the investment class and the rights of the investor under the law. According to the measures established by the Investment Promotion Act, investments are promoted through:

- Shorter term for administrative services: Class A and B;
- Personalised administrative services for implementation of the investment project: Class A;
- Sale or establishing, against a consideration of limited real rights of private state or private municipal property, without a tender procedure or competitive bidding: Class A and B;
- Sale or establishing, against a consideration of limited real rights of private state or private municipal property, without a tender procedure or competitive bidding, at market or lower prices with the constructed physical infrastructure to the borders of the site;
- Financial aid for construction of physical infrastructure elements needed for the implementation of one or more investment projects: Class A;
- Financial aid for vocational training for attainment of professional qualification by the hired staff, including interns from the higher schools in Bulgaria, who have occupied the new jobs created upon implementation of the investment project: Class A and B;
- Opportunities for other forms of state aid, institutional support, public-private partnership of establishing of joint companies for investment projects of high priority;
• Different types of transactions closed between the investor and a commercial company established for the purpose of construction and development of industrial zones the above star marked measures correspond.

In addition, financial support for the construction of elements of the physical infrastructure from the nearest constructed element of infrastructure to the property boundary is provided to an investor who has been awarded a Class A investment certificate or for implementation of two or more certified investment projects implemented within the territory of an industrial zone. The investor submits a written request at the Ministry of Economy, Energy and Tourism and presents an approved design (conceptual, schematic or working) with a fully itemised cost estimate for the construction of the elements of the physical infrastructure, which may serve for the issuing of a building permit and for the award of a construction contract under the Public Procurement Act.

**Priority Investment Projects**

Priority investment projects shall be the investment projects which are related to all sectors of the economy in accordance with the requirements of Regulation (EC) No 800/2008 and are particularly important for the economic development of the Republic of Bulgaria or for the regions in Bulgaria.

They shall satisfy one or more of the following requirements:

• The amount of the investment shall exceed at least three times the threshold amount for Class A – general case of BGN 32 million;

• The investment shall create employment through investments in disadvantaged regions or high technology activities;

• The investment shall envisage the development of industrial zones with the technical infrastructure necessary for attracting of investments under conditions and according to a procedure specified in the Regulations for Application of IPA;

• The investment shall envisage development of high technology parks with the technical infrastructure necessary for attracting of investments in scientific research and/or education and/or information technologies, including innovative activities for technological renovation of production products and technologies under conditions and according to a procedure specified in the Regulations for Application of IPA.

The promotion of priority investment projects shall be done under conditions and according to a procedure specified in the Regulations for Application of IPA, in accordance with Regulation (EC) No 800/2008 as a state aid scheme and/or in accordance with the requirements of the State Aid Act.

4. **Legislation on Real Estate**

The major legislative acts governing the real estate and real estate transactions in Bulgaria are the Bulgarian Constitution, Property Act, State Property Act, Municipal Property Act, Agricultural Land Ownership and Use Act, Forestry Act, Civil Procedures Code, Encouragement of Investments Act, Territorial Development Act, Contracts and Obligations Act and Common Parts Management Act.
Direct Acquisition of Real Estate in Bulgaria by Foreigners and Foreign Companies

In Bulgaria foreign citizens and foreign companies can directly acquire buildings, premises within a building and limited property rights (e.g., a construction right, right of use). The changes in relevant national legislation, that took place in March 2007, reflect the provisions of the Accession Act of Bulgaria to the European Union (“EU”) into the national legislation. Citizens (“resident citizens”) and entities of the member states of the EU and the European Economic Area (“EEA”) may acquire ownership title over land in Bulgaria in compliance with the provisions of the Accession Act of Bulgaria to the EU. The latter provides that Bulgaria, upon its discretion, can keep the restrictions for acquisition of land by citizens and entities from the member states:

- For five years starting from 1 January 2007 – for the land provided for second residence;
- For seven years starting from 1 January 2007 – for agricultural land, forests and forest land.

The above restrictions are not applicable to the resident citizens, who are individually occupied farmers who wish to settle and reside permanently in the Republic of Bulgaria and who are registered in that capacity in Register BULSTAT with the Bulgarian Registry Agency. They may acquire ownership title over agricultural and forestry lands for agricultural purposes as from 1st January 2007 – the date of the entry into force of the Accession Act of Bulgaria to the EU.

Citizens (“non-resident citizens”) and entities of countries – not members of the EU and the EEA may acquire the ownership title over and under the terms of an international agreement ratified under the terms provided for in the Constitution of the Republic of Bulgaria, which has been promulgated and entered into force.

Foreigners (non-resident or resident citizens) may acquire ownership title over land in case of legal succession. In case of inheritance of agricultural land, forests or forest land, if the foreigners do not fulfil the conditions provided for in the Accession Act of Bulgaria to the EU, or when something else is not provided for in an international agreement, shall be obliged, within three years following the revealing of the inheritance, to transfer the ownership to persons who have the right to acquire such estates.

Indirect Acquisition of Real Estate in Bulgaria by Foreign Companies or Foreigners

Indirectly, foreign companies and foreign citizens can acquire any type of real estate, including land, by registering a Bulgarian company to act as acquirer. It is possible for such a company to be 100% owned by the foreign investor.

Another possibility for indirect acquisition of a real estate in Bulgaria for a foreign company or a foreign citizen is to buy the shares in the capital of an already existing Bulgarian company, which then may act as acquirer. Foreign companies and foreign citizens, furthermore, can acquire the shares in the capital of a Bulgarian company, which already owns a real estate in Bulgaria.

5. Competition-Related Legislation

The main legislative act governing and protecting the competition in Bulgaria is the Protection of Competition Act, which was introduced at the end of 2008, as a result of the Bulgarian accession to the EU in 2007 and aimed to introduce: the EU competition rules, more precisely

The Commission on Protection of Competition (CPC) is the Bulgarian national competition authority. Among others, some of the main competences of the CPC are related to imposing fines and interim measures, granting authorisations, ruling termination of infringements, including imposition of appropriate behavioural and/or structural measures; making propositions to the competent state authorities and local governmental bodies to revoke or amend their administrative acts that prevent, restrict or distort the competition, cooperating with the European Commission and the other national competition authorities of the Member States.

There are four groups of legal persons obliged to comply with the provisions of the Protection of Competition Act:

- Undertakings and associations of undertakings, which operate within or outside the territory of Bulgaria, hindering the competition in Bulgaria;
- State and municipal authorities which by their acts hinder or may hinder the competition in the country;
- Undertakings to whom the State or the Municipality have assigned services of public interest insofar as the application of the law does not impede de facto or de jure the fulfilment of the assigned services and the competition in the country is not affected to a significant extent; and
- Natural persons, infringing this law.

The four main forms of infringement for which CPC imposes fines or other measures are:

1. The law prohibits all types of agreements between undertakings, decisions by associations of undertakings as well as concerned practices of two or more undertakings, having as their object or effect the prevention, restriction or distortion of competition on the relevant market. The legal consequence of such infringement is not only that the agreement, decision or concerned practice shall be rendered as null and void, but also the fact that CPC has the right to impose fine on the infringing undertaking. However, according to the concept of *de minimus* rule the agreements, decisions and concerned practices with minor anti-competition effect shall remain valid and enforceable. Nevertheless, this rule does not apply to those agreements, decisions or concerned practices having as a result the so called “hardcore restrictions” on the competition, i.e. restrictions such as: price fixing; limitation of output or sales; market sharing.

It has to be mentioned, that those agreements, decisions and concerned practices which contribute to improving the production or distribution of goods or to promoting technical or economic progress are exempted from the above prohibition.

2. The law prohibits abuse of monopoly or dominant position by an undertaking or by two or more undertakings enjoying a collective dominant position, which may prevent, restrict or distort competition and impair consumers’ interests.

In order to impose fines or other measures on such undertaking, CPC should prove that this abusive behaviour may or in fact has a negative effect on the competition and on the consumers’ interests.
3. Concentration of undertakings is prohibited only if it leads to creation or strengthening of a dominant position, as a result of which the effective competition in the relevant market would be significantly impeded.

If the concentration has such anti-competition effect, the same shall be authorised if it aims at modernisation of the respective economic activity, improvement of market structures, better meeting the interests of consumers and overall the positive effect outweighs the negative impact on competition.

4. The unfair competition conducted by an undertaking is prohibited by law.

There are several explicitly regulated and prohibited forms of unfair competition:

- Damaging the good name of competitors;
- Misleading in respect of substantive characteristics or in respect of the manner of use of goods or services by asserting false information or misrepresenting facts;
- Misleading advertising;
- Prohibited comparative advertising;
- Imitation;
- Unfair solicitation of clients;
- Disclosure of manufacturing or trade secrets of competitors contrary to good faith commercial practices.

The Protection of Competition Act complies with the European model for assessment of fines and sets the latter as a percentage of the undertaking’s turnover. The most severe fine amounts to 10% of the total turnover of the undertaking for the preceding business year. Another form of fine is related to “periodic penalty payments” which CPC imposes for each day until the end of the infringing behaviour. Depending on the type of the infringement the periodic penalty payments are calculated as percentage of average daily turnover for the preceding business year.

6. Taxation

Bulgaria has most favourable taxes in the EU: 16

- 10% corporate income tax rate (0% in high-unemployment areas);
- 10% flat tax rate on personal income;
- 2-year VAT exemption for imports of equipment for investment projects over € 5 million, creating at least 50 jobs;
- depreciation of 2 years for computers and new manufacturing equipment;
- opportunity for R&D expenditure write-off;
- 5% withholding tax on dividends and liquidation quotas (0% for EU tax resident).

**Income Taxation of Individuals**

Taxable persons are resident and non-resident natural persons, who earn income from sources in Bulgaria and resident and non-resident persons, who are obligated to withhold and remit taxes. The annual taxable income is defined as an aggregate of the total income received by the individual during the calendar year with the exception of the income which is non-taxable by virtue of a law and the income specifically excluded from the annual income which is taxed separately under specific rules. A significant amendment in income taxation of individuals is that the progressive tax rate which depended on the amount of the annual taxable income and was within the range of 20% to 24% is replaced since January 2008 with a flat rate of 10% regardless of the amount of taxable income.

The new flat income tax matches a corporate and profit tax rate of 10% making Bulgaria one of the EU member states with the lowest direct taxes. Physical persons, but not legal ones in certain trades, pay a “patent” tax (presumptive tax), according to a schedule established by Parliament. Since January 1, 2008, the size of the “patent tax” is determined by and payable to the municipal authorities.

**Direct Taxation of Corporations**

The taxation of corporate income and profits is governed by the Corporate Income Tax Act ("CITA"). In connection with the accession of Bulgaria to the European Union since January 1st 2007, a new CITA was adopted to meet the necessity of harmonisation of Bulgarian taxation legislation with the requirements of the European directives concerning direct taxation. Another reason for passing a new act in the field herein is to make perception and application of the corporate taxation easier for the taxable persons and for the revenue administration.

Under the Corporate Income Tax Act (CITA) all companies and partnerships (including non-incorporated partnerships), carrying out business in the country, are liable to a corporate income tax at a single rate of 10%,¹⁷ except for the tax on gambling and gambling activities, which is set on 15%.¹⁸ This is the lowest rate of corporate income tax in the European Union. Certain tax incentives, such as an exemption from corporate tax, apply in regions of high unemployment.

For the purposes of this Act foreign entities are taxed on their Bulgarian-source income. Companies are considered to be tax resident if they are registered in Bulgaria. Resident companies are also any companies incorporated under Council Regulation (EC) No 2157/2001, and any cooperative society incorporated under Council Regulation No 1435/2003, where the registered office thereof is situated in the country and they are entered into a Bulgarian register. Companies that are non-residents in Bulgaria, but operate in Bulgaria through a branch, office, agency or other form of a permanent establishment are only liable to tax on the profits generated through their Bulgarian establishment.

Annual profit must be declared no later than 31 March of the year following the taxable year. Generally, the taxable profit is determined in accordance with the financial result reported in the Profit and Loss Account ("P&L") adjusted for tax purposes. Depreciation is calculated by systematically applying the straight-line depreciation method. A 50% depreciation rate is applied on investment in new machinery and other equipment, computers and computer software.

¹⁸ Effective as of January 1st 2010.
Value Added Tax

The Value Added Tax Act (VAT Act) currently in force is effective as from the date of entry into force of the Treaty concerning the Accession of the Republic of Bulgaria to the European Union – January 1, 2007. The VAT is a 20% single-rate, except for some tourist services upon which VAT is levied at 7% rate. VAT registration is mandatory for persons with turnover exceeding BGN 50,000 over a calendar year, while all others can register voluntarily. A new VAT regime is in place for trade in goods between Bulgaria and the other EU member countries.

All goods and services are subject to VAT except exports, international transport, and precious metals supplied to the central bank. VAT payments are generally rebated when goods are resold. Exporters may claim VAT refunding within a 30-day period. Excise taxes are levied on tobacco, alcoholic beverages, fuels, certain types of automobiles, and gambling. Investors are entitled to VAT refunds on locally purchased goods within 10 days if they meet certain investment criteria.

7. Legislation Regulating the Conditions of Admission to the Country, Residence and Work by Foreign Natural Persons

The legal status of foreign nationals in Bulgaria is governed by the Constitution of the Republic of Bulgaria, the Foreign Nationals Act (effective 1998), the Regulation on the Application of the Foreign Nationals Act and the Ordinance on the Terms and Procedure for Issuing Visas and Determination of the Visa Regime (effective 2008).

Generally, the Bulgarian legislation concerning foreign citizens is in compliance with the EU acquis communautaire related to immigration policy. The Foreign Nationals Act, which regulates the policy on foreigners, does not apply to the status of the citizens of any of the member states of the European Union, the European Economic Area and the Swiss Confederation (hereinafter “European citizens”). Their legal status in Bulgaria is governed by the Law on Entry, Residence and Departure of European Union Citizens and Members of Their Families from the Republic of Bulgaria, as well as by the applicable Acts of the EU legislation.

Foreigners are divided into two categories – such who must be in possession of visa when crossing the borders of the Republic of Bulgaria and such who are exempt from that requirement. The Ordinance on the Terms and Procedure for Issuing Visas and Determination of the Visa Regime and the Council Regulation 539/2001 of 15 March 2001 /L81/2001 determine the list of those countries whose nationals must be in possession of visa when crossing the borders of the Republic of Bulgaria and those whose nationals are exempt from that requirement.

Foreigners who wish to reside in Bulgaria on a long term or permanent basis (more than three months within each six-month period) shall be issued residence permit. European citizens who intend to stay in Bulgaria longer than three months are issued residence certificates instead of residence permits.

Foreigners may work in Bulgaria only after obtaining a work permit, unless otherwise stipulated by the law.

Residence Permits

- Long-term residence permits – up to one year;
- Permanent residence permits – for an indefinite period of time.
In order to apply for a residence permit the foreigner should initially obtain a long-stay visa. Foreigners who have obtained a long-term residence permit have all the rights and obligations granted to or imposed on the Bulgarian citizens, with the exception of such rights and obligations for which Bulgarian citizenship is required.

**Residence Certificates**

- Long-term residence certificates – up to five years;
- Permanent residence certificates – for an indefinite period of time.

In order to apply for a residence certificate the European citizen should submit an application to the Migration Directorate within three months after his/her first entry in the Republic of Bulgaria. Applications are considered and reviewed and the certificate should be issued on the day of submitting the application. The certificate contains the full name of the person and the registration date.

**Work Permits**

Foreigners may work in Bulgaria only after obtaining a work permit, unless otherwise stipulated by the law. The bases for obtaining a work permit are an employment contract, or a business trip to undertake certain activities.

As from the date of joining of Bulgaria the EU European citizens may be employed, self-employed or commissioned to a business trip and may work in Bulgaria without restrictions and without the need of work permits that are issued for a maximum duration of 1 year. If the terms and conditions for its issuance are still valid, the work permit may be renewed for an additional one-year term. However, on a long-term basis among the categories of foreign nationals who may work in Bulgaria without a work permit are:

- Managers of companies or branches of foreign legal entities;
- Members of the Managing Board or Board of Directors of local companies, who are not employed on a labour contract;
- Trade representatives of foreign companies registered at the Bulgarian Chamber of Commerce and Industry;
- Foreign nationals with permanent residence in Bulgaria.

In addition, for short-term assignments without a work permit foreigners could work if:

- They are sent on a business trip to Bulgaria by their foreign employer;
- The assignment in Bulgaria is no longer than 3 months within a period of one year.

**8. Legislation Related to Currency Exchange, Securities and Banks**

**Currency Regime**

Among the most important acts regulating the currency regime in Bulgaria are the Currency Act, Credit Institutions Act, the Measures against Money Laundering Act, The Bulgarian National Bank Act.

The national currency of the Republic of Bulgaria is the Bulgarian lev (BGN) and no individual or legal entity is allowed to refuse payment carried out in the national currency.
The exchange rate is currently fixed by law at 1.95583 Levs per Euro as per the Currency Board Arrangement dated July 1, 1997.

The Currency Act regulates transactions and payments between local and foreign persons, the cross border transfers and payments, the currency transactions in cash by occupation, transactions with precious metals and gemstones as well a their import, export and processing, import and export of levs and foreign currency, collection, maintenance and reporting of statistical information on Bulgaria’s balance of payment and exercising of foreign exchange control. The Currency Act does not impose any restrictions as to the buying and selling of foreign currency and these activities may freely be done between licensed commercial banks and other persons, between commercial banks themselves and between the Bulgarian National Bank (BNB) and the commercial banks. There are no restrictions as to the amount of money which may be paid in cash neither there are restrictions as to the type of currency used for payment. Legal and natural, local and foreign persons are entitled to possess and operate with various currencies.

Most Bulgarian banks require the following documents for opening a bank account:

- If the applicant is a legal entity – a registration certificate, issued by the Registry Agency and a copy of the company’s by-laws, statistical number of the company;
- If the applicant is a natural person – an identity card or passport.

Currency transfers and payment transfers abroad may be made through banks only after informing the bank regarding the purpose of the transfer. If a person wishes to transfer abroad currency exceeding BGN 25,000 that person should apart from notifying the bank regarding the purpose of the transaction declare data and present documents, which are determined by a regulation issued by BNB (such as an invoice, a contract, an enforceable judgment, other documents certifying the reason for the transfer).

**Securities**

The most important legal rules, related to securities and their trade in Bulgaria are contained in the Public Offering of Securities Act (POSA). The Act governs almost all material aspects related to the trade in securities. The Act is aimed at the investor’s protection; the creation of a fair, transparent and efficient securities market and the establishment of a strong public confidence in the securities market overall. The regulations of POSA sustained considerable changes during the last couple of years. Its entire subject and many key positions in it have been amended. These changes were necessary in order to balance the Bulgarian legal framework with the requirements of EU Directive 2004/39/ EC (MIFID).

