

## Murky finances of Bulgaria's coal industry uncovered in new report

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### **Sofia - "The Financial Mines" report has exposed dubious financial practices in the coal sector in Bulgaria over the past 15 years.**

The in-depth investigation, conducted over the course of several months by Greenpeace Bulgaria, raises concerns about Bulgaria's enigmatic energy tycoon Hristo Kovachki. The investigation sheds light on the banking and public interests that lie behind the economic activities fronted by Mr. Kovachki.

"The Financial Mines" focuses on 19 of over 150 companies that make up Mr. Kovachki's energy empire. "Kovachi's coal network" includes three power plants, eight district heating plants and eight mines. "The Financial Mines" shows the rampant social and economic problems arising from the work of these businesses, while pointing to the banking institutions that funded their financial transactions. These are mainly Bulgarian banks such as First Investment Bank (FIB), [highlighted explicitly by the European Commission](#) because of the poor quality of its corporate loans.

Analysis of the companies' financial activities shows that their focus is on selling electricity and "absorbing" any possible energy state subsidies.

At the close of 2016 the 19 companies had a total debt of over €0.5bn (BGN 1,112 bn) and a loss of €184m (BGN 377 m). Coal plant "Brikel" holds the record with an accumulated loss of €64m. As a result, the economic group often declares that it is generally at a loss.

But reporting losses means these companies have very low tax liabilities. Over 10 years, the 19 companies have paid minus €5m (BGN 9.176 m). This means that taxes for them are not an expense, but a net income: instead of receiving corporate tax payment from the Kovachki Group, the state effectively subsidises it.

Greenpeace Bulgaria's Denitsa Petrova said: "The old and depreciated thermal power plants in the Kovachki group have no place in the country's energy system. They will not be able to meet the new environmental standards. But the support of the state is enabling some of the most polluting plants to continue operating. Our investigation aims to illuminate the murky practices that keep Bulgaria's troubled coal industry on life support."

The overall conclusion of the investigation indicates that the Kovachki Group's enterprises are nearing the end of their lifespan due to environmental and labour issues.

Greenpeace Bulgaria's Teodora Stoyanova said: "We are seeing the sunset of coal. But let us not allow communities that have played a key role in supplying our energy to disappear along



with it. People working in the sector and those living in coal-producing regions need support in order to achieve a just and painless transition. The longer we wait, the harder this transition will be.”

“At the end of the lifecycle of this dirty business, thousands of people are being forced to suffer inhumane working conditions, miserable pay, and systematic humiliation just because state authorities prioritise clear financial interests over regional development needs.”

[Media briefing](#)

[“The Financial Mines” report](#)

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