

Last week, Commission for Energy and Water Regulation KEVR presented a report which stated that Bulgartransgaz had failed to obtain tentative approval for the agreements on building and financing an extension to the TurkStream natural gas pipeline via Bulgaria, also known as the Balkan Stream pipeline.

Caretaker Minister of Energy Andrei Zhivkov asked the Bulgarian Energy Holding (BEH) to remove the management of Bulgartransgaz after an investigation by the KEVR confirmed the Ministry's conclusions about ineffective management of the country's natural gas transmission system operator. The KEVR investigation, ordered a day after the parliamentary elections on 4 April, shows that Bulgartransgaz never asked the regulator to approve the agreements with the Saudi consortium Arkad and the Bulgarian-German Ferrostaal Balkangaz on the construction of the pipeline, as well as the agreements on the bank loans which were used to pay the dues to the two companies. All this is contrary to the Ordinance on Licensing Energy Sector Activities. The agreements with Arkad (worth 1.1 billion euros) for the construction of the pipeline and with Ferrostaal Balkangaz (180 million euros) for two compressor stations were signed in the autumn of 2019. Bulgartransgaz borrowed 200 million euros to pay Arkad and Ferrostaal in advance, although it was supposed to use its own money for the purpose. Then, the company took out another package of loans worth 487 million euros in 2020 and 156.5 million euros this spring. Short-term loan procedures were opened in all three financing phases. Bulgartransgaz used the same scheme each time. To provide security for repayment of the loans, the company made fixed-term deposits denominated in dollars in the respective banks, and the interest rate on the deposits was higher than that on the loans. The loan agreements signed by Bulgartransgaz increased the company's debt from 2 million euros in early 2019 to over 1.3 billion euros at the moment. KEVR's conclusions confirmed the evidence provided by the Energy Ministry soon after the caretaker Government's tenure started in May. A review of the financial condition of the state-owned energy companies back then found that Bulgartransgaz' liabilities had increased dramatically due to the company's large-scale investment program. This would be warranted only if the monetary flows to the company increased, a forecast which was not supported by the financial review on the Balkan Stream. So the latest KEVR investigation confirms that the Balkan Stream project had an adverse impact on Bulgartransgaz' overall financial position and has made the company sink deep into debt. BEH replied that it is expecting a written confirmation to the Energy Minister's request to remove the Bulgartransgaz management, after which it will be considered by the BEH Board of Directors.