The Bulgarian Stock Exchange adopted its rules and regulations, which provide the principles governing the overall operations on the Bulgarian Stock Exchange – Sofia. It determines the listing requirements, the trading components and all related and pursuant proceedings, membership provisions, disclosure, surveillance as well as procedures pertaining to disputes and discipline subjects.

**Banks**

The major pillars of the bank’s related legislative framework are the Bulgarian National Bank Act and the Credit Institutions Act adopted in the beginning of 2007.
The Bulgarian National Bank (BNB) is the central bank of the Republic of Bulgaria. Its major tasks are – through the mechanisms of monetary – to maintain the national currency stability, to secure the functioning of effective payment mechanisms, and to regulate and supervise the activity of banks in the country. The bank is responsible for the stability of the banking system and the protection of depositors’ interests. The BNB acts in accordance with the principle of the open market economy and free competition favouring an efficient allocation of funds. With the accession of the Republic of Bulgaria to the European Union the BNB supports the general economic policies of the European Community thus aiming to contribute to the achievement of the main goals of the European Community as laid down in article 2 of the Treaty establishing the European Community.

According to the Credit Institutions Act there are two kinds of credit institutions in Bulgaria – banks and electronic money companies.

The Credit Institutions Act includes a list of obligatory requirements with regard to the legal form of the banks and the electronic money companies. It also provides some special requirements to their managing bodies.

Banks can only be incorporated as public companies. At the time of their incorporation, the paid-in capital should be equal to or exceed BGN 10 million. Contributions can only be made in cash. The bank issues only dematerialised shares, which entitle their holders to one vote. Electronic money companies can also be incorporated only as public companies. Their paid-in capital should be equal to or exceed BGN 2 million.

9. Legal Framework of Privatisation

Privatisation and Post-Privatisation Control Act (PPCA)

The Act\textsuperscript{19} regulates the conditions and procedure for the control of privatisation and post-privatisation. “Privatisation” is defined as the transfer, through sale to Bulgarian natural or legal persons having less than 50% state or municipal capital participation, or to foreign persons of:

- Shares or stock – property of the state or the municipalities – in commercial business companies;
- Autonomous parts of the property of commercial business companies with more than 50% state or municipal participation in the capital;
- Municipal non-residential estates, not included in the property of municipal commercial business companies, that are used for business purposes (stores, studios, warehouses, repair shops, workshops etc.), as well as on-going construction not included in the property of municipal commercial business companies.

“Post-privatisation control” is defined as the activity of monitoring the dispatch of the buyer's obligations undertaken in a privatisation contract.

\textsuperscript{19} Promulgated in State Gazette No. 28 of 19.03.2002, supplemented and amended several times, as the last one in No. 99 /15.12.2009.
The Act does not apply to:

- Privatisation of medical institutions with state and municipal participation, as well as to non-residential estates where such medical institutions are situated;
- Transactions for disposal in banks with state participation.

The purpose of the Act is to create conditions for transparent, quick and cost-efficient privatisation with equal treatment of all investors, as well as to assure economic growth and competitiveness of the privatised companies. This Act is also intended to ensure completion of the privatisation process and implementation of post-privatisation control.

Privatisation of state participation is considered for all commercial business companies from the date when the Act comes into force. However, under the Art. 3 (1) of PPCA, a list of forbidden for privatisation companies is indicated. In the energy sector the following exceptions exist:

- Bulgarian Energy Holding EAD, Sofia;
- EcoEngineering EOOD, Sofia;
- Minproject EOOD, Sofia.

Municipal participation in the capital of commercial business companies is considered for privatisation upon promulgation, in the State Gazette, of a list approved by the respective municipal council. At the same time, a list of the municipal participation in privatisation has to be approved and promulgated.

Beside these cases, a decision for privatisation shall be made depending on the circumstances by, respectively:

- The National Assembly, upon proposal by the Council of Ministers – with respect to commercial business companies with more than 50% state participation in the capital or autonomous parts thereof included in the list of projects of national significance and excluded from privatisation;\(^20\)
- The Municipal Council – with respect to commercial business companies with municipal participation;
- The Privatisation Agency – with respect to autonomous parts of the property of commercial business companies with more than 50% state participation in the capital.

The decisions are promulgated in the State Gazette and published in at least two central daily newspapers.

The Council of Ministers proposes privatisation strategies for certain branches or companies for the National Assembly’s approval. Such strategy was adopted with respect to the power distribution companies.

The Privatisation Agency is responsible for privatisation of state participation in the capital of commercial business companies, as well as autonomous parts of the property of commercial business companies with more than 50% state participation, with the exception of self-

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\(^{20}\) With exception of self-contained parts of medical-treatment facilities.
contained parts of any corporations included in the list referred in Art. 3 of PPCA, as well as self-contained parts of medical-treatment facilities included in the same list.

In the cases of any newly formed corporations wherein the State or a municipality holds an interest, decisions on privatisation shall be adopted by the Privatisation Agency unless any such corporations are included in the list referred to Art. 3 of PPCA, or by the municipal councils. A decision on privatisation of self-contained parts of the property of any commercial corporations wherein the State or a municipality is not the sole owner of the capital shall be adopted solely after a proposal by the competent management body of the corporation affected. Any decisions with regard to these cases shall be gazetted and shall be inserted in at least two national daily newspapers.

The Municipal Councils or bodies appointed by them are in charge of privatisation of municipal participation in the capital of commercial business companies, of autonomous parts of the property of commercial business companies with more than 50% municipal participation.

In the case of sale of shares by public offering, the Privatisation Agency or Municipal Councils assign, after competition, the preparation and conclusion of a privatisation transaction to investment intermediaries.

The Privatisation Agency, the Post-privatisation Control Agency and the municipal councils may commission third parties for the conduct of expert activities in connection with the preparation for privatisation or with post-privatisation control, including representation by counsel, under terms and according to a procedure established by the Council of Ministers. The preparation of appraisals shall be assigned to independent valuers in accordance with the Independent Valuers Act.

The Privatisation Agency draws up annual work plans presenting the priorities in its work for a respective period and such plans are announced in public. The annual plans include a forecast of revenues and costs that is presented for the Council of Ministers’ approval before acceptance of the Act on State Budget for the respective year. The Municipal Councils prepare and announce their annual work plans in public.

The adoption of annual work plans is not a prerequisite for decision-making and for the validity of privatisation transactions. The privatisation bodies announce the grounds for any change in their practice. The decisions of the privatisation bodies shall be motivated.

The Act provides for the participation of all natural and legal persons in the privatisation.

Natural persons and representatives of legal persons shall file a statement of the origin of the funds with which they participate in the privatisation. At the proposal of the Privatisation Agency, the Council of Ministers approves and promulgates a list of commercial business companies with state participation where, in the event of privatisation, payment with non-cash payment instruments is allowed. The part of the respective company’s capital that may be paid in such a manner is indicated in the list.

Information Related to the Privatisation Process

The Privatisation Agency and the municipal councils may assign the preparation of analysis reports on the legal status of the privatisation objects to licensed legal practitioners. In the event of sale of shares and interests – property of the state or the municipalities – of commercial business companies with more than 50% state or municipal participation in the
capital, the legal status analysis is mandatory. The persons representing the commercial business company undergoing privatisation certify the authenticity of the information contained in the analyses.

The Privatisation Agency and the municipal councils may assign the performance of the privatisation appraisal of the projects subject to privatisation to valuators. The conclusions and proposals of the valuators’ reports are of a recommendatory nature.

In the case of privatisation of commercial business companies that have incurred rights or with their place of business in another country, it is mandatory to develop a privatisation appraisal, which is accepted by the privatisation body. Upon acceptance of the appraisal, the privatisation body shall inform, in written form, the Minister of Finance and the Minister of Economy, Energy and Tourism of the incurred rights or rights with place of execution in whichever foreign country, as reflected in the accepted appraisal.

The legal status analyses and the privatisation appraisals do not constitute confidential information; they may be made public and entered into the public register with the exception of documents, facts and circumstances constituting a trade secret of the company undergoing privatisation.

The methods, the scope and the terms and conditions for the effecting of privatisation appraisals, as well as the contents of the legal status analyses shall be determined by the Council of Ministers.

State and municipal bodies shall render assistance to the privatising authorities, by issuing any documents required thereby as shall be necessary for the preparation and conclusion of privatisation transactions, within the statutory time limits, and if there are no such time limits, within time limits prescribed by the privatising authorities. State and municipal bodies shall render assistance to the privatising and post-privatisation control authorities, by issuing any documents required thereby as shall be necessary for the preparation and conclusion of privatisation transactions and post-privatisation control, within the statutory time limits, and if there are no such time limits, within time limits prescribed by the privatising and post-privatisation control authorities.

The respective minister in charge of exercising the rights of the state, shall advise the Privatisation Agency of any newly-established companies with state interest in their capital.

The Council of Ministers defines the mandatory information that shall be provided to persons who have declared interest in participation in the privatisation. The Council of Ministers shall determine which documents and information relating to the preparation and the effecting of privatisation transactions constitute an official secret.

The privatisation and post-privatisation control bodies establish and maintain public registers for the process of privatisation and post-privatisation control, including through Internet. These bodies create conditions for examination of the information in the registers.

The Privatisation Agency and the municipal councils promulgate data on the sales (sold facilities, buyers, price, terms and conditions of payment, the agreed amount of investments and number of jobs) in the State Gazette and enter it in the public registers on a monthly basis.

Privatisation Methods

The privatisation method is defined by a decision of the Privatisation Agency or the municipal councils promulgated in the State Gazette, and published in at least two central daily
newspapers. In respect of any medical-treatment facilities wherein the State holds an interest in the capital exceeding 50%, the privatisation method shall be determined after consultation with the Minister of Health.

Shares of commercial business companies – property of the state and municipalities – are sold through:

- Public offering;
- Public auction;
- Public tender;
- Centralised public auction;
- Acceptances of a tender offer pursuant to the Public Offering of Securities Act;
- Negotiations with the buyer of the majority stake.21

Participating interest – property of the state and the municipalities – in commercial business limited liability companies is sold through public auction or public tender. Autonomous parts of the property of commercial business companies with more than 50% state or municipal participation may likewise be sold through public auction or public tender.

The condition and procedure of organising and holding public auctions, public tenders and centralised public auctions are defined in regulations of the Council of Ministers.

Renegotiation of the obligations undertaken in privatisation contracts, including those pursuant to the previous Transformation and Privatisation of State and Municipal Enterprises Act, is not allowed, except in the cases provided for in PPCA.

The Post-privatisation Control Agency may reschedule liabilities assumed under privatisation contracts through the conclusion of an additional written agreement, subject to approval by a decision of the Council of Minister. The rescheduling of liabilities shall be in keeping with the purposes of the privatisation or the purposes underlying the privatisation strategy. The agreement concluded under this procedure shall be recorded in the registers referred to in Art. 29 of PPCA. In case of default on the obligations under the agreement, such agreement shall be rescindable.

The amount of charges for services provided by the Privatisation Agency in relation to holding centralised public auctions is defined by a tariff approved by the Council of Ministers.

**Transfer of Rights upon Privatisation**

The transfer of available shares is performed by endorsement. The transfer takes effect with respect to the company from the moment of endorsement of the shares (or the interim/share certificates). The transfer of shares that have not been emitted in a physical form is effected through registration of the transaction at the Central Depository. The transfer of a participating interest in commercial business companies is effected in writing without a need for notarised signatures.

21 When subject of the competitive bidding with public invitation to tender is the sale of less than 100 percent of the company capital, the residual package of shares may be offered to the buyer of the majority package.
Upon transfer of a participating interest in commercial business companies, the buyer of a participating interest is considered a partner in the company from the date of transfer of ownership of the participating interest pursuant to the privatisation contract.

Where under a privatisation contract an obligation was assumed to make investments, they must be listed by type, amount and deadlines. In such a case, the privatisation contract must provide for a penalty in case of non-performance of the obligation for making investments. Security for payment of such penalty shall be lodged.

The transfer of property rights in real estate is done in writing. No notary form is required. No charges are due for entry in the register.

Privatisation of Commercial Business Companies of Significance to the National Security of the Republic of Bulgaria

The following requirements apply to privatisation of any commercial corporations wherein the State holds an interest in the capital exceeding 50%, which are relevant to the national security of the Republic of Bulgaria, which have privatisation strategies approved by the National Assembly.

The privatisation is carried out by competitive bidding with public invitation to tender. The Privatisation Agency shall prepare a reasoned proposal for ranking of the tenders which have been admitted to evaluation and ranking and which have been submitted for entry in the competitive bidding procedure in accordance with the evaluation criteria as announced in advance, after examination of the tenders or of the explanations therewith, as the case may be. The reasoned proposal shall furthermore contain the material terms and conditions of the contract for privatisation.

The proposal of the Privatisation Agency is presented to the Council of Ministers. In a statement of motivation, the Council of Ministers determines:

- The winner of the tender;
- The deadline for submission of a statement;
- The deadline for signing a privatisation contract;
- Substantial conditions of the privatisation contract.

If the Council of Ministers does not select a winner of the tender, the privatisation procedure is terminated. The Council of Ministers presents its decision together with the tender documentation in the National Assembly. If the National Assembly does not approve the decision of the Council of Ministers, the privatisation procedure shall be terminated.

The Privatisation Agency negotiates with the winner of the tender the privatisation contract on the basis of the draft contract that had been part of the documents during the procedure of the final tender phase. The contract must include the conditions on which the tender has been won.

The Supervisory Board of the Privatisation Agency approves the draft privatisation contract after the end of the negotiations. Thereafter, it is submitted to the Council of Ministers for approval.
10. Legislation Regulating the Conclusion of International Agreements and Promulgation of Laws

The Act on the International Agreements of Bulgaria (promulgated in State Gazette No. 97 /13.11.2001) applies. It defines the procedure for the negotiation and conclusion of international agreements by the Republic of Bulgaria, as well as the procedure of performance, amendment, suspension, termination, and registration of international agreements to which the Republic of Bulgaria is a party.

The Act applies to any bilateral or multi-lateral agreement concluded in writing between the Republic of Bulgaria and other countries or international organisations, irrespective of whether the agreement is contained in one or more interrelated documents. The Act also applies, respectively, to the contracts of the Republic of Bulgaria with foreign persons, where it participates as a body governed by public law. Such contracts have to be ratified by the National Assembly in compliance with the Constitution of the Republic of Bulgaria.

Preparation for Conclusion of International Contracts

The drafting of international agreements shall be prepared by the respective minister or head of department, after thorough study and in conformity with the Constitution, legislation and international obligations of the Republic of Bulgaria, as well with the EU acquis.

A draft report to the Council of Ministers needs to be prepared in which the grounds for the conclusion of the agreement are presented. A draft international agreement is presented – together with a report and a draft resolution attached to it – to the Council of Ministers for approval. The report is accompanied by the written opinions of the other ministers and heads of departments, indicating the recommendations that are not accepted and the reasons for it. Where the consent of the National Assembly is required for conclusion of the agreement, such consent is also attached to the report.

These rules also apply if a draft international agreement made by another country or international organisation is offered as basis for negotiations. In that case, the competent ministry preparing and submitting the package of documents to the Council of Ministers shall present, beside the original text in English, a translation of the project in the Bulgarian language.

The same rules apply respectively to the preparation of the Republic of Bulgaria for accession to a multilateral international treaty, where the competent ministry submitting the package of documents to the Council of Ministers shall present, beside the original text in a foreign language, a Bulgarian translation. If the Republic of Bulgaria states, as required, reservations or declarations to a multilateral treaty, the competent ministry submitting the package of documents to the Council of Ministers shall justify them in the draft report and include them in the draft resolution of the Council of Ministers.

The Council of Ministers approves, in a decision, the draft international agreement or draft amendment of an international agreement to which the Republic of Bulgaria is a party as basis for negotiations, and appoints the head of the delegation.

In its resolution, the Council of Ministers assigns the task to prepare the required measures to the competent ministers and the heads of departments and sets time limits for their performance. The Council of Ministers approves the proposals by issuing a decision.
Conclusion of International Agreements

International agreements are concluded:

- By the President of the Republic of Bulgaria – with the concurrence of the Council of Ministers, depending on the significance and subject of the agreement or the mutually accepted level of government bodies who will sign the agreement;
- By the Council of Ministers – depending on the subject matter of the agreement and its provisions.

Where an international agreement comes within the sole competence of one minister or head of department, the latter shall conclude the agreement with the respective body of another state on the basis of a decision issued by the Council of Ministers.

The decision of the Council of Ministers whereby it approves the draft agreement shall expressly state the person who shall sign it. The Minister of Foreign Affairs, the respective minister or head of department delivers the approved draft to the other party and coordinates the time and place of negotiations with it.

The draft international agreement or the draft amendment of an international agreement to which the Republic of Bulgaria is a party, duly approved by the Council of Ministers, serves as basis for the negotiations.

Where a substantial departure from the draft has to be made in the course of negotiations, the agreement may be endorsed and signed after approval by the Council of Ministers.

A bilateral international agreement is made in two identical copies, each of them in the Bulgarian language and in the other party's language. The agreement may be made in a third language as well, or only in a third language. Each copy has the force of an original copy.

Powers of attorney for the negotiation and signing of international agreements are issued by the Minister of Foreign Affairs on the grounds of a decision by the Council of Ministers. The President of the Republic, the Prime Minister and the Minister of Foreign Affairs conclude international agreements without submitting any Powers of Attorney.

The consent of the Republic of Bulgaria to bind itself by international agreements is expressed by ratification or by sanctioning, acceptance, adherence, signature without subsequent ratification or sanctioning, as well as through exchange of the documents constituting the agreement.

Where an international agreement is liable to ratification according to the Constitution of the Republic of Bulgaria, the Council of Ministers invites the National Assembly to ratify the agreement by an act. Where the Constitution does not require ratification of the international agreement, the Council of Ministers sanctions it by a decision. Where a multilateral international agreement provides for adherence or acceptance, membership of the Republic of Bulgaria in such an agreement is done through ratification or sanctioning.

Where an international agreement provides for membership through signing or adherence without subsequent ratification or sanctioning, the consent is explicitly stated in the decision of the Council of Ministers to approve the agreement.
Where membership in an international agreement is realised through exchange of documents constituting the agreement, the exchange is effected by the Minister of Foreign Affairs on the grounds of a decision by the Council of Ministers.

Reservations and declarations on the provisions of a multilateral international agreement are stated upon signing, ratification, sanctioning, acceptance or upon adherence. The text of the reservations and declarations is approved by the government body that has expressed its consent to the Republic of Bulgaria becoming a party to the agreement. Objections against reservations or declarations made by other parties to the agreement, as well as the withdrawal of reservations and declarations are drawn up and accepted by order of this Act and declared by the Minister of Foreign Affairs.

