

## Sebastian Noethlichs: 'The ban on renewable energy projects on agricultural land could bring the Bulgarian RE industry to a standstill'

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Questions about feed-in tariffs and the ban on construction of RES capacities on agricultural land and in Natura 2000 areas inevitably come to mind when talking about the development of wind energy in Bulgaria. About these, as well as about the place of the country among its European and Balkan neighbours on the RES map of the continent, Energetika.NET spoke with Sebastian Noethlichs, manager of the wind energy developer N-Vision Energy OOD, who is also chairman of the committee on energy of the German Chamber of Commerce. Another reason to interview him is that he is the chairperson of the Bulgarian Wind Energy Association, founded in the beginning of July 2010 by about 20 leading wind energy companies.

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respect, Bulgaria is similar to other markets in which we work, such as Germany.

There are differences though. Bulgaria is a young market and in many ways both the renewable energy market and the authorities are still finding their way. This has recently spawned an increase of regulatory activity by the Bulgarian government, not all of which has been (done) officially. When comparing Bulgaria with Greece, Greece certainly present a more consolidated and set market. At the same time, though, it is our experience that administrative procedures in Bulgaria tend to work faster and more transparently.

Where is the best RES potential in the South-Eastern Europe region, in which country is it?  
Which location is the most attractive for wind, solar and biomass development, respectively?

This is hard to define. Attractiveness for wind, for example, does not just depend on the wind potential. Grid access and

Mr Noethlichs, [N-Vision Energy](#) has developed renewable energy projects in Bulgaria, and also other countries. What are the main differences in the renewable energy policies and the opportunities for development of renewable energy source projects between Bulgaria and the other countries where you have worked? What are the main differences between Bulgaria and Greece in this respect?

Surprisingly, the differences are not as many as one might think. We chose to enter the Bulgarian market more than three years ago specifically because it presented a stable, feed-in tariff-based framework for renewable energies backed up by a credible long-term currency and fiscal stability. In this

stability, guaranteed off-take, price stability and availability of financing and funding are all factors that contribute to the relative attractiveness of a market. And the importance and valuation of these parameters varies depending on the type and the risk profile of the developer or investor. For us, as an independent developer, Bulgaria has been and continues to be the most attractive market in the region.

Which country from the SEE region is most progressive in using its RES potential? How is it using it?

Actually, most of the countries from the SEE region are fairly progressive. This mostly stems from the strongly developed hydropower potential from the past. Many of the countries are using well above 80 per cent of their available hydropower resources. The flip side of this is that the high level of hydropower now needs to be matched by equally strong development of other renewable energy sources in order to reach the respective (European Union) climate targets, where they apply.

What needs to be done in the future by the countries with less developed RES potential? What are your expectations for RES development in the SEE countries?

Administrative barriers and uncertainty over future income, typically feed-in tariffs, are what hinders the development of our industry the most. This means administrative processes need to be streamlined and shortened, and clear, long-term, stable feed-in tariffs need to be brought about.

In which country do you assess the feed-in tariffs as most attractive? Where are the less attractive feed-in tariffs? What do you think could be done in this respect?

The absolute level of feed-in tariffs needs to be seen relative to the available resources potential on the one side and the cost of developing that resource on the other side. This means that a lower feed-in tariff in a country with strong resources, which can be developed fast and at comparatively low cost, may be more attractive than a higher tariff elsewhere. In light of this, most of the regulators have demonstrated a good understanding of their respective markets and have set tariffs that correspond to the economic realities. What we are missing in this respect in some countries is a pronounced difference in feed-in tariffs for "on roof" versus "on field" photovoltaic installations.

Which good practices from Western Europe you are trying to introduce and which have you already implemented in SEE?

There are a number of good practices which we are trying to establish here. This is one of the reasons why, together with about 20 of the most prominent companies on the Bulgarian wind energy market, we have founded the Bulgarian Wind Energy Association (BGWEA). One of the main goals of the association is to contribute to the positive development of the wind energy market in Bulgaria. Some of the practices in which we believe are the following of stringent environmental and general regulations. It is our belief that projects should commit themselves to undertaking appropriately extensive environmental impact assessments. Equally, the public consultations in the development process should be taken seriously and should be seen and used as an opportunity to actively engage the local community.

