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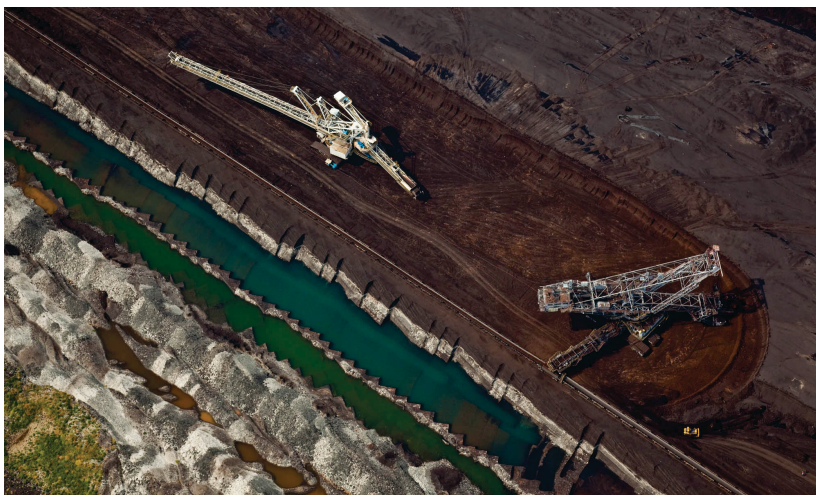
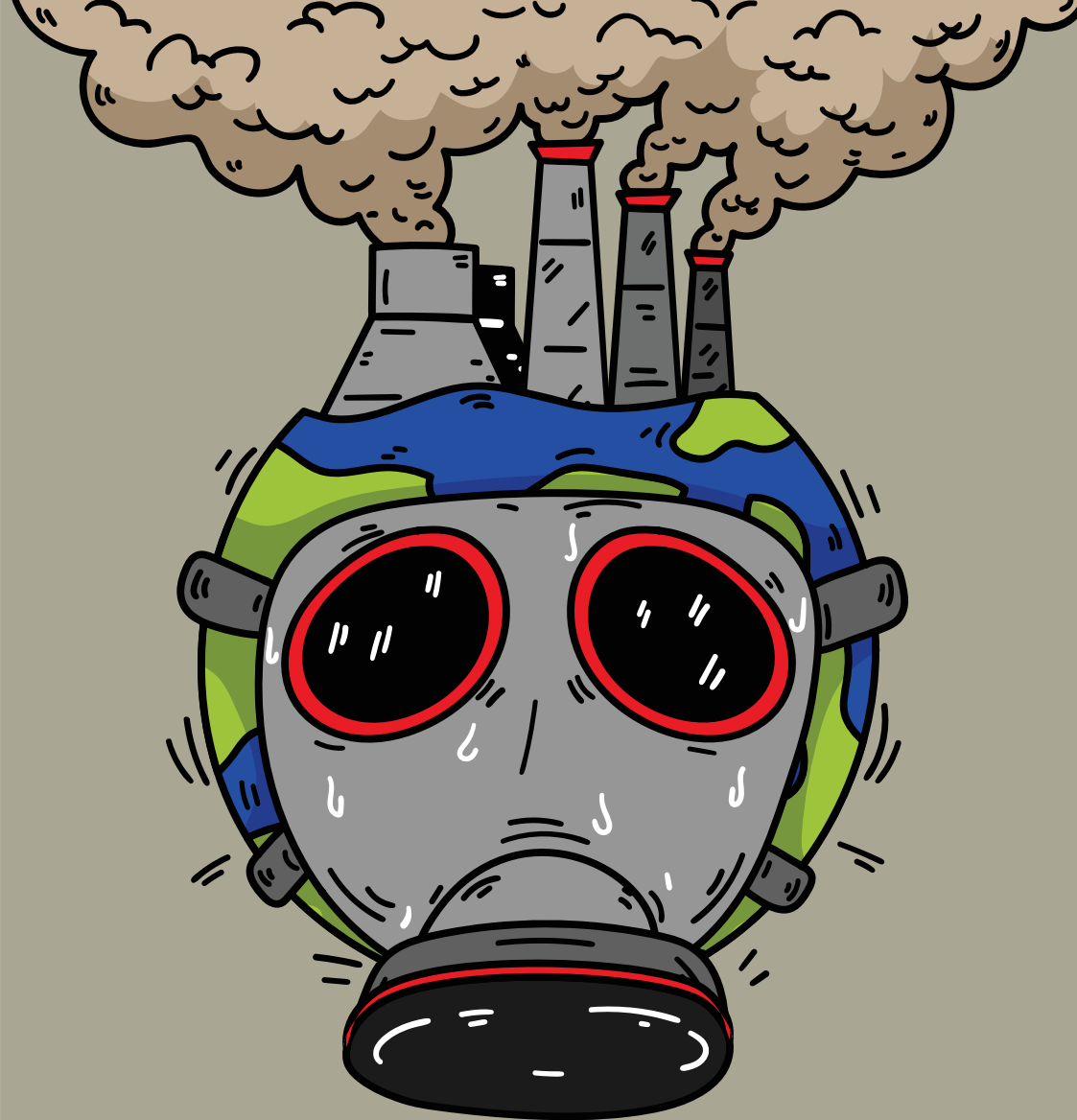