The Minister of Foreign Affairs prepares the ratification documents and the instruments of sanctioning, acceptance or adherence on the basis of the Ratification Act or the Act of Sanctioning, issued by the Council of Ministers and delivers them to the other party or to a depository of the agreement. The Minister of Foreign Affairs informs the other contracting party or depository of the agreement of the ratification, sanctioning, acceptance or adherence and effects the exchange or depositing of the respective documents. A protocol on the exchange of the ratification documents is prepared.

**Entry into Force, Promulgation and Effect of International Agreements**

After its signing, with the exception of cases where no subsequent sanctioning is required, the international agreement is presented to the Council of Ministers with a report from the respective minister and reviewed by the Minister of Foreign Affairs, other ministers and heads of stakeholder departments.

The international agreement enters into force in the Republic of Bulgaria on the conditions and under the procedure stipulated by it, or agreed upon additionally between the parties.

An international agreement not subject to ratification by the National Assembly may come into effect from the date of its signing without subsequent sanctioning. Such fact is expressly stated in the decision of the Council of Ministers to approve the draft agreement.

The international agreement is promulgated in the State Gazette within 15 days from its entry into force in the Republic of Bulgaria. The promulgation is prepared by the competent minister or the sectoral head of department – the ones who submit the proposal – for participation of the Republic of Bulgaria in the respective agreement.

In the binding act the authority giving the consent for the Republic of Bulgaria to become a party to an international agreement may provide for the non-publishing or promulgation of the agreement. After an international agreement is promulgated, any amendment, termination or suspension of its effect shall also be subject to promulgation.
Performance of International Agreements

The obligations arising from an effective international agreement to which the Republic of Bulgaria is a party shall be performed in good faith irrespective of which competent government body has given its consent. A government body may not refer to provisions of the domestic law as grounds for non-performance of an international agreement to which the Republic of Bulgaria is a party.

The effect of an international agreement on the national legal system is determined by the nature of such provisions, whether directly applicable or not, and by the hierarchical position of the Act of Binding in the national legal system according to the Constitution and the prevailing law of the country.

Where laws or other enactments have to be passed or amendments introduced in the prevailing law in order that the Republic of Bulgaria can perform its obligations under an international agreement, the Council of Ministers assures, in due time, preparation and presentation of the respective bills to the National Assembly or the drawing up and acceptance of the related subordinate legislation.

Control on the performance of international agreements of the Republic of Bulgaria is exerted by the Council of Ministers. The ministers in whose competence the implementation of an international agreement falls, depending on its subject and provisions are responsible for the performance of the obligations of the Republic of Bulgaria arising from such agreement.

The Minister of Foreign Affairs monitors the performance of international agreements of the Republic of Bulgaria and informs the Council of Ministers of any non-performance that becomes known to him. He may propose remedial measures with respect to it.

The provisions concerning international agreements apply respectively to the decisions of an international organisation or its body that have binding force in the Republic of Bulgaria by virtue of an international agreement.

11. Legislation Related to Industrial and Intellectual Property Rights

The main national legal documents governing the policy related to industrial and intellectual rights are: the Copyright and Neighbouring Rights Act, Patents and Registration of Utility Models Act, Marks and Geographical Indications Act, Industrial Design Act, Topography of Integrated Circuits Act, Protection of New Plant Varieties and Animal Breeds Act etc.

In addition, the EU legislation in this field represented by Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark; Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs.

At a multinational level, Bulgaria is a contracting party of many international agreements and conventions related to intellectual property rights, amongst others Paris Convention for the Protection of Industrial Property of March 20, 1883 and Agreement on Trade-Related Aspects of Intellectual Property rights (TRIP’s Agreement) of April 15, 1994.
Protection of Property Rights

Bulgarian law protects the acquisition and disposition of property rights. In practice, the protection of property rights is subject to various obstacles. Although Bulgarian Intellectual Property Rights (IPR) legislation is generally adequate – and in some cases stronger than in other EU countries – industry representatives believe effective IPR protection requires stronger enforcement, including stricter penalties for offenders. In 2006, Parliament carried out a major revision of the IPR-related legal framework. The Law on Copyright and Related Rights, the Law on Patents and Registration of Utility Models, the Law on Marks and Geographical Indications, the Law on Industrial Design and the Penal Code were all harmonised with international standards. As a major step toward improving the work of the judiciary, a completely new Penal Procedure Code was adopted by Parliament in 2006, while amendments to the Constitution are still being considered. The strongly criticised GOB Decree on Border Measures for Protection of IPRs was replaced by EU Regulation 1383/2003 (customs regulation) and is now being applied.

Bulgaria is a member of the World Intellectual Property Organisation (WIPO) and a signatory to key international agreements.

Copyright

The 1993 Law on Copyright and Related Rights protects literary, artistic, and scientific works. Article 3 provides a full listing of protected works including computer programmes (which are protected as literary works). The Law distinguishes between moral and economic rights. The use of protected works is prohibited without the author’s permission, except in certain instances. Since 2000 the Law has undergone major revisions to comply with EU and international legislation.

The term for protection of copyrighted works is 70 years after the author’s death. For films and other audio-visual works, copyrights are protected during the lives of director, screenplay-writer, cameraman, or the author of dialogue or music, plus 70 years. Other amendments to the law enable copyright owners to file civil claims to suspend the activities of pirates; provide for confiscation of equipment and pirated materials; enhance border control over pirated material; introduce a new neighbouring right for film producers; and, harmonise Bulgarian legislation with the EU Association Agreement. The Copyright Office of the Ministry of Culture is responsible for copyright matters in Bulgaria. The National Film Centre is responsible for enforcing intellectual property rights with regard to films and videos.

Patents

Bulgarian patent law has been harmonised with EU law in the areas of application for European patents and the patent protection in general. Bulgaria joined the Convention on the Granting of European Patents (European Patent Convention) in 2002.

Bulgaria grants the right to exclusive use of inventions for 20 years from the date of patent application, subject to payment of annual fees. Innovations can also be protected as utility models (“small inventions”). The term of validity of a utility model registration is four years as of the filing date with the Patent Office. It may be extended by two consecutive three-year periods, but the total term of validity may not exceed 10 years.
Inventions eligible for patent protection must be new, involve an inventive step and be capable of industrial application. Article 6 of the Law on Patent and Utility Model Registration lists items not regarded as inventions, and Article 7 lists the so-called exceptions to patentability. With regard to utility models, no registration shall be granted for methods and objects in the field of biotechnology.

The independent Patent Office is the competent authority with respect to patent matters. The patent law describes the application procedures and the examination process. Applications are submitted directly to the Patent Office and recorded in the state register. Compulsory licensing may be ordered under certain conditions: if the patent has not been used within four years of filing the patent application or within three years from the date of issue; the patent holder is unable to offer justification for not adequately supplying the national market; or, declaration of a national emergency. Disputes arising from the creation, protection or use of inventions and utility models can be considered and settled under administrative, court or arbitration procedures. Disputes are reviewed by specialised panels convened by the President of the Patent Office and may be appealed to the Sofia Administrative Court within three months of the panel's decision. Patent infringements are punishable by administrative fines from 300 up to 20,000 BGN.

**Trademarks**

The Trademarks and Geographical Indications Act, which was amended in 2005 and 2006 to comply with EU standards, regulates the establishment, use, suspension, renewal and protection of rights of trademarks, collective and certificate marks, and geographic indications.

Registration is refused, or an existing registered trademark is cancelled, if a trademark constitutes a reproduction or an imitation, or if it creates confusion with a registered or well-known trademark, as stipulated by the Paris Convention and the Trademarks and Geographical Indications Act. Applications for registration must be submitted to the Patent Office under specified procedures.

With amendments in the Trademarks and Geographical Indications Act in October 2006, well-known marks can now be determined as such by the Patent Office or by Sofia Administrative Court and entered in a special state register. In addition, Bulgaria is a member of the Lisbon Agreement for the Protection of Appellations of Origin and their International Registration, which makes protections for appellations of origin protection possible.

Right of priority with respect to trademarks that do not differ substantially is given to the application that was filed in compliance with Article 32. Right of priority is also established on the basis of a request made in one of the member countries of the Paris Convention or of the World Trade Organisation. To exercise the right of priority, the applicant must file a request within six months of the date of original filing.

A trademark is normally granted within eighteen months of filing a complete application. Refusals can be appealed before the Disputes Department at the Patent Office. The decisions of this department can be appealed before the Sofia Administrative Court within three months following notification. The right of exclusive use of a trademark is granted for ten years from the date of submitting the application. Requests for extension of protection must be filed during the final year of validity, but not less than six months prior to expiration. Protection is terminated if a mark is not used for a five-year period.
**Industrial Designs**

According to the Bulgarian design law, industrial designs which are new and original can be granted certificates and entered in a state register. The term of protection is 10 years, which could be renewed for up to 25 years. The procedure and conditions for enforcement of rights are similar to those provided for trademarks.

**Protection against Infringement of IP Rights**

In any case of unlawful use of a patent, trademark, industrial design or geographical indication the rightful owners are entitled to lodge a claim with the competent first-instance court – the Sofia City Court – against the infringer in order to:

- establish the infringement;
- claim compensation for the damages suffered because of the infringement;
- require the termination of the infringing actions;
- require the seizure and destruction of the products – subject of the infringement.

The Marks and Geographical Indications Act provides explicitly the terms and conditions for determination of the amount of compensation for damages occurred as a result of the infringements.

In case the court rules in favour of the claimant the latter may require the decision to be published in two dailies, as well as the infringing objects to be destroyed or reprocessed.

Sofia City Court is the competent first-instance court to rule on disputes on the authorship of inventions, utility models and disputes related to marks and industrial designs.

**Foreign Investors Related Measures**

Foreign authors will enjoy the same rights as Bulgarian authors unless otherwise provided by international treaties and agreements. In case Bulgarian law is applicable to foreign authors or the object of copyright was first created or published in a foreign country, the holder of the right will be determined by the respective foreign law and the term of protection will be the one provided by the foreign law if Bulgarian law provides for a longer period.

Foreign physical and juridical persons and all persons with a domicile or seat outside Bulgaria may apply for the registration of a patent, trademark, geographical indication, industrial design only through their local industrial property representatives listed with the Patent Office.

The provisions of Bulgarian law will apply to foreign physical and juridical persons whose respective country of origin is a member to international agreements, to which Bulgaria is a party. To other foreigners Bulgarian laws will apply only in case of reciprocity, which will be established by the Patent Office in case-by-case basis. Where bilateral international agreements exist their provisions will apply.

The international registrations of patents under the Patent Cooperation Treaty; of trademarks in conformity with the Madrid Agreement; of geographical indications under the Lisbon Agreement; and of industrial designs under the Hague Convention, have the same effect as if the applications were directly lodged and the registrations were made in Bulgaria according to the relevant Bulgarian law.
12. Energy-Related Legislation

The Energy Act

The Energy sector is governed by the Energy Act (EA). This Act sets out the rules for public relations with regard to the implementation of the activities of production, import and export, transmission, transit, distribution of electricity, heat and natural gas, transmission of oil and oil products through pipelines, trade with electricity, heat and natural gas, as well as the legal powers of the state structures in determining the state policy, regulation and control.

Licenses

The licensing regime is regulated by Chapter IV of the Energy Act. The Activities subject to licensing under the Law on Energy are:

- Generation of electricity and/or heat;
- Transmission of electricity, heat or natural gas;
- Distribution of electricity or natural gas;
- Storage of natural gas;
- Trade in electricity;
- Organising an electricity market;
- Public supply of electricity or natural gas;
- Transit of natural gas;
- Supply of electricity or natural gas by end-suppliers;
- Management of the electric power system;
- Distribution of traction electric power to distribution networks of the railway transport.

When a license is issued for performance of any of the activities listed above before building the energy facility required for it, the license contains conditions for building such facility and deadlines for start-up of the licensed activity.

The issuance of a license is not required for:

- Generation of electricity by persons who own an electricity power plant with a total installed electric capacity of up to 5 MW;
- Generation of heat by persons who own a plant with a total installed heating capacity of up to 5 MW;
- Transmission of heat by a person possessing heat a transmission network to which are connected stations with a total installed capacity up to 5 MW;
- Generation of heat for own consumption only.

In case the person applying for a license for some of the following activities: generation of electricity and/or heat, transmission of electricity, heat or natural gas, distribution of

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22 A list of key legislation related to the energy sector can be found as an Annex 2.
electricity or natural gas, trade in electricity, organising an electricity market, public supply of electricity or natural gas, supply of electricity or natural gas by end-suppliers, management of the electric power system, or possessing such a license meets the requirements for a balancing group coordinator, the relevant license contains the rights and the obligations related to the activity of a balancing group coordinator.

A license is issued to a legal person registered under the Commercial Code that:

- Has technical and financial capacities, material and human resources and an organisational structure for fulfilment of the regulatory requirements for carrying out the activity under the licence;
- Has real rights on the energy sites through which he will implement the activity, if they are constructed;\(^{23}\)
- Provides evidence that the energy facilities, by means of which the activity under the license is to be performed, meet the regulatory requirements for safe operation and environmental protection.

Licenses are not issued to persons that:

- Are subject to bankruptcy proceedings or are declared insolvent;
- Are in the process of liquidation;
- Have had a license for the same activity withdrawn or issuance thereof has been refused, and the period within which issuance of a new license is not permitted has not expired.

Licenses shall not be issued if there is a risk of endangering the life and health of citizens, of damage to third parties’ property, or of the interests of consumers, of interrupting the reliable supply of electricity, heat or natural gas.

In cases where one and the same person performs more than one of the activities subject to licensing, separate licenses shall be issued for each of the activities. SEWRC (the Commission) ensures prevention of any conflicts in the regime for the performance of the individual licensed activities.

The license shall also be issued to a legal person, registered according to the legislation of a Member State of the European Union or of another country – party to the European Economic Area Agreement.

The procedure for issuance of a license is initiated upon a written application supported by all documents required for issuance of a license. In the event that the licensed activity is performed at prices subject to regulation under the Energy Act, an application for their approval is attached to the application. Within three months of submission of the application the Commission issues or refuses to issue a license, in a reasoned manner, and approves or determines the respective prices.

In cases of refusal the applicant may submit a new request for issuance of a license not earlier than 3 months following the decision of refusal or, respectively, the entry in effect of the court ruling whereby any appeal is rejected for lack of merit.

\(^{23}\) With exception of the licenses under art. 39, para 1, item 5, 6, 7, 8 and 11.
Licenses are issued for a term not exceeding 35 years. The term of validity of a license may be extended for a period not exceeding 35 years, provided that the licensee meets all requirements of the Law and all obligations and requirements under the license, and has submitted a written request for extension at least one year prior to the expiration of the term of the original license.

Only one license is issued for the territory of Bulgaria for:
- Transmission of electricity or natural gas;
- Organising an electricity market;
- Public supply of electricity or natural gas;
- Management of the electric power system.

Only one license is issued for a separate territory for:
- Distribution of electricity or natural gas;
- Supply of electricity or natural gas by end-suppliers;
- Transmission of heat.

A separate territory for distribution of electricity comprises at least 150,000 consumers connected to the adjoining distribution network, and its boundaries include at least one district according to the administrative territorial division of the country. A separate territory for distribution of natural gas comprises at least 50,000 consumers which can be connected to the adjoining distribution network.

The person to whom is issued a licence for management of the electric power system shall not be granted another licence for other activity subject to licensing under the Energy Act except for a licence for organising an electricity market. The person to whom a license for natural gas transmission is issued may not obtain a license for another activity subject to licensing under this Law, except a license for storage of natural gas and a license for transit of natural gas. The person to whom a license for transmission of natural gas is issued may not engage in natural gas trade.

Persons to whom licences have been issued for distribution of electricity shall not be granted licences for other activities subject to licensing under the Energy Act.

Persons to whom licences have been issued for distribution of natural gas shall not be granted licences for other activities subject to licensing under the Energy Act, except for a license for public supply of natural gas or for supply of natural gas by an end-supplier, in case the consumers, connected to the gas distribution network on the respective territory are less than 100,000.

A license defines:
- The name of the licensee;
- The activity for which the license is issued;
- Facilities by means of which the licensed activity is to be performed;
- Territorial scope of the license for the activities for which it is required;
- The license term;
• Types of insurance, risks covered and the amount of insurance cover, which the licensee is obliged to maintain as long as it performs the licensed activity;
• Requirements for decommissioning of the energy facilities by means of which the activity is performed;
• Any other special regulatory requirements related to performance of the activity under the license.

**The Renewable and Alternative Energy Sources and Biofuels Act**

The Renewable and Alternative Energy Sources and Biofuels Act (RAESBA) regulates the public relations in the field of encouragement of the production and consumption of electric power, heat power and/or cooling power from renewable energy sources (RES) or from alternative energy sources, the production and consumption of biofuels and other renewable fuels in the transport sector.

The national legal framework is in accordance with the provisions of Directive 2001/77/EC regarding the encouragement of the production and consumption of electricity from renewable energy sources and Directive 2003/30/EC regarding the encouragement of the usage of biofuels and other renewable fuels in the transport sector.

The construction of energy sites for production of RES power can be performed after the completion of investment research in accordance with a special ordinance under the Energy Act (EA). An inseparable part of this research is the evaluation and assessment of the available and forecast potential of the respective resource.

A system of measures and activities is foreseen in order to encourage the development and use of technologies for the generation and consumption of RES and AES energy and promote the development and use of technologies for the production and consumption of biofuels and other renewable fuels.

The obligatory buying of electric power has to be carried out under purchase contracts. The term of the contracts is 25 years – regarding electric power produced from geothermal and solar energy, and respectively 15 years – regarding electric power produced from hydropower stations having installed capacity up to 10 MW, as well as regarding electric power produced from other types of RES.

The transmission enterprise and the distribution enterprises are obliged to include in their annual investment and maintenance programmes financial resources for the development of networks related to the encouragement of the production of RES electric power. The transmission enterprise and/or the distribution enterprises are obliged to connect preferentially any producer of RES electric power if that producer meets all legal requirements.

One of the key purposes of the Act on Renewable and Alternative Energy Sources and Biofuels is to guarantee the security of investors and financing institutions and the financial viability of the projects for construction of plants for RES electricity generation by means of a system for preferential purchase prices for electricity generated by different RES technologies, long-term agreements on the purchase of RES – electricity, provision of conditions for priority access to energy networks and other administrative preferential
treatment. The preferential purchase prices for electricity generated from RES vary according to the different RES technologies.\textsuperscript{24} Annually till the end of March SEWRC is obliged to define preferential prices for sale of RES electric power. The exceptions are hydropower stations having capacity more than 10 MW. The preferential price of RES electric power must be defined at the rate of 80\% of the average sale price of the public provider and end-suppliers for the previous calendar year plus a mark-up defined by the Commission on the basis of criteria depending on the type of the initial energy source in accordance with the respective ordinance under the Energy Act. The mark-up for the following calendar year must not be less than 95\% of the value of the mark-up for the previous calendar year.

