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New energy strategy, focused on natural gas, vital for Bulgaria to hit 2030 climate targets

A new independent report by Baringa Partners, Europe's biggest energy consultancy, and co-funded by Shell, has shown a need for Bulgaria to develop an energy strategy for 2030 which incorporates a more prominent role for gas in its energy system. The report reveals that without a new approach recognising the importance of natural gas, the country risks falling behind its neighbours and being unable to meet its 2030 climate change targets.

Baringa's report is one of the first qualitative comprehensive analyses of the gas and power markets in an Eastern European country. It highlights the potential role of gas in addressing the energy trilemma of delivering decarbonisation, maintaining security of supply and ensuring energy is affordable. It also urges the Bulgarian Government – which currently has the Presidency of the Council of the European Union – to develop a detailed plan for the transition of the existing energy mix towards gas, implement effective market reforms, undertake select infrastructure investments aimed at diversifying supply, and create a level playing field between gas and power.

The report shows that Bulgaria has already taken steps to increase its security of supply in natural gas and encourage domestic gas production over the past decade. It has done well in its progress towards its 2020 climate change targets, driven by its significant hydro and nuclear power capacity and increased renewables development. However, the evidence shows that steps towards market liberalisation have not been as rapid or as effective as they could have been, the market remains highly concentrated and gas plays a relatively minor role in the power generation mix.

Baringa's analysis highlights the critical role that gas can play in Bulgaria's energy future and pathway to decarbonisation as an affordable, plentiful fuel that can work in partnership with renewables to provide flexible energy provision. In addition, the report shows that gas can be particularly effective in the decarbonisation of heat, providing a lower-cost alternative to full electrification. However, as Bulgarian policymakers contemplate its strategic energy direction and national 2030 energy strategy, Baringa is concerned that gas is not being fully considered.

Jayesh Parmar, Partner in Energy and Resources at Baringa Partners, comments: "It is clear that gas has received too little attention from policymakers and industry in Bulgaria. However, the Ukrainian crisis of 2009 highlighted Bulgaria's vulnerability with energy supplies reliant on connectivity with neighbouring countries. Policymakers are starting to recognise the real opportunity that exists for Bulgaria to develop its own gas supplies in the coming years and replace the coal on which it has relied for so long to provide low cost energy. We believe the implementation of the measures outlined in this report will unleash the potential of gas in Bulgaria."

Kamelia Slaveykova, Country Chair of Shell Bulgaria, adds: "We believe that natural gas has a critical role to play in addressing Bulgaria's energy transition and are pleased to support this report from Baringa. Shell agrees with the findings in the study which show that the Bulgarian gas market has the potential to provide a lower cost route to a decarbonised future than focusing on renewable sources alone. This will not only help Bulgaria achieve its climate goals but also provide a cheaper alternative for consumers. With the eyes of Europe on Bulgaria as it holds the Presidency of the EU Council, there is an opportunity for the Bulgarian Government to be a leader throughout the region."

Recommendations



Based on its analysis, Baringa's report makes the following recommendations to the Bulgarian Government:

- Fully engage with gas industry stakeholders (including trade bodies and NGOs) while developing its energy strategy.
- Progress energy market reforms, following the EU-acquis for detailed guidance.
- Use congestion management procedures to unlock market access to key import routes blocked by 90% ship-or-pay contracts.
- Invest in new interconnectors, specifically IGB for access to Southern corridor gas and LNG imports via Greece.
- Campaign for increased capacity in the existing Romanian interconnector through increased compression by the Romanian partners.
- Implement regulatory reforms to ensure gas is able to compete fairly with power for customers in the heat sector, for instance removing or reducing the gas sector (gas TSO) payments to the Security of the Electricity System Fund.

ENDS

Notes to Editors

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About Baringa Partners

Baringa Partners is an independent business and technology consultancy. We help businesses run more effectively, navigate industry shifts and reach new markets. We use our industry insights, ideas and pragmatism to help each client improve their business. Collaboration is central to our strategy and culture ensuring we attract the brightest and the best. And it's why clients love working with us.

Baringa launched in 2000 and now has around 600 members of staff and more than 60 partners across our four practice areas of Energy and Resources, Financial Services, Telecoms and Media and Consumer Products and Retail. These practices are supported by cross-sector teams focused on Strategy and Analytics, Business and Organisation Transformation, Supply Chain, Programme Delivery, Process and Operational Efficiency, Risk and Compliance, Customer Experience and Information Technology.

Baringa Partners is currently rated the number one management consultancy in energy, utilities and the environment by the Financial Times. In 2018, we were ranked 2nd Place in the UK Best Workplaces™ list by Great Place to Work® UK. This is the 12th consecutive year the firm has won an award for its inclusive and engaging company culture. In 2016 Baringa achieved Master status, when it became a 'great place to work' for the 10th year in a row.

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