What we further are trying to establish is an understanding and appreciation of the benefits which wind energy bring to the country and the rural areas in particular. By this we mean the significant amount of investment, the generation of much needed income for rural municipalities and the creation of jobs in regions with often high unemployment.

What are the main obstacles that you have met in Bulgaria while developing RES projects?

There are grid capacity constraints in part of the country. But these are technical obstacles and there are technical solutions.

Serious obstacles are currently being created by the government and the legislators. There are a number of legislative efforts under way which, if they become effective, would deal a severe blow to our industry. Most strikingly, the ban on renewable energy projects on agricultural land could bring the Bulgarian renewable energy industry to a near standstill. This ban, which is unparalleled in the EU, would stop projects on more than 28 per cent of the entire country.

It is efforts like these paired with frequent discussions of changes to the feed-in tariff terms and mechanisms that are making our work increasingly difficult.

Is the current Bulgarian Renewable Energy Law giving you enough freedom to develop your projects in the country? What clauses of the act need to be revised according to you?

The current law works well. An exception to this is the way in which the feed-in tariff is fixed. Currently, all projects, existing and new, receive the same feed-in tariff. This means that reductions in the tariff to match technological improvements of new projects also affect existing projects. This means that, on the one hand, projects face a significant risk of income reductions while the regulator has only limited flexibility for adjusting tariffs. A better solution would be to fix tariffs for projects for the entire term upon construction. Macro-economically, this is the cheaper solution. It matches the practice of other countries that use feed-in tariffs and it gives the regulator more flexibility in the future.

How would you assess the climate for investments in renewable energy in Bulgaria? What are the advantages and the disadvantages of the current Bulgarian Law for Renewable Energy Sources?

The climate for renewable energy in Bulgaria is currently in turmoil. While the existing framework is sufficient for the development of renewable energies, we have seen a number of efforts to make significant changes to the framework. Moreover, there have been very public discussions of even more changes. Currently we are facing the possibility of the aforementioned ban for projects on agricultural land. Also, a new renewable energy law is due by the end of the year and the economic terms of the law vary dramatically from one draft version to the next. Further, there continues to be talk of map-based centralised planning efforts by various ministries. And in the beginning of the year, we barely escaped a general moratorium on our market proposed by the Ministry of Environment.

All of these efforts, even if they do not come into effect in the end, increase uncertainty and risk in the market. As chairman of the committee on energy of the German Chamber of Commerce, I have already seen investors and other

developers, not just in renewable energy, postpone or cancel investments and market entry as a consequence of this.

Talking about development of wind projects in Bulgaria, there inevitably comes the question about Natura 2000 areas. How do you fit the projects you work for into this EU environmental network?

None of our projects are in the Natura 2000 territories. That said, a few things should be considered when it comes to wind energy projects and Natura 2000. First, Bulgaria features one of the largest proportions of areas under Natura 2000 in the entire European Union. Second, wind energy works best from a macro-economic perspective, when it is well distributed over the entire territory of the country. Third, the development of wind energy is not prohibited under Natura 2000 regulations but merely subject to more stringent evaluation.

In light of this and given the relatively small amount of land needed for wind energy projects, as well as the scientifically well-established fact that wind energy projects have little to no impact on birds, we believe that the Ministry of Environment will eventually have to review its current stance of not allowing projects within Natura 2000 areas.

What are the chances that Bulgaria will meet the 20-20-20 targets? What are the obstacles to meet these targets?

If the administrative process is improved and feed-in tariffs are made dependable, I believe that we are in a good position to reach the 20-20-20 targets. Among the members of BGWEA, there are some of the European industry leaders who have the competency and capacity to undertake the necessary development. The same is true for the Bulgarian Photovoltaic Association (BPVA).

If, on the other hand, the current turmoil continues and some of these proposals, such as the disproportionate ban on agricultural land become effective, it will soon be almost certain that from 2011 onwards we will fall short of the targets. This, in turn, will then very soon become very costly. Research by BGWEA member company New Europe Corporate Advisory estimates the cost of missing the interim targets at 200 to 300 million euro per year for every 1 per cent by which the targets are missed.

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