In the transport sector biofuels and their derivatives are used in pure form or in the form of blends (mixtures) as components of liquid fuels of oil origin designated for internal combustion engines. The national indicative objectives for biofuels consumption are defined by the Council of Ministers at the proposal of the Minister of Economy, Energy and Tourism and the Minister of Transport.

The producers and importers of liquid fuels for the needs of the transport sector are obliged to supply on the market fuels of oil origin blended with biofuels in a percentage ratio defined by a special ordinance under the Atmospheric Air Purity Act. Blending of biofuels with liquid fuels of oil origin and their supply on the market must be performed only in tax warehouses which are licensed in accordance with the procedure of the Excise and Tax Warehouses Act.

There is a special ordinance governing the technical and quality requirements for biofuels and their blends as well as the conditions, procedure and methods of their control. The Chairman of the State Agency for Metrological and Technical Control has the powers to exercise quality control over biofuels and their blends.

\textsuperscript{24} Examples of the preferential price rates in force can be found in Annex 3.
VI. ENERGY SECTOR DEVELOPMENT AND MARKET STRUCTURE

1. Physical Features, Key Institutions, Energy Strategy and Sector Restructuring

Overview

Bulgaria provides some 70% of its gross energy consumption through imports. Its dependence on imported natural gas, crude oil and nuclear fuel is significant and is traditionally orientated to the Russian Federation. The primary energy production in Bulgaria meets about 50% of the primary energy consumption in the country.\(^{25}\) The structure of primary energy production remained relatively unchanged over the last years.\(^{26}\) In 2008, coal accounted for some 49% in the primary energy production, followed by nuclear power – 38% and biomass 7%. The rest amount of produced primary energy was split equally between RES and natural gas each of them contributing for about 3%.

![Figure 10: Primary Energy Production and Consumption](image)

Source: Bulletin on the state of play and development of the energy sector in the Republic of Bulgaria, March 2009

About two-thirds of the primary energy consumed in the country is used by power plants for electricity and heat energy generation, and one-third is utilised in oil refineries.\(^{27}\) The amount of energy obtained as a result of the energy conversion is about 60% of the primary energy.

![Figure 11: Energy Conversion – Share of Different Energy Sources (2008)](image)

Source: Data Ministry of Economy, Energy and Tourism

Final energy is used for non-energy consumption (mainly as a raw material in the chemical industry) and for energy consumption. The latter, after the dramatic drop\(^{28}\) during the last decade of the twentieth century, has been showing stabilisation and growth trends over the

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\(^{25}\) Nuclear energy was accounted as local energy source.

\(^{26}\) However, the dynamics of the primary energy production were based mainly on the dynamics of consumption.

\(^{27}\) Only very insignificant part of primary energy is used in briquettes factories, blast-furnaces and coking enterprises.

\(^{28}\) Some (-6.1%) on average annual basis.
last years, following the stable sustained rate of growth of the GDP. In practice, the industry remains the dominant energy consumer accounting for 37.9%. The share of transport sector is decreasing to 28.1%, which respectively, influences the consumption of liquid fuels. The households’ consumption has been stabilised over the past years, mainly based on a high share of the electricity consumption (38.9% compared to 22.5% for the EU) and the insignificant share of natural gas (1.6% compared to 40.1% for the EU). Overall, the households contribute for 34% of the final energy consumption.29

Figure 12: Final Energy Consumption – Share of Different Energy Sources (2008)

Source: Data Ministry of Economy, Energy and Tourism

Key Institutions

The Ministry of Economy, Energy and Tourism (MEET) is the state body which implements the energy policy of the country. In general, energy policy is defined by the Council of Ministers of Bulgaria and the MEET through the Minister who develops and proposes to the Council of Ministers strategic trends and programmes for the development of the sector. The Minister exercises the functions of owner as regards the state-owned energy companies.

The State Energy and Water Regulatory Commission (SEWRC) is an independent state body (established in 1999) responsible for the state regulation of the activities in the energy and the water supply and sewerage services. In the energy sector, SEWRC carries out monitoring of the energy markets as well as price and license regulatory control of the activities for generation, transmission and distribution of electricity, transmission and distribution of natural gas, electricity and natural gas trading, generation and transmission of heat energy. It is a collective body consisting of 13 members, including a chairman and two deputy chairmen. The chairman, the deputy chairmen and the members of the Commission are elected on the basis of a decision of the Council of Ministers and are appointed by the Prime Minister.

The state regulation as regards the safe use of the nuclear energy and the ionising radiation and the safe management of radioactive waste and spent fuel is implemented by the Nuclear Regulatory Agency (NRA). NRA is an independent specialised authority of the executive power established in 2002 as an assignee of the former Committee for Peaceful Use of Atomic Energy.

The Energy Efficiency Agency (EEA) is a budgetary supported legal entity with the status of executive agency to the Minister of Economy, Energy and Tourism, established in 2002. Its functions are related to development of programmes and projects for enhancing the energy efficiency and use of renewable energy sources, providing funds for their co-financing and implementation.

29 Bulletin on the state of play and development of the energy sector in the Republic of Bulgaria, March 2009.
Energy Strategy

The Energy Strategy is a fundamental document of the national energy policy that is implemented through the National Assembly and the Council of Ministers. The Energy Strategy of Bulgaria is developed by the Minister of Economy, Energy and Tourism, pursuant to Article 4, paragraph 2, item 1 of the Energy Act and subsequently adopted by the Council of Ministers and the National Assembly.

The last Energy Strategy of Bulgaria which had been adopted by the Council of Ministers and approved by the Parliament dates back to 2002. It was mainly aimed at solving the problems of transition to market-oriented and financially stable energy sector within a medium-term time horizon (by 2007). Today, this strategy could be evaluated as successfully implemented, evidence of which, among others, is the full membership of Bulgaria in the EU. In November 2008, the Council of Ministers considered a draft Energy Strategy, but the project was not adopted within the mandate of the previous government.

Currently, Bulgaria is preparing a new Energy Strategy which is intended to reflect EU priorities and vision in the context of the New Energy Policy for Europe. The new Energy Strategy is being developed on the following main principles:

- Enhancing the energy security of the country by diversification both of sources and routes of energy supplies through greater cooperation with traditional and new suppliers;
- Achieving the national targets in line with the EU “20-20-20” policy regarding reduction of greenhouse gas emissions, increasing the share of renewable energy sources in gross final consumption of energy of the country, and improvement of energy efficiency;
- Providing sustainable and affordable energy services that contribute to the overall economic development of the country in environmentally friendly way;
- Development of competitive national, regional, and European energy markets, based, among others, on independence of main actors across the whole energy chain, greater transparency, and adequate market regulation.

Restructuring of the Energy Sector

Restructuring of Natsionalna Elektricheska Kompania (NEK) EAD

The restructuring of Natsionalna Elektricheska Kompania (NEK) EAD has been done in accordance with the requirements of the European Directive 2003/54/EC and the provisions of the Bulgarian Energy Act related to the separation of network system operators from all other activities, except for the transmission. The model that has been followed consisted of separating the Electricity System Operator from the vertically-integrated company and establishment of a parent company which would be the owner of all assets, capital and licenses.

The subsidiary – Electricity System Operator EAD (ESO) was established on 4 January 2007. The company obtained a license to manage the power system and to perform the functions of system operator and administrator of the balancing market. In practice, ESO manages, operates and maintains the network without ownership of it by working on the basis of a contract for service with the parent company.

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30 The national electricity company.
Restructuring of the electricity distribution companies

In compliance with the requirements of European Directive 2003/54/EC and the Bulgarian Energy Act, electricity distribution companies in Bulgaria have been restructured. As a result, by the end of 2006, a legal and organisational separation of activities related to electricity distribution and operational management of distribution networks from those of electricity supply and other activities of the electricity companies has been successfully implemented.

Restructuring of Bulgargaz EAD

In accordance with the requirements of the European Directive 2003/55/EC Bulgargaz EAD has been organisationally and legally restructured. As of 15 January 2007 the company was transformed into Bulgargaz Holding EAD, by separating newly established companies: (1) Bulgartransgaz EAD (Combined operator) – the company is owner of its assets and is active in transmission of natural gas throughout the country, transit to neighbouring countries and storage of natural gas. The company obtained the required licenses and also assumed the functions of transmission system operator of the network. (2) Bulgargaz EAD (Public provider) – active in purchasing and selling natural gas. The company owns the assets necessary to carry out its activities and the appropriate licenses. (3) Bulgartel EAD (Telecommunication Services) – owner of the activity adjoining infrastructure.

The parent Company – Bulgargaz-Holding EAD owned 100% of the capital of its subsidiaries. The main functions of the Holding were related to strategic planning, marketing, participation in major investment projects, etc.

Establishment of Bulgarian Energy Holding EAD

Bulgarian Energy Holding EAD (BEH EAD) was incorporated on 18 September 2008 based on Decision of the Minister of Economy and Energy and by means of renaming Bulgargaz-Holding EAD. The holding is active in acquisition, management, assessment and sale of participations in trading companies, carrying out business activity in the fields of generation, production, transmission, transit, storage, management, distribution, sale and/or purchase of natural gas, electricity, thermal power, coal, as well as any other type of energy and raw materials for the production.31

BEH EAD is a shareholding company with 100% state-owned participation. The Holding includes Mini Maritsa Iztok EAD, Maritsa East 2 TPP EAD, Kozloduy NPP EAD, NEK EAD, Electricity System Operator EAD, Bulgargaz EAD, Bulgartransgaz EAD and Bulgartel EAD. All companies, brought together in the holding structure, preserve their operational independence and licenses, as they are all owned and directly subordinated to the corporate centre – BEH EAD.

Bulgarian Energy Holding EAD is one of the largest companies in the region, and national energy leader, whose assets, at present, amount to BGN 10.7 billion, group total revenue for the first nine months of 2009 amount to BGN 3.6 billion, the number of employees sums up at some 22 thousand people.

31 [http://www.bgenh.com](http://www.bgenh.com)
The process of establishment and development of the holding structure is intended to be realised in two phases. In its initial stage the aim was at the incorporation of a financial (strategic) holding. The next step consists of its transformation to an operational holding if the analysis confirms the expected positive effects of the transformation.

Restructuring of the system operators

The third legislative package stipulates implementation of measures within the EU in order to ensure, among others, the independence of the system operators. According to the requirements related to the Independent System Operator unbundling model, the gas or electricity network operators are allowed to remain within the vertically integrated holding companies, but only if some additional requirements are met, one of which is related to the obligation of the system operator to be the owner of its transmission network. In order to implement this requirement a restructuring strategy is envisaged in Bulgaria and as a result of its completion the system operators will become independent joint-stock companies possessing the adjacent networks.

2. Oil

The oil production in Bulgaria is insignificant. However, the oil processing industry is one of the sectors of key importance to the country’s economy. It provides raw materials and end products for the chemical industry, for other branches of the national economy and exports. Oil processing addresses mainly the domestic and regional fuel market – motor fuel, diesel fuel, aviation fuel and oils. Almost all the oil processed in Bulgaria is imported. The sector produces, e.g., light oil products, heavy fuels, oils, paraffins, aromatic hydrocarbons, olefines, phenols, latex, bitumen, synthetic rubber, and synthetic fibres.

The oil processing industry in Bulgaria is completely liberalised. The enterprise Oil and Gas Exploration and Production Plc (OGEP), which was privatised in 2004, is the only Bulgarian company, operating the whole range of activities such as prospecting, exploration, development and exploitation of oil and gas fields, as well as processing of crude oil to final products offered on the market. Currently OGEP Plc is a public company, operating all the active oil fields on the territory of the country. The Oil and Gas Exploration and Production Plc is a concessionaire under twelve concession agreements for oil and/or gas production on the territory of Bulgaria, concluded with the Bulgarian Government in compliance with the Concessions Act and the Natural Resources Act. Among the biggest players in the oil and oil products trade are Lukoil, Petrol, OMV, Shell, Naftex, Prista-oil, Helenc Petroleum, Rompetrol etc. Following the privatisation of Lukoil Neftochim Burgas (in 1999) – the biggest refinery on the Balkans, Lukoil Bulgaria EOOD became part of the bigger Lukoil family. At present, the company operates around 200 fuel stations all over the country. At regional level, the group has large share (20-35%) of the market of oil products, fuels and polymers in South Eastern European countries.

The market of oil and oil products in the country is also completely liberalised. Among the biggest players in the oil and oil products trade are Lukoil, Petrol, OMV, Shell, Naftex, Prista-oil, Helenc Petroleum, Rompetrol etc. Following the privatisation of Lukoil Neftochim Burgas (in 1999) – the biggest refinery on the Balkans, Lukoil Bulgaria EOOD became part of the bigger Lukoil family. At present, the company operates around 200 fuel stations all over the country. At regional level, the group has large share (20-35%) of the market of oil products, fuels and polymers in South Eastern European countries. Petrol AD – a private company established in 1932, is a leader in the fuels distribution in the country. The company

33 Bulletin on the state of play and development of the energy in the Republic of Bulgaria – March 2009.
34 http://www.lukoil.bg.
owns and operates the largest fuel distribution network in Bulgaria comprising over 500 gas stations, its own refinery, nine laboratories for permanent quality control of the oil products, 80 petrol bases and 3 petrol harbour terminals evenly distributed all over the country.  

**Foreign Trade in Oil Products**

Oil and related oil products are imported in Bulgaria traditionally from the Russian Federation, as well as from Romania, Croatia, Italy and Greece. Meanwhile, oil companies export refined oil products to neighbouring countries on the Balkan Peninsula and SE European countries.

![Figure 13: Net Imports of Crude Oil](image)

*Source: National Statistical Institute of Bulgaria*

**Crisis Measures**

In order to ensure that the EU Member States maintain minimum stocks of oil or petroleum products destined for use in case of a supply disruption, a mandatory regime of emergency oil stocks has existed since 1968. The Member States have implemented different mechanisms: some rely on government held stocks, others established special stockholding agencies while yet others rely on stocks held by industry.

Prior to Bulgaria’s accession to the EU, aiming to harmonise its legislative framework in connection with the introduction of the EU requirements for accumulation, maintenance and use of the mandatory 90-days emergency stock of oil and/or oil products, the Act on Mandatory Oil and Oil Product Stock (MOOPSA) was passed (promulgated in the State Gazette (SG) No. 9/31.01.2003), in effect since 4 February 2003). By adopting this Act it was achieved:

- Full compliance with the *acquis communautaire* of the EU with respect to the 90-days emergency stock. (European Directives 2006/67/EC, 98/93/EEC and 73/238/EEC);

- Optimal allocation of the obligations between the State and business for performance of the obligations ensuing from the Law.

According to the Act, mandatory emergency reserves of the following categories of oil products shall be built, stored, used and replenished:

- Motor and aviation petrol;
- Industrial fuel (gas oil), kerosene type jet fuels and diesel fuel;

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• Fuel oil (heavy oil residue);
• Gas propane-butane (LPG).

The mandatory reserves can be maintained as oil, intermediate technological products for fuel production or in oil products.

The liable persons according to the Act are producers and importers of oil products – they organise and finance the raising and maintenance of a stock. The stock also includes 30-days official reserves maintained by the *Official Reserve and War-Time Stock State Agency (OR&WTSSA)*.

The stocking of oil and oil products is envisaged for a period of nine years, provided that accumulation starts from 2004. The following time schedule applies:

- Until the end of 2004 – for 10 days minimum, of which 10 days for OR&WTSSA;
- Until the end of 2005 – for 20 days minimum, of which 10 days for OR&WTSSA;
- Until the end of 2006 – for 30 days minimum, of which 15 days for OR&WTSSA;
- Until the end of 2007 – for 40 days minimum, of which 20 days for OR&WTSSA;
- Until the end of 2008 – for 50 days minimum, of which 25 days for OR&WTSSA;
- Until the end of 2009 – for 60 days minimum, of which 30 days for OR&WTSSA;
- Until the end of 2010 – for 70 days minimum, of which 30 days for OR&WTSSA;
- Until the end of 2011 – for 80 days minimum, of which 30 days for OR&WTSSA;
- Until the end of 2012, and over the following years – for 90 days minimum, of which 30 days for OR&WTS SA.

That stock raising schedule, which Bulgaria follows, accommodates the 6-year transition period requested in the Bulgarian Negotiation Position on Chapter 14 “Energy” as from the date of Bulgaria’s accession to the EU (01.01.2007).

The Act also obliges the liable persons to present monthly information about the level, condition and storage locations of the mandatory emergency stock. In compliance with this Bulgaria delivers to the EU monthly reports (in the respective EU format) on the level and condition of its mandatory emergency stock.

A certain level of mandatory reserves for the respective year may be established and maintained in another Member State of the European Union on the basis of an individual agreement between the Council of Ministers of the Republic of Bulgaria and the government of the other Member State.

The Act also introduces the requirements of Directive 73/238/EEC. Accordingly, the respective competent authorities (the Council of Ministers upon the proposal of the Minister of Economy, Energy and Tourism) should have the necessary powers in the event that difficulties with the supply of oil and oil products arise to:

- Impose specific and strict restrictions on consumption;
- Regulate the prices in order to prevent unjustified price increases.
Concerning storage capacities, there were no problems with the initial accumulation of stock for the first years. However, the situation with their further accumulation is being permanently analysed.

3. **Natural Gas**

The gas sector plays a key role in the economy of Bulgaria. Natural gas is used mainly in heating and cogeneration plants, as well as feed stock in the chemical industry. Unlike most European countries, Bulgaria has almost no direct use of natural gas for household needs. Gas supply in the territory of Bulgaria is carried out over the gas transmission network owned by Bulgartransgaz EAD and over gas distribution networks owned by the respective gas distribution companies. The natural gas on the entry of the gas transmission network is supplied by three external suppliers (Overgas Inc., Wintershall, and Gazexport) and one internal supplier (Petreko SARL). Russian gas is delivered by one route – via Ukraine. Wholesale trade in natural gas is carried out by means of regulated access of third parties.

Historically, natural gas market development in Bulgaria started in the mid 70s of the last century with the construction of the national gas transmission system for natural gas supplies from the former USSR. The beginnings of gas industry were as early as in 1963, marked by the discovery of the gas condensate field near the village of Chiren. On 30 December 1973, the state Oil and Gas company was registered, renamed in December 1975 as **Gazosnabdiyavane**. At the beginning of 1990, the company’s name changed and it became Bulgargaz; by virtue of Decree of the Council of Ministers dated 12.05.1993, it was restructured in a single owner joint-stock state company. This status was preserved by Bulgargaz EAD until the end of 2006.

