

# Lower Wind and Solar FiT prices in Bulgaria might lead to energy imbalances, halting investments and blockade of export trade

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The regulator cut by more than 50 percent the preferential feed-in tariff for the obligatory purchase of solar energy and by 22 percent the energy produced by wind power. The new tariffs come into effect from July 1 for solar and wind parks that will be connected until July 2013.

Dozens of Austrian, German, Japanese, Chinese, Southern Korean and American companies rushed to take advantage of the sun and wind potential of the small country southeast European country, which also offered lucrative incentives for green energy.

But growth in installations has outpaced forecasts, applying pressure on the ageing power grid and electricity prices in the European Union's poorest country.

The regulator also raised prices for consumers, increasing them by 13 percent from July 1. It said that a large part of the increase was because of the growing proportion of more expensive green energy.

Electricity prices are politically sensitive in Bulgaria, where power bills eat away a huge part of monthly incomes, especially during winter months.

The centre-right government had changed the law on renewable energy to curb development of such projects and indicated that the subsidies will drop, but the severity of the cuts surprised investors.

"What we see is not a policy, but improvisation with a final aim to stop the development of wind and solar energy in Bulgaria," said Velizar Kiriakov, head of the Association of Producers of Ecological Energy.

China Ming Yang Wind Power Group, which has planned to start construction of a 120 megawatt wind farm in northern Bulgaria next month, is now considering cancelling the 150 million euro (\$186.40 million) project.

"We will probably sue the government for bringing us to this country ... and, when we are ready with the investment, to be 'kicked out' by the new conditions," said Jonathan Mann, CEO of W Power Group, which handles the project.

Mann said that they had expected a decrease of up to 5 percent, adding that a 22 percent cut is "ridiculous" and will make the project unprofitable.

The energy regulator said Bulgaria was already meeting 12 percent of its electricity needs from renewable energy sources. Its EU-backed target is for 16 percent by 2020.

Bulgaria joined the ranks of Germany, Spain and the Czech Republic, which also been reducing their generous feed-in tariffs. In February, the Czech energy regulator said that it wanted to stop almost all incentives for renewables as early as 2014.

In a separate move, the energy regulator also increased power transmission fees by 50 percent from July, citing the rise in green energy, in a move that will hit electricity exports to neighbouring countries.

"The move is a catastrophe," said Vladimir Dichev, head of the Association of Electricity Traders. "It will block exports and lead to huge losses for both producers and traders."

*Source Serbia Energy Magazine*