

Mr Rumen Radev, Minister of Energy
Mr Vladimir Malinov, CEO, Bulgartransgaz

Amsterdam, 19 October 2023

Imposition of a tax on Russian gas imports and transit

Dear Mr Radev, Dear Mr Malinov,

We note the sudden introduction of Decree 184, levying a “contribution” on the importation and transit of gas of Russian origin into Bulgaria. While the desire to replace Russian gas with gas from other sources is laudable, we must point out that the legislation as drafted cannot currently be put into practice without risk to supply more generally. Until a framework is implemented where the source of natural gas can be established, a side-effect of the legislation will be to deter other gas imports and transit, jeopardising security of supply in Bulgaria and the wider region, contrary to European rules on solidarity. It may also expose the Bulgarian government to legal challenge. Application of the “contribution” should be delayed until there is greater clarity on how it will be operated and how importers and system operators can demonstrate compliance.

Gas is imported into Bulgaria from pipelines with commingled streams of gas from multiple sources. Where gas has been purchased anonymously from a trading hub or exchange, the source of gas is not disclosed. The design and implementation of a scheme to register and track the original country of production for traded gas does not exist anywhere in Europe. Even gas purchased directly from Gazprom may have been substituted en route, and contain molecules produced elsewhere than from the Russian Federation. It is therefore not possible for importers (nor for operators of transit pipelines) to declare unequivocally the source of gas.

EFET has already engaged in discussions with other countries seeking to ban Russian gas and can comment that no effective schemes have been implemented elsewhere that could be adopted here.

Without such a scheme, Bulgaria risks that the contribution will be levied on legitimate, non-Russian gas. In such an instance, this “tax” will either be passed on to Bulgarian consumers or, if it cannot, then a proportion of imports will cease. Bulgarian consumers will be exposed to reduced supplies and increased cost of gas as the heating season ramps up. Where Bulgaria is a transit country, this will also endanger the supply security of its downstream neighbours, potentially exposing vulnerable consumers, in contravention of EU Regulation 2017/1938.

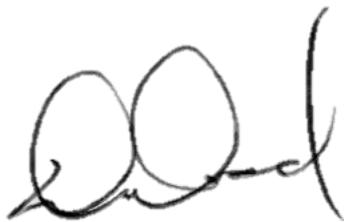
We also note that the legislation does not specify how the proposed contribution would apply to importers and to operators of transmission and distribution networks, which are all identified as liable persons.

For the time being, it would therefore be prudent to delay implementation of the tax at least until a working certification scheme is introduced to evidence the origin of imported gas. In the meantime, the burden of proof should be with the TSO to demonstrate that gas is of non-Russian origin before the contribution is required.

EFET would be happy to discuss these concerns, with a view to enabling continued gas supplies while the implications of the legislation are further considered, and a suitable plan for implementation is developed.

Yours faithfully,

On behalf of EFET TF CSEE-G,

A handwritten signature in black ink, appearing to read 'Doug Wood', written in a cursive style.

Doug Wood, Chairman of EFET Gas Committee