Honouring the requirements of the Energy Act in force in the Republic of Bulgaria and Directive 2003/55/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas, Bulgargaz EAD underwent unbundling, both organisationally and legally. On 15 January 2007, Sofia City Court entered the restructuring of Bulgargaz EAD into Bulgargaz-Holding EAD. Bulgartransgaz EAD, Bulgargaz EAD and Bulgartel EAD were the daughter companies within Bulgargaz-Holding EAD. The capital of the three daughter companies was 100% owned by “Bulgargaz-Holding” EAD. Nevertheless, these companies became independent economic entities and thus was enforced the requirements for legal, functional, and accounting unbundling of natural gas transmission and public provision activities. The transformation was in compliance with the main provisions of Directive 2003/55/EC of the EU, namely aiming at achieving a domestic market with non-discriminatory access to gas transmission systems and fair pricing of natural gas.

On 18 September 2008, by virtue of a Decision of the Minister of Economy and Energy, Bulgarian Energy Holding EAD (BEH EAD) was incorporated upon renaming Bulgargaz Holding EAD. All companies within the former Bulgargaz-Holding EAD structure preserved their operational independency and granted licenses. In addition, they remained owned by and directly subordinated to the BEH EAD corporate centre.

Over the past few years the natural gas sector in Bulgaria has been developing in accordance with the requirements of the related EU legislation in force. The natural gas market has been organised and the main players on it are the public provider of natural gas, the public

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37 [www.bulgartransgaz.bg](http://www.bulgartransgaz.bg).
suppliers (until 1 July 2007), the end-suppliers, the transmission company and system operator, the UGS operator, producers, distribution companies, traders and consumers.

*Transmission and Transit*

Only one license for transmission of natural gas may be issued in Bulgaria. The operator of the gas transmission network is a specialised unit in the structure of the transmission enterprise. Bulgartansgaz, which was registered on 15.01.2007 in Sofia City Court, is the sole gas transmission operator on the territory of the country executing the activities on transmission and gas storage at prices regulated by the State Energy and Water Regulatory Commission. Those activities are separated legally, functionally and financially from the other activities in the vertically integrated enterprise. Bulgartansgaz is owner and operator of a ring-build gas transmission system with high pressure off-takes to transport natural gas to large customers and gas distribution companies in the country. The transmission system itself includes:

   - Main gas pipeline with high-pressure branches – 1,700 km;
   - Three compressor stations with total capacity of 49 MW;
   - Gas pressure reduction stations – 68;
   - Eight gas measuring stations.

2. Gas transmission network for natural gas transit (capacity ~ 19 bcm/y).
   - Transit main gas pipeline with a total length of 945 km;
   - Six compressor stations with a total capacity of 214 MW.

3. Chiren Underground Gas Storage with one compressor station with total capacity of 10 MW.

*Figure 14: High-Pressure Gas Infrastructure in Bulgaria*

A license is required for the transit of natural gas. The licensee should either own the infrastructure or be title holder of real right to use it. On the other hand, operation and maintenance activities can be outsourced. Historically, the beginning of natural gas transit through Bulgarian territory started in 1987 with 0.4 bcm, directed to Turkey. At present, an important system of transit pipelines crosses the Bulgarian territory and provides supplies of
natural gas for the markets of Greece, Macedonia and Turkey. The transit pipeline capacity in the direction of:

- Turkey is ~ 14 bcm/y;
- Greece is ~ 3 bcm/y;
- Macedonia is ~ 0.7 bcm/y.

Currently, the capacity of the transit pipeline system is almost entirely contracted on the basis of a long term contract (till the end of 2030) with Gazpromexport. For instance, the transited natural gas in 2007 was 17.19 bcm, or by 13.16% more compared to 2006. The volume of natural gas transited to Turkey in 2007 amounted to 13.9 bcm, which was by 12.72% more compared to 2006. Respectively, in 2007, some 3.1 bcm were transited to Greece or by 14.76% more than in 2006. The natural gas transited to Macedonia in 2007 was 0.1 bcm, which represented 27.21% more in comparison with 2006. In 2008, some 16.68 bcm were transited in total, out of which 13.71 bcm to Turkey, 2.85 bcm to Greece and 0.12 bcm to Macedonia.\textsuperscript{38}

Production and Import

Local production of natural gas in Bulgaria is very limited. In 2008, some 217.5 mcm of natural gas were produced in Bulgaria, which represented 6.5% of total gas consumption in the country. Almost all the domestic gas production (209.8 mcm) comes from Galata field, operated by PETREKO AD (Melrose Resources’ subsidiary). It has to be noted that the field of Galata, located on the continental shelf of the Black Sea, is practically depleted and the local production will decline significantly. This is proved by the negative trend of gas production which had been observed over the last years (511 mcm in 2006 and 295 mcm in 2007).

In order to meet the needs of users in Bulgaria additional quantities of natural gas need to be imported. The import of natural gas in Bulgaria is carried out under long-term contracts\textsuperscript{39} as the single source of supply is the Russian Federation. In 2008, the import of natural gas in Bulgaria amounted to 3,487 mcm, which represented small increase compared to the quantity imported in 2007 – 3,427 mcm. The import of natural gas in 2006 was basically at the same level amounting to 3,200 mcm.

Storage

Bulgartransgaz is owner and operator of the Chiren Underground Gas Storage (Chiren UGS). Currently, Chiren UGS is the only natural gas storage on the territory of Bulgaria. It was created on the basis of the depleted gas condense field of the same name. Chiren UGS is mainly used to regulate the seasonal fluctuations in the consumption of natural gas in Bulgaria and to store operational and emergency gas reserve in order to ensure security of supplies.

Chiren USG – technical characteristics:

- The maximum daily withdraw capacity – ~ 4.3 mcm/y;
- Working gas capacity – ~ 550 mcm/y;
- Cushion gas – ~ 750 mcm/y.

\textsuperscript{38} www.bulgartransgaz.bg.

\textsuperscript{39} Two contracts until the end of 2010 and one contract until the end of 2012.
During the year 2007, in Chiren UGS 333.0 mcm of natural gas owned by Bulgargaz and other traders were injected and some 333.2 mcm were withdrawn. To utilise the productivity of rock layers where natural gas is stored as efficiently as possible, in 2006 a new operational deviated well E-70 was built and commissioned industrially in the storage facility for the first time in Bulgaria. The deviated well increased the trade capacities of the storage facility. When under a withdrawal mode, the daily capacity of this well exceeds by over two and a half times the average daily capacity of the other similar vertically drilled injection withdrawal wells.

In 2008, storage capacity was reserved only by the Public Provider Bulgargaz EAD and the natural gas trader Dexia Bulgaria, and in past periods, by large industrial consumers. There are two methods for allocation of available storage capacities, namely first-come first-served and the pro-rata introduction method of allocating requests according to quantities. The second method is in a process of introduction as part of the Natural Gas Trade Rules. Currently, there is no trade with storage capacities on the secondary market.

**Consumption**

Natural gas consumption in Bulgaria amounted to 3350 mcm in 2008 which represented 2% less compared to the volume for 2007 (3370 mcm). The figure for 2006 was only 1% less – 3327 mcm.

In 2008, industry was the biggest consumer of natural gas in the country, accounting for 57% of the consumption. Leading share of 33% in the structure of the industrial consumers had the chemical industry, followed by the energy sector – 30%, natural gas distribution companies – 13%, metallurgy – 10%, glass and porcelain industry – 6%, construction – 2% and other – 6%.40

The structure of the energy sector consumers includes all enterprises and/or energy installations that transform natural gas into heat and/or electric power. Predominant share of 68% has the group of the heat supply companies performing centralised heat supply and the autoproducers (installations in the industrial enterprises) with a share of 32%.

**Public Supply of Natural Gas**

The public supplier is responsible for supplying natural gas at regulated prices to customers connected to the transmission network. According to the Energy Act, the public supplier concludes transactions for natural gas supplies with production enterprises, with natural gas traders and with the end-suppliers (at distribution level) of natural gas. On the liberated market, it can supply eligible customers. The public supplier of natural gas can also conclude

40 Bulletin on the state of play and development of the energy sector in the Republic of Bulgaria, March 2009.
transactions for transportation of natural gas with the transmission and distribution companies, as well as transactions for storage of natural gas with gas storage operators.

The eligible customers buy gas for their own needs at freely negotiated prices and they are in a position to choose/switch supplier. Since 1 July 2007, all natural gas consumers are eligible. Thus the legal opening of the natural gas market is 100%.

The natural gas sales to the consumers in the country are performed by Bulgargaz EAD and the licensed gas distribution companies. Bulgargaz EAD is a subsidiary of the Bulgarian Energy Holding EAD and holds the sole license for the territory of a public provider of natural gas, issued by the State Energy and Water Regulatory Commission. The main activity of Bulgargaz is natural gas supply on the territory of Bulgaria and reliable supply of the customers of the company with natural gas in accordance with the contractual requirements for quantity and quality.

Bulgargaz EAD carries out wholesale trade at prices regulated by the SEWRC, with a market share of 96.98% of the total consumption in 2008, and the remaining 3.02% belong to the only natural gas trader, Dexia Bulgaria EOoD.

In 2007, for the needs of Bulgaria, Bulgargaz supplied some 3.7 bcm of natural gas, which represented a growth of 1.73% in the volume of supplies compared to 2006. The most of the natural gas supply – about 92% is provided through import from a single source – the Russian Federation and the remaining some 8% are from local production. In order to ensure the supply of natural gas to its customers, Bulgargaz entered into a contract for natural gas transmission with the gas transmission operator.41

Some fifty companies are licensed to carry out distribution activities and supply of natural gas in Bulgaria. Local licenses (on the individual municipality’s territory) for distribution activities and supply of natural gas have been issued to the major part of them. Another four companies hold regional licenses (AMGA AD – Regions of Misia and Dobrudja, Overgas Inc. – the regions of Serdika and Danube, Sitigaz Bulgaria – the region of Trakia and a consortium of Acegas and Costruzioni Dondi – for the West region).

At present, the gas distribution network in the country is not fully developed yet, some licensees still have to run their investment programmes, thus a limited range of users have access to natural gas. The sales dynamics of the gas distribution companies, whose network development is in an opening stage, is a subject of special attention. Their total sales have increased by 14% compared to 2007. In 2007, gas distribution companies supplied some 369 mcm of natural gas which represented 17.7% increase compared to 2006. Gas distribution companies are not legally unbundled, as the number of customers connected to the respective gas distribution networks is less than 100 000. However, these companies are operationally and functionally unbundled and they hold separate licenses for distribution and end supply.

SEWRC has adopted natural gas trading rules. Administration of transactions with natural gas is carried out by the gas transmission system operator. According to the rules, production companies, natural gas traders and eligible consumers sign contracts for natural gas supply at freely negotiated prices. Rules govern the balancing of the natural gas market. Parties to the transactions are production companies, natural gas traders, the Public Provider, end-suppliers,

41 www.bulgargaz.bg.
and eligible consumers. As of 01.07.2007 all natural gas consumers are eligible to purchase natural gas from a supplier of their choice. The Energy Act does not require licensing for trading in natural gas. The natural gas market is 100% liberalised. Unbundling of accounts is in place as well.

**Figure 16: Bulgarian Gas Infrastructure**

Source: Ministry of Economy, Energy and Tourism

### 4. Coal Mining

**Production**

In 2008, the coal production amounted to 28.8 mln tons, which was 1.4% more compared to 2007 (28.4 mln tons). In 2006, the total coal production was 25.6 mln tons or 10.8% less than in 2007. This trend, among others, is directly related to the higher level of utilisation of the thermal power plants located in the Maritza-east complex and the decommissioning of the power units 1-4 in Kozloduy NPP.

Lignite coal predominates in the structure of the produced coals – 90.6% (89.5% in 2007), followed by the brown coal – 9.3% (10.4% in 2007) and black coal – 0.1%. The total production of lignite coal in 2008 was 26.1 mln tons. (25.4 mln tons in 2007) The major producer – Maritsa Iztok Mines EAD enjoyed a 94.5% share. Maritsa Iztok Mines is a subsidiary of BEH EAD. The company’s production is a base for electric power generation in thermal power plants located at the Maritsa Iztok site. The mines operate the largest lignite coal field in Bulgaria, which reserves are estimated to be some 2 096 mln tons. The company supplies with coal three thermal power plants for electricity generation and a briquettes producing plant. The total coal output of the Maritsa Iztok Mines in 2008 amounted to 24.7 mln tons, which represented 85.7% of the total output of coal as energy fuel in Bulgaria. The figures for 2007 were respectively 23 mln tons and 84.4%.

Other producers of lignite coal were the coal mines Beli Breg (2%), Stanyantsi (1.9%) and Chukurovo (1.5%).
In 2008, the total production of brown coal was some 2.7 mln tons (3 in 2007), produced mainly from the Bobovdol (1.2 mln tons) and Pernik (1.2 mln tons) basins.

The production of black coal was insignificant (18.6 thousand tons) and has been realised in Balkan 2000 EAD mines.

**Figure 17: Structure of Coal Production in 2008**

Source: Bulletin on the state of play and development of the energy sector in the Republic of Bulgaria, March 2009

**Consumption**

In 2008, coal consumption was mainly due to the electricity and heat power generation – 97.1% (96% in 2007), as well as to briquettes production – 2.4% (3.2% in 2007). The share of coal consumption for own needs (0.2%) and for household heating (0.3%) were negligible.

5. **Electricity Sector**

**Electricity Generation Mix and Main Players**

Bulgaria’s electricity generation mix includes mainly nuclear, thermal and hydro capacities. Electricity generation is provided by legally independent power plants separated from the former national electricity company – Natsionalna Elektricheska Kompania (NEK) EAD in 2000, one part of which are private and the other part are included currently in the structure of BEH EAD. The total installed capacity in 2007 amounted to some 11 215 MW including: TPP – 4410 MW, NPP – 2000 MW, CHP – 1795 MW and RES 42 – 3010 MW. The maximum net output capacity was 8069 MW, and the peak load in December 2008 amounted to 7034 MW.

In 2008, the mix of primary energy for electricity generation was as follows:

- fossil fuels – 56.9%;
- nuclear – 36.6%;
- RES (excluding pumped-storage electricity) – 6.5%.

The Kozloduy NPP currently operating only two power units each of them with installed capacity of 1000 MW 43 and Maritsa East 2 TPP (1450 MW installed capacity) 44 are state

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42 Including Pumped-storage HPP (PS HPP) – 864 MW.
43 The installed capacity of Kozloduy NPP was 3760 MW but in compliance with the EU accession agreement, units 1, 2, 3 and 4 (440 MW each) have been decommissioned.
44 Which should be increased to 1576 MW as a result of on-going rehabilitation and modernisation activities.
companies 100% owned by BEH EAD. In 2007, the two power plants accounted for some 53% of the total electricity production in the country – respectively 35% (Kozloduy NPP) and 18% (Maritsa East 2 TPP).

Varna TPP (1260 MW), Enel Maritsa East 3 TPP (840 MW), AES Galabovo TPP (670 MW), Maritsa 3 TPP (120 MW), Russe TPP (110 MW) and Bobov Dol TPP (630 MW) are private entities.

The small HPPs have been privatised and the bigger HPPs and PS HPP are owned by NEK EAD. NEK is the owner of 29 hydropower and pumped-storage plants, with a total installed capacity of 2563 MW in the generating mode, and 943 MW in the pumping mode. Most of the hydro power is generated by the 14 largest hydropower plants, with a total installed capacity of 2480 MW. They are operated within four hydropower cascades: Belmeken-Sestrimo-Chaira; Batak; Vacha; and Dolna Arda. All are used to cover peak loads, and to regulate the grid system.

NEK EAD is a single-owner joint-stock company whose owner of assets is Bulgarian Energy Holding. NEK is licensed to cover transmission, system operation, electricity generation in HPPs and PSHPPs, import and export of electricity, supply of electric power to consumers connected to the transmission network and to the electricity distribution companies, and is a party to long term bilateral power purchase agreements. The transmission of electricity is performed by the transmission enterprise – owner of the transmission network, having received license for transmission of electricity. The holder of the license may assign by means of a contract the operation and the maintenance of the transmission network only to the electricity system operator, who has received a license for management of the electricity power system. The transmission of electricity is a universally offered service.

In line with the provisions of the Energy Act and EU Directive 2003/54/EC in the beginning of 2007 NEK EAD was restructured as a new company – Electricity System Operator single-owner JSC (ESO EAD) was established, in charge of the operation of the electricity grid including coordination of the joint operation with the power grid systems of other countries, operation and maintenance of the national transmission system, as well as maintenance and repair services in the energy field. ESO provides the wheeling service and organises the electricity market operation.

The electricity distribution is provided by regional companies, which in result of a package privatisation procedure have become a majority property (by 67%) of E.ON AG (North East Bulgaria), EVN AG (South East Bulgaria) and CEZ a.s. (West Bulgaria). In compliance with the requirements of Directive 2003/54/EC, the companies have been restructured by unbundling the activities of electricity distribution and supply in organisational and legal aspects.

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45 The former Maritza East 1 TPP to be commissioned by the end of 2010.
46 Its total length is 15 210 km.
47 [www.nek.bg](http://www.nek.bg).
48 Except the region of “Golden sands” resort, where an electricity distribution company – “ERP Zlatni piasaci” has the distribution and supply licenses.
Follow up Report of Investment Climate and Market Structure in the Energy Sector of Bulgaria

Figure 18: Map of the Grid System and Major Power Stations of Bulgaria

Source: NEK – Annual report 2008

Structure of Production, Consumption and Export of Electricity

Production of electricity may be performed by energy enterprises having received licenses for production under EA. The producers of electric power are obliged to maintain reserves of fuel, including local solid fuel, in quantities guaranteeing a continuous and reliable production.

In 2008, the gross electricity generation was 45 TWh, which represented 4.3% more than the production in 2007 (43.1TWh). The latter was respectively some 5.8% less than the electricity produced in 2006.

Figure 19: Structure of Gross Electricity Generation in 2008

Source: Bulletin on the state of play and development of the energy sector in the Republic of Bulgaria, March 2009

Coal based thermal power plants followed by the Kozloduy NPP dominate the structure of the electricity power generation in the country. Meanwhile, the electricity produced by wind generators in 2008 was 122.2 GWh, which represented an increase of 161.1% compared to 2007 (46.8GWh) and accounted for 4.2% (only 1.7% in 2007) of the gross electricity generation by RES. It should be taken into account that the wind generated electricity in 2006
was some 20 GWh, which undoubtedly proves the positive trend during the last few years in the development of this renewable energy source in Bulgaria.

