

# The biodiesel market in Bulgaria

Biodiesel production in Bulgaria started in 2001 with the company SAMPO AD. Although the production capacity remained modest at the time (3 000 tonnes/year), the company was dealing with clients such as the main fuel distributors and the transport company Trayana Trans. Today the company also offers supply of biodiesel production equipment. Capacities were progressively increased to reach 10,000 tonnes/year in 2005. Another first mover in the biodiesel sector was the Trade Storehouse in Gabrovo, which started operations in 2003. The biodiesel was used as a fuel for the trucks of the company and for heating of the premises during the winter. More recently, the company Green Oil Ltd., started biodiesel production in 2006 in Silistra, using own equipment. In addition to used cooking oils, the company used sunflower and rapeseed oil. Green Oil has as a main client the oil company Prista Oil.

## Legislative framework

### *Transposition of Directive 2003/30 and national indicative targets*

Until the adoption of the recent Renewable Energy Law, the legislative basis for introduction of biofuels in Bulgaria did not provide the necessary conditions for their development. Biofuels were indeed treated in several statutory instruments:

The first one is the *Clean Air Act* of July 5, 1999, and more particularly the *Ordinance of the Ministry of Environment and Waters pertaining to the requirements for quality of liquid fuels and the procedure, conditions and manner of their control*, of October 1, 2003.

The Ordinance considers the requirements for percentage content and provides for the use of biofuels as additives to conventional fuels. Annex No. 2 concerns the requirements for diesel fuel and allow the addition of up to 5% methyl ester. The ordinance does give any indications/requirements concerning the composition of biofuels and does not provide any definition.

In December 2006 the Bulgarian Association for Biofuels worked on the seven political axes mentioned in the EU Strategy for biofuels of February 2006 and sent its comments to the Parliamentary Commission of Energy, the Parliamentary Commission of Environment, Parliamentary Commission of Budget, the Ministry of Economy and Energy, Ministry of Environment and waters and the council of ministers.

In the course of the stakeholders discussions held in relation to the drafting of the Renewable Energy Law (RES law), participants suggested three principal scenarios for the development of biofuels production for the period between 2008 and 2015, completed by indicative targets. The following levels for the necessary quantity of biofuels on the domestic market as a percentage of total quantity of fuels used in the period were suggested:

2008: 2%

2010: 5,75%

2015: 10%

### *Detaxation schemes in favour of biofuels/biodiesel*

The Bulgarian RES law was finally published in the official journal on 19 June 2007. It provides for a zero taxation rate for the biodiesel component in blends. As of July 2007, the excise duty on conventional diesel amounts to BGN 535,00 (= € 273,55).

### *Mandates*

Starting January 1<sup>st</sup> 2008, a 5% mandate will apply for fuel suppliers. The mandate is indexed on the maximum biodiesel share authorised in the European diesel standard EN 590, so that if the standard is revised, the mandate will be adapted accordingly.

### *Quotas*

So far, no quota system applies in Bulgaria for the production of biodiesel.

### *Direct subsidies*

After its accession to the EU, Bulgarian feedstock suppliers could benefit from the EU subsidy scheme for growing energy crops (€45 per hectare). In 2007, about 1000 farmers have made applications for such subsidies.

Bulgaria is granting additional agricultural subsidies for growing oleaginous crops (€ 18 per hectare in 2006) and significant subsidies are expected to be introduced for growing energy crops in NATURA 2000 areas (the Minister of Agriculture recently mentioned the figure of €120 per hectare).

Vladislava Georgieva, BIOFUELS the alternative fuel or fuel of the future in United Europe, Ministry of Economy and Energy, 2007.

## SWOT analysis

### Strengths

✓Bulgaria has excellent natural conditions for development of the agricultural and forestry sector. Arable land stands at about 4.9 million ha or 44% of the total territory of the country. In 2005, unused agricultural land (fallow land and uncultivated land) amounted to 19% of the entire agricultural land, which could provide significant opportunity for development of biofuels production.

✓Since January 2006, pure biodiesel (B100) benefits of a zero excise tax rate.

✓Several Bulgarian technology providers are able to supply the market with cost-effective plants and have already gained international experience from building plants in foreign countries such as Latvia and Romania.

### Weaknesses

✓Meteorological conditions prevalent in Bulgaria are not favourable for the production of rapeseed, with low winter temperatures and rapid warming in the period of ripening (May-June). Soybean is clearly not adapted to Bulgaria's climate conditions and would necessitate important irrigation. As a matter of fact, the annual domestic production remains very limited.

✓The lack of modern equipment for agricultural production is a further limitation.

✓Another issue is the lack of appropriate fixed investments such as refineries, storage houses and delivery network. The access to capital remains also a difficulty for potential producers.

### Opportunities

✓Bulgaria's accession to the EU represents certainly the major opportunity for the development of the biodiesel industry.

✓As a new EU Member State, Bulgaria is becoming increasingly attractive to EU investors,

✓At national level, the Ministry of energy is aiming at developing higher blends for the public sector and captive fleets (B50), which could give an incentive to biodiesel production.

### Threats

✓Some producers are already experiencing raw material shortages due to the poor state of the country's farm sector.

✓The iodine content of the biodiesel produced from conventional and non-HOSUN sunflower (the main available feedstock) farmed in Bulgaria exceeds the values set down in the European standard EN 14 214.

✓Even after the adoption of the new RES law, the excise tax still applies to biodiesel blended with conventional diesel, which is hindering the development of the biodiesel market.