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Foundation "Development YES – Open-Pit Mines NO"  
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**DIRTY BUSINESS IN BULGARIA**

**RE/INSURERS HOLD THE KEY**

The world's biggest reinsurance companies are gradually moving away from reinsuring coal projects and coal companies. In March 2021, Swiss Re, one of the world's two biggest non-life reinsurance companies, made a commitment to gradually eliminate coal from its treaty reinsurance. Since June 2021 Munich Re and Hannover Re, which together with Swiss Re make the world's three biggest non-life reinsurance companies, have been discussing how to follow Swiss Re's approach.

Still heavily dependent on coal power generation, with an old and polluting fleet, Bulgaria is arguably one of the most reluctant member states to embark on a transformation path. Despite the clear signs on global markets, from the EU and from the dire financial situation of the state-owned coal assets locally, the ruling government has continuously dodged the discussion on a coal phase-out timeline. It is so far unclear whether the current caretaker government will take the political responsibility for such a decision.

The introduction of climate policies in the insurance sector is already making waves in Bulgaria, primarily through the presence of international companies whose climate policies prevent them from underwriting coal assets.

OZK is one of the Bulgarian insurers, who has made no meaningful climate commitments as of yet. The company is indirectly owned by the businessman Hristo Kovachki, whose energy fleet consists of some of the oldest and most polluting power plants in Bulgaria – "Bobov Dol", "Brikel" and "Maritsa 3". These are notorious for the toxic air pollution coming out of their stacks and damaging the health of local communities and the environment. With the rise of CO2 emission allowances' prices in the last years the Kovachki power plants have been looking for cheaper fuel alternatives such as municipal waste and oftentimes have burnt it illegally. The potential health and environmental hazards of these operations remaining unaddressed, local communities have staged continuous protests and waste burning in coal power plants became an issue of national discontent. An investigation by the Organized Crime and Corruption Reporting Project (OCCRP) in July 2021 alleged that the Kovachki plants may have saved up to 30 million euro through under-reporting emissions. The accounting was justified with the use of alternative fuels.

What is more, a company owned by Hristo Kovachki is pursuing to build a new lignite greenfield mine in a region 40 km away from the capital of Bulgaria – Sofia. The territory of the future mine is bordering several villages: Bratushkovo, Radulovtzi, Barlozhnitsa, all part of the Slivnitsa Municipality and the water source of Radulovtzi village would be jeopardized.

The region has been developing very well in recent years as a tourist destination. All opportunities for future development in this direction would be demolished by the new mine. Given the climate commitments of international insurers present in the country and the declarations of smaller companies that they neither insure coal assets currently, nor plan to do so in the future, OZK Insurance is the likely candidate to insure its construction and operation.

Continued coal underwriting by OZK and recent statements from the insurer's CEO Alexander Lichev for capital.bg explaining that "[OZK] has no refusal to reinsurance of coal and coal operations" and that "We have reason to believe that at least by 2035 this activity will be accepted by the reinsurers with whom we work" are one more good reason for reinsurance companies to publish credible pathways for phasing out coal from their treaty reinsurance business.

Gradual withdrawal of capacity by insurance and even more importantly first signs of withdrawal of reinsurance companies from coal within treaty reinsurance already means higher coal insurance premiums and higher reinsurance premiums on the hardening market.

Insurance and reinsurance price increases are one more factor that will speed up the coal generation phase out across the EU including in coal-addicted countries like Bulgaria and Poland. Reinsurance market is very concentrated with 20 biggest reinsurance companies collecting over 90% of the global gross written premiums. Decisions made by the biggest European reinsurance companies will have a direct impact on the capacity of smaller national insurers such as OZK Insurance for coal mines and power plants in Bulgaria and the costs of such insurance.

All reinsurance companies renewing contracts with OZK Insurance should demand that the construction of the new mine will not be covered and inform OZK Insurance that facultative reinsurance for the new mine should also be rejected.