The share of the local energy sources utilised for electricity generation in 2008 was 81.6% (81.3% in 2007), and this of the imported sources – 18.4% (18.7% in 2007).49

The total consumption of end-users in 2008 amounted to 25.23 TWh. Meanwhile, the total end consumption by protected consumers (household consumers and small businesses) which purchased electricity at regulated prices in 2008 was 17.16 TWh. The consumption structure and the quantities of electricity by key consumer groups were as follows:

- Industrial consumers and public sector – 15.21 TWh – 60.3% of the consumption in the country;
- Household consumers – 10.02 TWh – 39.7% of the total consumption in the country.

The amount of electricity sold on the free market in 2008 was 15.5 TWh (domestic market and net exports).

Bulgaria started exporting electricity in 1997. In 2005 – 2006, the commercial export of electricity covered almost 60% of the electricity deficit in the region. In 2008, the commercial export of electricity was 5.4 TWh (4.5 TWh in 2007) or 11.9% of the gross electricity generation in 2008 (respectively 10.4% in 2007). Nevertheless, these levels are significantly lower compared to the 2006 and 2005 years with respectively – 7.8 TWh and 7.6 TWh of exported electricity.

Electricity Market Structure and Development

The electricity market in Bulgaria is characterised as national and well-integrated with those of the neighbouring countries. The liberalisation of the electricity market is being carried out in accordance with EU legislation requirements, under which each generation company or supplier may enter into transactions with eligible customers, electricity traders or other producers.

In order to introduce a free competition between electricity market participants as of 1 July 2007 every consumer has the right to freely choose its supplier and to access the electricity networks in accordance with the EU directive 2003/54/EC. In addition, measures aiming consumer protection in the environment of a fully open electricity market are provided. In this regard, public suppliers perform the functions of end-suppliers of electricity. They supply, under publicly available terms and conditions, all consumers connected to their respective networks, which have not chosen to switch their supplier. Only in these cases, the SEWRC price regulation mechanism remains. Supply of electricity by end-suppliers is a universal service, which is available on an equal basis.

In practice, the liberalisation of the electricity market has been introduced gradually in order to create conditions for competition among producers (suppliers) of electricity and the freedom for eligible customers to choose their supplier. In view of this, access to transmission and distribution

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49 Nuclear energy was accounted as local energy source.
networks has been given to producers, traders and eligible consumers. The possibility for introduction, at a later stage, of an organised electricity market is also considered.

Historically, the initial form of operation of the electricity market in Bulgaria was based on the Single buyer business model. Subsequently, in accordance with the liberalisation process, the internal electricity market was built on the model of bilateral contracts with a balancing market. Currently, two parallel cooperating segments of the electricity market coexist – a regulated prices market and a freely negotiated prices market. Over time, the share of the latter has been gradually increasing in order to reach the point of full liberalisation of the entire electricity market.

The activity and organisation of the market in the country are regulated by the Electricity Trading Rules and Auction Rules for the Allocation of Capacities on the Interconnections between the Control Area of Electricity System Operator EAD (TSO), and its Neighbouring Control Areas for the Year of 2008. These Rules have been harmonised and approved by the national regulator. The rules for trading with neighbouring countries are in line with the effective EU rules and with the bilateral agreements and rules for cross-border exchange and trading with electricity.

The market is organised by the Electricity System Operator. Its activities are independent from legal, organisational, financial and accounting point of view as well as in view of the decision-making process related to the functions assigned to it by law. The Electricity System Operator carries out the operational management and regulates the allocation of electricity loads of the electricity system, by taking into account the accepted and confirmed applications for transfer capacity of the trading participants on the basis of the Electricity Trading Rules and the Auction Rules. At the same time, ESO balances the energy system by technical and economical criteria, taking into consideration the received applications and bids for the balancing market. The cross-border transfer capacity on the interconnections is allocated by the Auction Operator in the form of commercial rights for transfer. The Auction Operator calculates and allocates the transfer capacities in line with the norms and rules of the European Network of Transmission System Operators for Electricity (ENTSO-E).

The regulated part of the market has been organised through contracts with NEK at prices regulated by the SEWRC. Business transactions at regulated prices have been made between:

1. Producers and the public provider (NEK);  
2. Producers and public suppliers (since 01.07.2007, end-suppliers);  
3. The public provider and public suppliers (since 01.07.2007, end-suppliers);  
4. Public suppliers (since 01.07.2007, end-suppliers) and consumers connected to distribution networks;

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50 Since 1 July 2007 all consumers are considered as eligible.  
51 “Day ahead” market.  
52 Since 1 July 2007 the SEWRC has been determining quotas to electricity producers in accordance with art. 21 of the Energy act in order to ensure the electricity necessary to cover the consumption of the protected consumers /household customers and companies with fewer than 50 occupied persons and an annual turnover not exceeding BGN 19.5 million.
5. A public supplier (since 01.07.2007, end-supplier) and another public supplier (since 01.07.2007 end-supplier);

6. The public provider and a transmission company or relevant distribution company for the electricity needed to offset the technology cost related to electricity transmission within the respective networks.

Since 1 July 2007, the public provider has been signing contracts at prices determined on its own on a cost basis with consumers connected to the high voltage grid, which had not switched their supplier.

The distribution of electricity and the functioning of the distribution networks are performed by distribution enterprises – owners of the distribution networks on separate territories, licensed to perform the distribution of electricity to the respective territory of the country. The distribution of electric power is a universally offered service. Moreover, the activities related to electricity distribution and to the operational management of the distribution networks are also unbundled in separate legal entities. The functional unbundling of the Distribution System Operator (DSO) in the vertically integrated distribution enterprise on the basis of the compliance programme ensures the independence of the DSO.

The non-regulated segment of the market operates on the basis of freely negotiated prices between traders, eligible consumers and independent producers dealing with the quantity of electricity which remains above the quotas for transactions with the public provider to cover the needs of protected consumers. At present the country does not have an organised electricity exchange and trade is done based on bilateral contracts at freely negotiated prices on a market, organised by ESO. Therefore, an objective sell/buy price margin for electricity cannot be determined.

In 2008, the regulator licensed 13 new companies for ‘trade in electricity”, which increased the total number of licensed traders to 56. The number of active traders on the electricity market in 2008 amounted to 20 and none of them was marked as a monopolist. The largest share or purchased/sold electricity by a trader was below 23% of the total traded volume on the market. The share of purchased/sold energy by the three largest volume traders did not exceed 52% of the total traded volume.

In 2008, the average reported price of balancing energy in the country in case of deficit was 70.87 EUR/MWh, and the average price of balancing energy in the case of surplus was 19.36 EUR/MWh. Over time, with the transition to notifying and registering the schedules one day ahead the difference between the prices of balancing energy in case of deficit and surplus is expected to significantly lower. Currently, the Public Provider – NEK – is the supplier of electricity at the balancing market. At this stage, the independent producers are not sufficiently economically interested in participating in the electricity market. Nevertheless, by future amendments in the regulatory framework, it is envisaged that the independent producers of electricity will be attracted in addition to participate in the balancing market.

In 2008, business market players who concluded transactions at freely negotiated prices were 84, out of which 7 producers, 57 consumers and 20 traders. Only 6 participants left the market in this period, out of which 5 consumers and one trader.

The current market model is a transitional one that will operate until the adoption of new rules for electricity trade, taking into account the European experience, developed by the ESO EAD and approved by SEWRC. Moreover, an analysis aiming to determine the feasibility of
establishment of a national electricity exchange or participation in an existing regional one is being carried out.

However, it has to be noted that at this stage of development of the domestic and regional electricity market, the electricity transmission network of the country does not face significant problems related to congestions in the electricity system, including the cross-border transport capacities. Rare cases of short-term congestions occur in the interconnectors with some of the neighbouring countries of Bulgaria (mainly related to higher loads in the winter season).\textsuperscript{53}

**Figure 20: Electricity Market Structure**

6. **Renewable Energy Sources**

*Technical Potential and National Targets*

Bulgaria has a significant unused potential of renewable energy sources. The total technical potential for energy production from renewable energy sources in Bulgaria is about 4,500 ktoe per year. Its allocation between different types of sources is uneven. The biggest shares have hydro (~31%) and biomass (~36%) energy sources. Bulgaria's geographical location determines the relatively marginal share of wind energy (~7.5%) and the wave and tidal energy. At the same time the country has significant forest resources and a well developed agricultural production – which can be used as sources of solid biomass and raw material for biogas and liquid fuels. Currently, the potential of hydro power is the most developed one in

\textsuperscript{53} National report to the European Commission, SEWRC, 2009.
Bulgaria.\textsuperscript{54} The biomass potential is partly used primarily as fuel for heating in households. Nevertheless, over the past few years, a rapid development of the production of electricity from wind and solar power plants and the use of solar energy to meet hot water needs in the household has been seen.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
RES & Technical Potential \\
\hline
Hydro energy & 1290 \\
Geothermal energy & 18 \\
Solar energy & 389 \\
Tidal and wave energy & unspecified \\
Wind energy & 315 \\
Biomass & 1524 \\
Biogas & 280 \\
Liquid fuels & 366 \\
Total & 4495 \\
\hline
\end{tabular}
\caption{Technical Potential of RES in Bulgaria}
\end{table}

\textit{Source: Ministry of Economy, Energy and Tourism}

According to the data of the National Statistical Institute, the energy consumption based on RES in 2008 was effectuated mainly through biomass (73\%) and water, wind and solar energy (23.7\%). The share of geothermal energy (3.1\%) and biofuels (0.2\%) remained almost negligible during the period. At the same time RES accounted for some 6.6 \% (6.8\% in 2007) of the gross electricity production in the country.

With the adoption (in 2007) of the Act on Renewable and Alternative Energy Sources and Biofuels, the framework is set in place to develop RES, AES and biofuels. Meanwhile, specific measures and incentives are being planned for some technologies in order to achieve the national targets by 2010 regarding the share of renewable electricity in total inland electricity consumption (11\% – according to Directive 2001/77/EC) and the share of liquid biofuels in the transport sector (5.75\% – set in Directive 2003/30/EC). In addition, in compliance with the Directive 2009/28/EC the National overall target of Bulgaria for share of energy from RES in gross final consumption of energy by 2020 is set to 16\%.

The national indicative targets for promotion of the consumption of electricity produced from renewable energy sources are set as percentage of the national gross annual electricity consumption in the ten years following the year of adoption of these targets by the Council of Ministers on a motion by the Minister of Economy, Energy and Tourism. These national indicative targets have to be updated every 5 years.

In practice, the established promotion mechanism created considerable investor interest over the last years, particularly in the field of wind energy, which resulted in submission of a very large number of applications for construction of new capacities. With regard to this, a decision has

\textsuperscript{54} Through HPP electricity generation.
been taken that the applications for new RES projects would be scrutinised in order to evaluate their viability and the real potential of the investors for the realisation of the projects.

Table 6: Requests for Wind and Photovoltaic Capacity Development

<table>
<thead>
<tr>
<th></th>
<th>Wind power plants</th>
<th>Photovoltaic power plants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number</td>
<td>Installed capacity (MW)</td>
</tr>
<tr>
<td>Submitted applications for connection to the power network</td>
<td>112</td>
<td>8 950</td>
</tr>
<tr>
<td>Concluded contracts for connection to the power grid</td>
<td>17</td>
<td>1 177</td>
</tr>
<tr>
<td>Signed contracts for purchase of generated electricity</td>
<td>2</td>
<td>191</td>
</tr>
</tbody>
</table>

Source: Ministry of Economy, Energy and Tourism

7. Nuclear Power

Bulgaria has an operational nuclear power plant at Kozloduy site and one under construction at Belene site.

Kozloduy Site

The site is located in North-western Bulgaria, 3.5 km southeast of Kozloduy. It consists of six units (with 3760 MW total design generation capacities) of pressurised water reactors:

- Units 1 and 2, VVER – 440/B230 (shut down);
- Units 3 and 4, VVER – 440/B230 (shut down);
- Units 5 and 6, VVER – 1000/B320 (in operation);
- Facilities for storage and processing of low- and medium contaminated waste;
- Spent fuel pool-type storage facility;
- Dry spent fuel storage facility (under construction).

Kozloduy NPP plc is the only nuclear power plant in Bulgaria at present and it is also one of the main electricity generating companies in the country and the region. It is a public limited company with 100% public ownership. Since 18 September 2008 Kozloduy NPP Plc is a subsidiary company of the Bulgarian Energy Holding EAD. The annual share in the overall national electricity generation for the last years was 35%-40%. Kozloduy NPP generates competitive price electricity, thus ensuring and maintaining affordable price of electricity for Bulgarian end-consumers. In 2004 Kozloduy NPP plc was the first trade participant at the liberalised market of electricity in Bulgaria.\(^{55}\)

In pursuance of the Bulgarian commitments made for the country’s accession to the European Union, Kozloduy NPP stopped the operation of the first four reactors before the end of their design lifetime.

\(^{55}\) [http://www.kznpp.org](http://www.kznpp.org)
Safety is the main priority at Kozloduy NPP and it is subject to independent state surveillance by the Nuclear Regulatory Agency under the Bulgarian Council of Ministers. Kozloduy NPP safety has been highly assessed and acknowledged internationally as a result of the reviews conducted in the last years, by teams of the International Atomic Energy Agency, World Association of Nuclear Operators (WANO) and Atomic Questions Group at the European Commission etc. The electricity generation of Kozloduy NPP entirely fits into the World Nuclear Association’s concept of nuclear renaissance. The company meets the high environmental requirements of the Kyoto Protocol for it does not release any greenhouse gasses into the atmosphere.

Understanding the company’s responsibility regarding the present and future ecological situation, Kozloduy NPP strictly follows all safety standards for radioactive waste and spent fuel management. It is being stored in spent fuel pools and later removed to a constructed spent fuel storage facility. The plant has a facility on-site for treatment, conditioning and storage of low-level and medium-level radioactive waste.

Kozloduy International Decommissioning Support Fund

The Kozloduy International Decommissioning Support Fund (KIDSF) operates on the basis of a Framework Agreement between the EBRD and the Bulgarian Government, which has also been approved by the KIDSF Assembly of Contributors and ratified by the Bulgarian Parliament.56

The KIDSF finances and co-finances selected projects for two main purposes:

- To support the decommissioning of units 1-4 of the Kozloduy NPP, particularly through the provision of facilities for the storage and treatment of spent nuclear fuel and radioactive waste in a safe and cost effective manner;
- To address issues in the energy sector related to the closure of units 1-4 by demonstrating ways to reform and modernise both the supply and demand side of energy use in Bulgaria.

The KIDSF decommissioning package provides grant financing for facilities designed to provide interim storage of the spent fuel and management of the generated radioactive wastes. Within the energy sector the KIDSF energy efficiency package for Bulgaria has been launched. The measures are aimed at introducing milestone improvements both on the supply and demand side of the energy sector and are related for example to – rehabilitation of the district heating network in Sofia and Pernik, commissioning of new electricity meters in private households, energy efficiency improvements in public buildings, energy efficiency and renewable energy credit line facility establishment etc. – amounting in total to some € 220 million.

The total amount of KIDSF is € 550 million provided in four tranches:

- For the period 2000-2006 – € 340 million in three tranches;
- For the period 2007-2009 – € 210 million in one tranche.

The achievements of the first stage of the decommissioning can be summarised with the list of major global projects in implementation:

- spent fuel storage;
- laboratory and full scope radiological inventory of units 1-4 measurements;

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56 [www.ebrd.com](http://www.ebrd.com)
decommissioning infrastructure preparations including separation, security and radiological access control of the site;
- waste treatment and conditioning;
- dismantling tools, fragmentation and decontamination workshops;
- site storage facilities for decay, low level and conventional waste;
- waste transportation at the site and processing devices;
- environmental assessment of waste treatment projects;
- comprehensive free release measurements;
- safety analysis reports of decommissioning activities; and
- project management.

The achievements of the mitigating measures can be summarised by actual results of:
- reduction of 1.2 million tons of CO2 emission annually;
- 1.5 million MWh of annual electricity savings;
- energy savings equivalent to 242 MW installed generation capacities; and
- 213 MW new installed capacities.

Based on the achievements of the decommissioning programme until 2009 and the successful utilisation of the decommissioning support provided by the European Community and the donor countries within the frame of the Kozloduy International Decommissioning Support Fund, Bulgaria applies for the extension of the financial support until the end of 2013 for the implementation of the Updated Decommissioning Strategy in line with the acceleration measures of the decommissioning introduced in 2008-2009.

Belene Site

Belene NPP is intended to be the second nuclear power plant in Bulgaria. The site of Belene NPP is located in Northern Bulgaria, at kilometre 571 on the Danube, 6 km east of Belene town, and 7.5 km from the Romanian border. The total capacity of the two units is projected to be 2000 MW with operational time of sixty years.\(^\text{57}\)

Key Chronological Aspects of the Project Development Process are Following:

- On 20 December 2003, the Council of Ministers passed resolution No. 853, requiring the Ministry of Energy and Energy Resources to prepare an environmental impact assessment and a Feasibility Study of possible reactor technology options and an evaluation of the social and economic implications of the construction of the Belene nuclear power plant.
- On 29.04.2004 the Government of Republic Bulgaria took a Decision “in principle” for construction of second nuclear power plant in Bulgaria at Belene site.
- In order to implement the instructions of the Council of Ministers, in September 2004, the National Electric Company (NEK) initiated open procurement tender procedures for the

\(^{57}\) http://www.belene-npp.com
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selection of a financial consultant and an Architect/Engineer (technical consultant). In January 2005, NEK signed contracts selecting Parsons E&C as the Architect Engineer and Deloitte & Touche as the financial consultant for the Belene project.

- A decision No.260 of the Council of Ministers dated April 8, 2005 was adopted, thus approving the construction of a nuclear power plant on the Belene site with total rated capacity of 2000 megawatts.

- Following the development of the tender documents based on Law for Public Procurement and consisted administrative instructions to the candidates, technical requirements to the nuclear installation as well as financial and commercial conditions, on 10.05.2005 NEK promulgated a Procedure for selection of contractor for Belene project. Two candidates were chosen to participate in the Bid Invitation procedure – 1). Škoda Alliance – A consortium comprised of Škoda JS, UJV Rez and Škoda Praha. Westinghouse was a subcontractor to that consortium. 2). Atomstroyexport – Leading a group of subcontractors, namely the Kurchatov Institute for Scientific Research, FGUP Atomenergoproject, Framatome, OKB Gidropress and FGUP Atomtehenergo.

- Based on the report submitted by the Evaluation Committee at its meeting on 30 October 2006 the Board of Directors of NEK made a decision on the procedure for selection of a contractor for design, construction and commissioning of Belene NPP Units 1 and 2. The winner was Russian ZAO Atomstroyexport with their A 92 option offering the construction of two 1000 MW units with light water reactors at the Belene site. The offer of the candidate Škoda Alliance was rated second.

- On 29 November 2006 NEK signed an agreement with the selected contractor Atomstroyexport (ASE) for the construction of Belene NPP. This agreement was the first part of the Main contract, which would specify all details related to the plant construction, the conditions for successful project implementation will approve the overall construction schedule and determine the main parameters of the equipment. Meanwhile, at an official ceremony on 24 April 2007 in Moscow the Russian nuclear reactor design A-92, which would be used for Belene NPP, was granted a certificate for compliance with the technical requirements of the European NPP operating utilities to nuclear power plants with new generation light water reactors.

- In June 2007, The Chairman of the Nuclear Regulatory Agency (NRA) granted to NEK a permit for designing a nuclear facility with VVER-1000/B-466 reactor installation to be located at the already approved Belene NPP site.

- On 23 October 2007 Bulgaria received the opinion of the European Commission that the agreements and contracts with third parties notified in accordance with Art. 105 of the Euratom Treaty comply with the principles of the Euratom Treaty and Bulgaria may implement them.

- On 7 December 2007 Bulgaria received a favourable opinion from the European Commission that the Belene nuclear investment project as notified in accordance with Art. 41-44 of the Euratom Treaty conforms fully with the principles of the Euratom Treaty. The Commission recognised the initiative as contribution to the long-term security of supply of electricity generated with low GHG emissions in the EU.

- On 18 January 2008 the EPC Contract for design, construction and commissioning of units 1 and 2 of Belene NPP was signed by NEK EAD and Atomstroyexport JSC. The contract price amounted to EUR 3 997 260 000. The total capacity of the two nuclear units of Belene was 2000 MW. The EPC contract set forth all details related to the construction
of the power plant and defines the conditions for the successful completion of the project. The main foreign subcontractor of the Russian company was a consortium composed of AREVA NP (France) and Siemens (Germany).

- On 3 July 2008 the Minister of Regional Development and Public Works issued Permission for Construction of Units 1 and 2 at Belene NPP. The Permission has been given to NEK in accordance with the Spatial Development Act and the review of the Conceptual design.

- Ten companies have submitted expression of interest in the procedure for choice of strategic investors for Belene NPP project. In September 2008 RWE Power (Germany) was selected as a strategic partner holding 49% in the project.

- The official beginning of the activities for implementation of Belene NPP Project was given on 3 September 2008.

- In October 2009 RWE AG withdrew form the project motivating among others its decision with the current global financial crises.

- In January 2010, BEH has announced its intention to launch a procedure for selection of consultant for the Belene NPP project. The consultant will have to provide consultancy services with the aim to restructure of the Belene NPP project along commercially and financially meaningful terms.

- Currently, measures are being taken to restructure the project and shape a new European vision of it, guaranteeing at most the public interest.

8. Heat Supply

The development of district heating in Bulgaria is being carried out in the context of the common goals of the Bulgarian economy and energy policy, under the condition of establishing and improving the market relations. Efforts are directed towards the creation of autonomous energy enterprises, sufficiently viable from a financial point of view. Particular attention is devoted to the overall internal organisation of the district heating sector, its links and interrelations with the other sectors of energy and the national economy, as well as the relations between district heating companies and consumers.

District heating, which is based mainly on burning of natural gas, represents the main type of heating for densely populated urban areas with multi-storey buildings. The measures aiming at improving the heat generation and supply infrastructure over the past few years have been related, among others, to:

- Automation and rehabilitation of substations;
- Dispatching control on heat transmission network management;
- Replacement of the heat transmission network; and
- Other projects contributing to enhancing the energy efficiency of generation and heat transmission.

The transition to a commercial principle of operation of the district heating companies has been legally ensured by:

- Price formation of heat energy through transition from fixed to regulated by the SEWRC prices, taking into account the actual costs of generation and transmission of heat energy;
• Adequate legal system for establishing consumer associations in apartment buildings, which become equivalent trade partners of heat transmission companies;

• Regulatory framework of contracts throughout the whole chain of heat supply, guaranteeing a balance of interests of generators, heat transmission companies, traders and consumers.

The activities of the district heating companies focus on ensuring the conditioning of heat energy supply on its payment. The improvement of the management of district heating companies regarding the quality of the service and measures on improving collection rates through the creation of appropriate organisational and economic conditions are among the factors for preserving the district heating system.

The production of heat is carried out by an energy enterprise having received a license for production. The production of heat is carried out in:

• power stations for combined production of heat and electricity;

• heating stations;

• installations for utilisation of waste heat and of renewable energy sources.

Licenses for caring out the activity of heat supply have been issues by the SEWRC to twenty regional heat supply companies. In addition, another thirteen licenses have been granted to thermal power plants whose assets belong to chemical, metallurgical, alimentary, petrochemical and textile industrial enterprises. Twenty-three of these companies hold licenses for generation and sale of electricity and operate installations for co-generation of heat and power with some 1400 MW total installed electrical capacity. In 2008, they generated 6.1 TWh (5.7 TWh in 2007) which represented 13.6% of the total electricity output (13.1% in 2007). According to the policy in place the electricity generated by co-generation was sold at preferential prices approved by SEWRC.

The heat transmission enterprise is obliged to connect to the heat transmission network producers and consumers located on the respective territory defined by the license for transmission of heat.

All heat supplying companies, except Toplofikatsia Sofia AD (providing services to over 60% of all heat power users in the country), Toplofikatsia Pernik EAD and Toplofikatsia Shumen EAD, are private.

9. Investments

Energy related investment decisions are focused on achieving a sustainable development of the energy sector at both national and regional levels which: (1) will improve the security of energy supply not only for Bulgaria but also for the region of Southeastern Europe (SEE) and the EU as a whole, (2) will contribute for better functioning of competitive energy markets and (3) will meet the objectives in terms of environmental protection, RES utilisation and energy efficiency improvement.

The key investment projects are in the sectors of electric power, gas, heat energy, coal mining and involve construction of new generation capacities, rehabilitation of existing generation capacities, improvement of the energy infrastructure, enhancement of safety and security of supply, building of cogeneration modules, compliance with environmental requirements and supply diversification.
a) Completed Projects

- Modernisation of Units 5 and 6 of NPP Kozloduy (end of 2007):
  - **Description:** The programme included 212 measures and is aimed at the implementation of a large-scope improvement of the 1000 MW units of Kozloduy NPP.
  - **Main contractor:** Westinghouse and European Consortium Kozloduy (Siemens AG, Framatome and Atomenergoexport).
  - **Size of investment:** €491 mln.
  - **Financing:** The funding of the project was ensured by the plant own resources according to the investment programme of Kozloduy NPP and credits from different international financial and bank institutions – Euratom (€212.5 mln), Citibank ($US 74 mln), Rosseximbank ($US 52.5 mln).

The idea for a large-scale modernisation programme for these units dates back to the beginning of the 90s and it was implemented through the Modernisation Programme developed for units 5 and 6 of Kozloduy NPP. The modernisation programme for units 5 and 6 of the Bulgarian nuclear power plant is the first and at present the only programme in the world, through which the full scope of the recommendations for improvement was implemented at 1,000 MW units of VVER type. Ensuring the transparency of the whole process of the Programme implementation and taking into consideration the expert opinion of the best specialist in nuclear power engineering, Kozloduy NPP Plc has achieved a guarantee for the international acceptance of the safe operation of those units.

- Construction of a 400 kV interconnection line between s/s Chervena Mogila (Republic of Bulgaria) and s/s Stip (Republic of Macedonia) (end of 2008):
  - **Description:** Enhanced transfer capacity between the grid systems operating in parallel within the region and facilitation of the Regional electricity market establishment. The total length of the line is 150 km, out of which 80 km in the Republic of Bulgaria.
  - **Investor:** NEK EAD and MEPSO based on agreements for joint construction of the power line.
  - **Size of investment:** €50 mln.
  - **Financing:** Loan of €40.5 mln from EBRD extended to MEPSO (the Power Transmission Company of Macedonia). NEK EAD pays for its portion of the line against delivery of electricity to the Republic of Macedonia. Investments for the Bulgarian portion amounted to €16.6 mln, out of which €4.5 mln own funds of NEK EAD and €12.1 mln EBRD loan.

The project is part of the development of European Corridor No 8 (construction of electricity interconnections between Bulgaria and Macedonia, Macedonia and Albania, Albania and Italy) and was included in the priorities of the Trans-European Energy Networks (TEN-E – Decision No 1229/2003/EC of 26.06.2003). The project is considered as an essential part of the infrastructure necessary for the effective functioning of the Energy Community.

- Modernisation of Enel Maritsa East 3 TPP (2009):
  - **Description:** The main goals of the project were to increase the efficiency and the capacity of the power plant, to extend its operational life and most importantly to bring in line with European environmental standards. The projects consisted of rehabilitation and
modernisation of the generation units with total installed capacity of 840 MW (4 x 210 MW) and construction of FGD installations.

**Main contractor:** Consortium between Enel Produzione and E&Z under an Engineering Procurement and Construction Contract.

**Size of investment:** €803 mln.

**Financing:** Commercial loans and own funds of the investor – Enel Maritsa East 3 (a joint venture between Enel and NEK EAD).

Enel Maritsa East 3 TPP generates 100% of its energy from local lignite coal. In the spring of 2003, the former Maritza East III Power Company (now Enel Maritza East 3 AD) became the majority stakeholder of Maritza East 3 TPP. The project for rehabilitation and modernisation of the plant started in the autumn of the same year and is one of the largest programmes for environmental protection in Bulgaria. Five years later, as from March 2008, Enel Maritza East 3 TPP became the sole lignite coal plant not only in Bulgaria, but also in Southeastern Europe that completely complies with the European environmental standards.

- **Rehabilitation of Sofia district heating system (2009):**
  
  - **Description:** Rehabilitation and modernisation of the district heating system in Sofia resulting in replacement of 97 km of transmission pipelines and 11,675 sub-stations. The project also included replacement of valves and compensators in the transmission and distribution networks and installation of variable speed pumping system at the main heat sources. The implementation of the projects contributed significantly to improving the quality of services provided by Toplofikatsia Sofia.
  
  - **Size of investment:** €114 mln.
  
  - **Financing:** sovereign-guaranteed loans /EBRD and World Bank/, KIDSF and PHARE grants and own funds of Toplofikatsia Sofia.

  The main objective of the project which has been achieved with its completion consisted of implementation of measures in order to increase efficiency of heat supply, distribution and consumption to levels comparable with international equivalents and to improve the financial, commercial and environmental performance of the district heating company. The reduced heat consumption at household level amounts to 30% and reduced heat losses to 10%.

- **Rehabilitation of Pernik District Heating SPJSC (2009):**

  - **Description:** Rehabilitation and modernisation of sections of the heat supply network in Pernik, generation capacities and adjacent facilities. The project consisted mainly of replacement of 14 km of transmission pipelines and installation of 699 sub-stations. A significant number of valves and compensators in the transmission and distribution networks have been also replaced and variable speed pumping system at the main heat source has been installed. Concerning the generation facilities, a replacement of outdated electrostatic precipitator for a boiler in the lignite fired combined heat and power plant has been effectuated.

  - **Size of investment:** €18 mln.

  - **Financing:** sovereign-guaranteed loan (World Bank), KIDSF grant and own funds of Toplofikatsia Pernik.

  The project development objectives were to assist the district heating company of Pernik to improve the quality of district heating services and the financial viability of the district
heating company. They were met through rehabilitation of the district heating networks that reduced heat losses by 40% and decreased the heat consumption at household level by 35%.

b) On-Going Projects

- AES Galabovo TPP:
  
  - **Description:** The project consists of a construction of replacement capacity (670 MW) on the site of Maritza East 1 TPP implementing the state-of-the-art technology in order to ensure high operational efficiency rate and to meet the EU environmental requirements.
  
  - **Main contractor:** Alstom Power.
  
  - **Size of investment:** € 1,100 million.
  
  - **Financing:** Commercial loans and own funds of the Investor AES-3C Maritza East 1.
  
  - **State of play:** All components construction works are at an advanced stage, including the installation of primary and adjacent generation equipment. The project completion is scheduled for the beginning of the second half of 2010.

AES Galabovo TPP (670 MW) will help supply Bulgaria’s electricity needs and maintain the country’s position as an energy hub for Southeast Europe. When completed, it is expected to be the most efficient and cleanest fossil fuel power plant in Bulgaria, meeting World Bank and EU environmental standards.

Maritza East 2 TPP Projects

To meet the EU environmental requirements and to optimise the operation of its generation facilities, Maritsa East 2 TPP has started two big projects – Project for rehabilitation and construction of Flue Gas Desulphurisation modules of Units 1 to 4 and modernisation of Units 5 and 6, and Project for construction of installations for Flue Gas Desulphurisation of Units 5 and 6. The aim of both projects is to reduce the level of harmful exhaust emissions and dust concentration. It is expected that the sulphur dioxide emissions will be reduced by 94%. In addition after the rehabilitation of units 1-6, the plant production capacity will increase by 156 MW.

- Project for rehabilitation and construction of Flue Gas Desulphurisation modules of units 1 to 4 and modernisation of units 5 and 6 of Maritza East 2 TPP:
  
  - **Description:** The project consists of rehabilitation of units 1 to 4, which includes replacement of the turbines of units 1, 3 and 4 and replacement of generators of units 1-4. In addition, in order to enhance the capacity of units 5 and 6 the modernisation activities on their turbines are envisaged. The project also provides for renovation of the engine room of units 1-4.
  
  - **Main contractor:** Mitsui & Co., Ltd. – subcontractors – Toshiba Corporation as a producer of main equipment and Ishikawajima Harima Heavy Industries Co. Ltd (IHI) for FGD modules.
  
  - **Size of investment:** € 226 mln.
  
  - **Financing:** € 191 mln are provided by the Japan Bank for International Cooperation (sovereign-guaranteed loans) and the remaining 35 million are own resources of Maritza East 2 TPP (based on financing from Bulbank).
State of play: The project started in 2004. The modernisation and rehabilitation programme of Units 1-4 has been already completed. In addition, the FGD modules of the four units are currently operational. The modernisation of units 5-6 is ongoing and according to the preliminary schedule has to be completed by the end of 2010.

- Project for construction of Flue Gas Desulphurisation modules of units 5 and 6 Maritza East 2 TPP:
  - Description: The project consists of construction of Flue Gas Desulphurisation modules of units 5 and 6 Maritza East 2 TPP. This is the first project to meet the air quality environmental requirements co-financed under the ISPA financial instrument.
  - Main contractor: Consortium Idreco-Insigma.
  - Size of investment: €86 mln.
  - Financing: €36 mln grant (ISPA), €34 mln commercial loan (EBRD) and own funds of Maritza East 2 TPP.
  - State of play: The project is in its initial stage. On December 12, 2008 a contract was signed with the selected contractor – consortium “Idreco-Insigma”. The inaugural meeting was held and the construction starting date was announced – January 14, 2009. Geological and hydrological studies of the site were carried out. The financial memorandum has been extended until December 31, 2010.

- Rehabilitation and modernisation of the power transmission system – Energy 2 Project:
  - Description: The project consists of large-scale rehabilitation of the power transmission system and modernisation of its dispatching and power transformation capability. The implementation of the projects aims at improvement of the operational security of the high voltage network, which will contribute to the security of supply enhancement.
  - Main investor: NEK EAD.
  - Size of investment: €153 mln.
  - Financing: Sovereign-guaranteed loans (EBRD (€41.1 mln) and EIB (€60 mln)) and own funds of NEK EAD.
  - State of play: Finalised activities: Improvement of Management Information System andAutomatic Meter Reading System, Modernisation of SCADA/EMS systems at regional dispatching centres, Refurbishment of the 400 kV switchyard of substation Plovdiv; Supply of equipment for 400 kV, 220 kV and 110 kV substations, Development of the telecommunication system of NEK EAD, Supply of autotransformers. Activities in progress: Construction of new 400 kV power line between substations Plovdiv and Karlovo and rerouting of the existing 110 kV line

- Tsankov Kamak Hydro Power Project:
  - Description: The project consists of development of the middle section of the Vacha cascade and adequate utilisation of the available hydropower potential along the Vacha river valley. Tsankov Kamak will be operated as peak- and shoulder load facility. It will participate in frequency control and provide quick replacement capacity.
  - Main investor: NEK EAD.
  - Size of investment: €260 mln.
Financing: €220 mln – export and commercial credits without sovereign guarantee and €40 mln – own funds of NEK.

State of play: The project started in 2004 and currently is in its final stage. Some 98% of the electrical and mechanical equipment are supplied. The project is scheduled to become operational by the end of 2010.

Tsankov Kamak is the first pilot project under the joint implementation scheme to the Kyoto Protocol based on a Memorandum of Understanding between the Republic of Bulgaria and the Republic of Austria. The operation of the power plant will reduce greenhouse gas emissions, mainly CO₂, sulphur oxides and dust. Reduced quotas of CO₂ emissions will be sold to the Republic of Austria to meet its commitments under the Kyoto Protocol based on a contract concluded.

c) Planned Projects

- NABUCCO Gas Pipeline Project

The Nabucco project represents a new gas pipeline connecting the Caspian region, Middle East and Egypt via Turkey, Bulgaria, Romania, Hungary with Austria and further on with the Central and Western European gas markets. The pipeline length is approximately 3,300 km, starting at the eastern or southern Turkish border, leading to Baumgarten in Austria.\(^{58}\)

According to market studies the pipeline has been designed to transport a maximum amount of 31 bcm/y. Estimated investment costs including financing costs for a complete new pipeline system amount to approximately € 7.9 bln.\(^{59}\)

Figure 21: Nabuco Pipeline Route

Source: http://www.nabuco-pipeline.com

The shareholders of Nabucco Gas Pipeline International GmbH are Botas AS, Bulgarian Energy Holding EAD. MOL Plc, OMV Gas & Power GmbH, RWE AG, TRANSGAZ S.A.

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\(^{58}\) The length of section on Bulgarian territory is expected to be 392 kilometres.

Each shareholder holds an equal share of 16.67% in Nabucco Gas Pipeline International GmbH. The Nabucco Project is structured via:

- Nabucco Gas Pipeline International GmbH, which is directly owned by the Nabucco Partners and which is responsible for the marketing of the pipeline capacity. Nabucco Gas Pipeline International GmbH will be the only company in direct contact with the shippers (one-stop-shop), and will operate as an autonomous economic entity on the market, acting independently from its parent companies.

- The Nabucco National companies, which are wholly owned by Nabucco Gas Pipeline International GmbH, and which will be responsible for the operation and maintenance of the Nabucco Pipeline. Four Nabucco National Companies have been established in the respective Nabucco Country and the fifth will be established in Turkey soon. The ownership of the pipeline will belong to each Nabucco National Company for its respective country.

The main strategic goals of the project are related to:

- Opening a new gas supply corridor for Europe and for the countries involved in the project, for very cost-effective gas sources.
- Raising the transit role of the participating countries along the route.
- Contribution to the security of supply for all partner countries, and also for Europe as a whole.
- Strengthening the role of the gas pipeline grids of all Nabucco partners in connection with the European gas network.

In May 2009, the agreements were signed between the Nabucco Gas Pipeline International GmbH and the local planners for the sections crossing the five transit countries. The Intergovernmental Agreement for the project was signed in Ankara on July 13th 2009. With this agreement an important milestone was achieved. The IGA lays down a stable legal framework for all transit countries.

The international project company Nabucco Gas Pipeline International GmbH, responsible for the development of the project, has submitted to the European Commission a project proposal to apply for a grant amounting to € 200 million under the European Energy Programme for Recovery. Pursuant to the requirements of the programme, delivery contracts are planned to be concluded by the end of 2010.

In Bulgaria, the development of the Nabucco project is at an advanced stage. The IGA was ratified by the Parliament on 3 February 2010. The host government agreement for the project is currently under preparation. Similar agreements are expected to be signed by all parties participating in the project.

- South Stream Gas Pipeline Project

The South Stream pipeline project was announced on 23 June 2007, when the Chief Executive Officer of Italian energy company Eni Paolo Scaroni and the Vice-Chairman of Russian Gazprom Alexander Medvedev signed in Rome a Memorandum of Understanding (MOU) for construction of South Stream. On 22 November 2007, Gazprom and Eni signed in Moscow an agreement about establishing a joint project company for the commissioning of the marketing and technical feasibility studies of the project. The joint venture South Stream AG, equally owned by Gazprom and Eni, was registered on 18 January 2008 in Switzerland.
The South Stream project is conceived as a gas pipeline system, which would transit and supply natural gas from the Russian Federation via the Black Sea area to different European countries. The gas pipeline system would start from the Russian territory, pass under the Black Sea at a depth of 2000 m and reach Bulgarian territory, where it would split in two branches – northern and southern. The northern one would cross Serbia, Hungary, Austria, Slovenia and reach Northern Italy. The southern branch would cross Greece, Ionian Sea and reach Southern Italy. The costs for construction of the pipeline system are estimated at some $20 billion. The expected volumes to be carried through the offshore section of the gas pipeline system account up to 63 bcm/y. At least 10 bcm/y out of them would pass through the northern branch and at least another 10 bcm/y would pass through the southern branch.

An agreement between Russia and Bulgaria on Bulgaria's participation in the project was signed on 18 January 2008. The agreement was ratified by Bulgarian Parliament on 25 July 2008. On 15 May 2009, in Sochi, the gas companies of Russia, Italy, Bulgaria, Serbia and Greece signed an agreement on construction of the South Stream pipeline. The project works on Bulgarian territory will be carried out by a joint venture established specially for the project and registered in Bulgaria, in which the Bulgarian and Russian parties will have equal interest. The shareholder in the future company on Bulgarian part will be Bulgarian Energy Holding EAD. Currently two joint working groups prepare a shareholders' agreement and a technical feasibility study which will serve as the basis for determining the route of the pipeline through the territory of Bulgaria and its cost.

- Burgas – Alexandroupolis Oil Pipeline Project

The Burgas–Alexandroupolis pipeline is an oil pipeline that will be used to transport Russian and Caspian oil from the Bulgarian Black Sea port of Burgas to the Greek Aegean port of Alexandroupolis. It would be an alternative route for Russian oil for bypassing the Bosphorus and the Dardanelles. The oil will be transported in tankers through the Black Sea from the Russian port of Novorosiysk to the Bulgarian port of Burgas. The further transmission of oil will be carried out through a pipeline with a diameter of 36 inches (900 mm) and length of 280 km, out of which 155 km on Bulgarian territory, to the Greek port of Alexandroupolis.

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60 Beregovaya compressor station.
61 900 km long off-shore section.
62 Interesting point here is how in practice the “supplementary” 11 bcm/a would be allocated.
The expected quantity of oil transited along the oil pipeline is 35 million tons of oil annually, with a possibility to increase capacity to 50 million tons. The pipeline would have three pumping stations, two of which in Bulgaria and one at Alexandroupolis. The project envisages reconstruction of Burgas and Alexandroupolis terminals, including oil tanks with a capacity of 600,000 tons in Burgas, and 1,200,000 tons in Alexandroupolis.

A tripartite inter-governmental agreement on the project was agreed on 7 February 2007, and it was signed on 15 March 2007 in Athens. The agreement establishing the international project company was signed in Moscow on 18 December 2007 and the company – Trans-Balkan Pipeline B.V. – was incorporated in the Netherlands on 6 February 2008. The share held by Russia in that company is 51%, and Greece and Bulgaria hold a share of 24.5% each.

**Figure 23: Burgas-Alexandroupolis Pipeline Route**

![Burgas-Alexandroupolis Pipeline Route](source: www.wikipedia.org)

The pipeline is expected to cost some €1 billion. The pipeline will be constructed and owned by the Dutch-registered Trans-Balkan Pipeline B.V. In this company, a stake of 51% of shares belongs to the Burgas–Alexandroupolis Pipeline Consortium, a joint-venture of Russian Transneft, Rosneft and Gazprom Neft. Bulgarian Burgas –Alexandroupolis oil pipeline Project Company-BG owns 24.5% of shares. Greece consortium HELPE S.A. – THRAKI S.A., a joint-venture between Hellenic Petroleum and Thraki, which is owned by Prometheus Gas and the Latsis Group, owns 23.5%, while the Government of Greece has 1%.

**Enhancing Security of Gas Supply Projects**

The gas crisis that took place in January 2009 proved compelling need to diversify the sources and routes of natural gas and increase the stocks by:

- Construction of gas interconnections with the neighbouring countries of Bulgaria;
- Better use of the existing infrastructure and the opportunities to reverse the gas flow to and from the neighbouring countries;
- Promote the research for new gas fields on the Bulgarian territory and offshore;
- Investigation of the options for supply of compressed natural gas (CNG) and liquefied natural gas (LNG).

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63 Between the governments of Bulgaria, Greece and Russia.
• Construction of a Gas Interconnection Bulgaria-Greece

Construction of a gas interconnection Bulgaria-Greece (the palmed route /some 160 km/ of the pipeline is Stara Zagora – Dimitrovgrad – Komotini) will be realised by a joint venture between the Bulgarian Energy Holding EAD and IGI Poseidon (50% Depa and 50% Edison). On 14 July 2009 a Memorandum of Understanding at the corporate level was signed. In addition, after approval of the relevant ministries of the three countries, a joint proposal for a grant under the European Energy Programme for Recovery was made on 15 July 2009. According to the European Commission’s decision €45 mln will be granted for the realisation of the project, which total cost is expected to be some €160 mln. A feasibility study, performed by the Jacobs Consultancy UK Ltd, demonstrated the feasibility and sustainability of the project in technical, economic and environmental perspective. The estimated capacity of the pipeline is 3-5 bcm/y. The gas pipeline is expected to be operational in 2013.

• Construction of a Gas Interconnection Bulgaria-Romania (Rouse-Giurgiu)

The project aims at construction of a gas interconnection between Bulgaria and Romania. The total length of the pipeline will be 25 km, which construction will cost some €28 mln. It is being developed by “Bulgartransgaz” EAD and S.N.T.G.N. “Transgaz” S.A. – Romania. The proposal for a grant under the European Energy Programme for Recovery was made on 13 July 2009. The European Commission approved some €8.9 mln as grant for the financing of the project in September 2009, “Tractebel Engineering” S.A. was appointed as a consultant to carry out a project feasibility study. The estimated capacity of the pipeline is 1.5 bcm/y.

• Construction of a Gas Interconnection Bulgaria-Serbia

The project consists of building of a gas interconnection with Serbia following the route Sofia-Nis-Dimitrovgrad totalling about 170 kilometres. The expected pipeline capacity is 2 bcm/y. This link will be connected to the national gas transmission network in the country, which will allow alternative to the existing natural gas supplies. The estimated cost of the Bulgarian section of the pipeline is €60 mln. Financing of the project will be provided through the Operational Programme Regional Development 2007-2013. The gas pipeline is expected to be operational in 2013.

• Construction of a Reverse Gas Flow Interconnection Turkey-Bulgaria

The project aims at construction of a reverse gas flow interconnection Turkey-Bulgaria at Malkochlar site of the existing transit pipeline. The expected reverse capacity is 2.4 mcm/d. The total investment is estimated at €0.3 mln which will be provided by BEH.

• Modernisation and Expansion of the Existing Underground Gas Storage in Chiren

<table>
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<tr>
<th>Table 7: Key Data of the Modernisation and Expansion of UGS in Chiren</th>
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<tr>
<td>2009</td>
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<tr>
<td>Total working volume of gas (in mcm)</td>
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<tr>
<td>Wells</td>
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<tr>
<td>Maximum daily injection capacity (in mcm)</td>
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<tr>
<td>Maximum daily withdraw capacity (in mcm)</td>
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Source: Ministry of Economy, Energy and Tourism
• Construction of a New Underground Gas Storage in Galata

It is expected that after 2010 the depleted gas deposit in Galata will be converted to a gas storage facility whose capacity will be gradually increasing reaching respectively 250-400 – 800 mcm. According to preliminary estimations, the cost of the first phase of the project development is expected to vary in the range €90-€180 mln and in the second – €110-€120 mln.

• Hydro Power Projects on the Danube River:
  - Project hydropower complex Nikopol-Turnu Măgurele
    Construction of a dam at km 580 +650 of the Danube River, 7 km from city of Belene. The project envisages also construction of water storage and water power system. The expected result is a 400 MW generating capacity and approximately 2200 GWh of electricity generated per year for each of the two countries (Bulgaria and Romania).
  - Project hydropower complex Silistra – Călărași
    Construction of a dam at km 384 +500 on the Danube River and a hydropower plant with installed capacity of 265 MW (which is expected to result in some 1 642.5 GWh of electricity generated per year).

In 2009, a joint working group including representatives from the Ministry of Economy of Romania and representatives of the Ministry of Economy, Energy and Tourism of Bulgaria was created. It was agreed to sign a Memorandum of Understanding between the two Ministries for the implementation of two hydropower complex on the Danube River. The memorandum is currently under preparation. An update of the existing feasibility studies which were prepared in the period 1965-1985, has to be done in order to demonstrate the technical, economic and environmental efficiency of the projects. In addition, a detailed examination of the financing possibilities is foreseen, including the public-private partnership option.

The expected positive effects from the implementation of both projects, among others, are related to:

• Enhancement of security of energy supplies in an environment friendly and sustainable way through generation of significant volume of electricity from RES;
• Improving the conditions for shipping and transport links between Bulgaria and Romania and the realisation of a significant pick-flow, which will contribute to integrate the economies of both countries and enhance their competitiveness;
• Improving social conditions by creating new jobs in areas with high unemployment rates.
Annex 1: Blue Book Exceptions

LAND/REAL ESTATE

COUNTRY: BULGARIA

MEASURES


SECTOR

National Economy.

LEVEL OF GOVERNMENT

National.

DESCRIPTION

(1) Non-resident natural and juristic persons may acquire the right of ownership in land under the terms of an international agreement ratified under the terms of Article 22(2) of the Constitution of the Republic of Bulgaria which has been promulgated and entered into force, and non-resident natural persons – also in cases of legal succession.

(2) Citizens of EU Member States or of Member States under the European Economic Space Agreement may acquire the right of ownership in land in accordance with the requirements laid down in law in compliance with the Treaty concerning the Accession of the Republic of Bulgaria to the European Union.

(3) Juristic persons from EU Member States or from Member States under the European Economic Space Agreement may acquire the right of ownership in land under the terms of Paragraph 2.

(4) Non-resident natural and juristic persons may acquire the right of ownership in premises and limited real rights in a real estate in the country unless provided otherwise by law.

(5) A foreign country or intergovernmental organisation may acquire the right of ownership in land, premises and limited real rights in a real estate in the country pursuant to an international agreement, law or act of the Council of Ministers.

(6) A foreign country may not acquire the right of ownership in a real estate in the country by inheritance.

PHASE-OUT

Citizens of the Member States of the European Union and of the states – parties to the European Economic Area Agreement may acquire right of ownership over agricultural lands and forests after the expiry of the term defined in the Treaty of Accession of the Republic of Bulgaria to the European Union.

OTHER EXCEPTIONS

None.
OTHER

COUNTRY: BULGARIA

MEASURES


SECTOR

National Economy.

LEVEL OF GOVERNMENT

National.

DESCRIPTION

The provisions of the Law are not applicable, wholly or partially, to investments of foreign natural or legal persons from States listed by the Council of Ministers in which Bulgarian citizens or companies are subject to discrimination.

PHASE-OUT

No plans at present. However, the Council of Ministers of Bulgaria has not yet prepared a list of countries (States) in which Bulgarian citizens are subject to discrimination and the exception is dormant.

OTHER EXCEPTIONS

None.
Annex 2: Key Legislation Related to the Energy Sector

- Energy Act
- Renewable and alternative energy sources and biofuels act
- Energy efficiency act
- Safety use of the nuclear power act
- Directive 2003/54 regarding the common rules for domestic energy market (Energy directive)
- Directive 2003/55 regarding common rules for domestic market of natural gas (Gas directive)
- Directive 2004/67 regarding measures for ensuring the security of the natural gas supply
- Directive 2005/89 regarding measures for ensuring the security electrical power supply and development of the infrastructure
- Directive 2001/77 for production of electrical power from renewable sources in the domestic market of electrical power
- Regulation 1775/2005 regarding the condition for access to the gas transmission networks
- Regulation 1228/2003 regarding the conditions for access to networks in trans border exchange of electrical power
- Ordinance for the licensing of activities in the energy sector
- Ordinance for the terms and conditions, under which is implement the activity of the TSO of the gas transmission and gas distributions networks
- Ordinance for the connection to the gas transmission and gas distribution networks
- Ordinance for the structure and safety operation of the transmission and distribution pipelines, facilities, installations and equipments for natural gas
- Ordinance for the technical rules and legislative acts for design, erection and exploitation of sites and facilities for transmission, storage, distribution and delivery of natural gas
- Ordinance for the order for instituting restrictive regime, temporary suspension or limitation of the production or delivery with electrical power, thermal power and natural gas
- Ordinance for regulating the prices of the natural gas
- Ordinance for the servitudes of the energy sites
- Ordinance for the content, structure, conditions and order for submission of information
- Ordinance for the natural gas trade
- Ordinance for the access to the natural gas network
- Ordinance for the servitudes of the energy sites
- Ordinance for the technical exploitation of the energetic equipment
- Ordinance for the connection of producers and consumers of electrical power to the transmission and distribution electrical networks
- Ordinance for the terms and conditions, under which is implemented the activity of the operators of the electro energetic systems and of the distribution networks
- Ordinance for the technical exploitation of the power stations and grids
Follow up Report of Investment Climate and Market Structure in the Energy Sector of Bulgaria

- Ordinance for the order for instituting restrictive regime, temporary suspension or limitation of the production or delivery with electrical power, thermal power and natural gas
- Ordinance for designing, erection and exploitation of electrical equipment in buildings
- Regulations for the management of the electrical energy system
- Regulations for the terms and conditions for access to the electro transmission and electro distribution networks
- Regulations for the trade with electrical power
- Regulations for measuring the quantities of electrical power
- Convention on the nuclear safety
- Convention for assistance in case of nuclear accident or radiation failure situation
- Convention for the operational notification in nuclear accident
- Convention for the physical protection of the nuclear material
- The Vienna’s convention for the civil responsibility for nuclear damage
- Uniform convention for safety in the management of the spent fuel and for safety in the management of the radioactive waste
- Regulation for the procedure of issuing licenses and permits for safe use of nuclear energy
- Regulation for ensuring the safety of the nuclear power plants Regulation on ensuring the safety of research nuclear installations
- Regulation on the terms and procedure for obtaining of vocational qualification and on the procedure for issuing of licenses for specialised training and of individual licenses for use of nuclear power
- Regulation for provision the physical protection of nuclear facilities, nuclear material and radioactive substances
- Regulation for the conditions and conditions for notification of the Nuclear Regulatory Agency for events in the nuclear facilities and sites with sources of Ionising radiation
- Regulation for emergency preparedness in case of nuclear and radiological emergency
- Regulation for the conditions and procedure for establishing of special-statutory areas around nuclear facilities and facilities with sources of ionising radiation
- Regulation on the conditions and procedure of transport of radioactive material
- Regulation for the safety of spent fuel management
Annex 3: Examples of Preferential Price Rates for Purchase of Electricity from RES

Some examples of the preferential price rates in force for purchase of electricity generated from RES (without VAT) are following:

1. HPP with installed capacity of less than 10 MW – 105 BGN/MWh

2. Wind power plants with installed capacity of 800 kW or more:
   - Up to 2250 full effective operating hours per year – 189 BGN/MWh
   - More than 2250 full effective operating hours per year – 172 BGN/MWh

3. Photovoltaic power plants with:
   - installed capacity up to 5 kW – 823 BGN/MWh
   - installed capacity more than 5 kW – 755 BGN/MWh

4. Biomass (wood) power plants with installed capacity up to 5 MW – 217 BGN/MWh

5. Biomass (agricultural crops) power plants with installed capacity up to 5 MW – 166 BGN/MWh

6. Biomass (energy crops) power plants with installed capacity up to 5 MW – 187 BGN/MWh
Annex 4: Key Steps and Approximate Financing of a Project for the Construction of 50 MW Wind Power Plant

- Preparation of investment intention notification, environmental conditions assessment and environmental impact assessment – 105 000 BGN;
- Obtaining a plot plan – 24 500 BGN;
- Change of use of agricultural land /forests and fields/ for the purposes of the project – 3 000-4 000 BGN per 1000 m²;
- Development of an investment project – price under negotiation;
- Submission of an application for investigation of the technical conditions for connection to the power system and conclusion of a preliminary agreement with the company operating on the territory of the project. Application for a license issued by the SEWRC – 6 000 BGN;
- Approval of the investment project and obtaining of a construction permit from the local municipality;
- Conclusion of an agreement with the licensed company for connection to the power system;
- Delivery and assembly of the technical equipment – 23 086 749 BGN;
- “72 hours” equipment test.

Source: Ministry of Economy, Energy and Tourism