

MODERNISATION FUND
Accelerating the transition to climate neutrality

IC Recommendation on Non- Priority Proposal

MF 2021-2 PL 1-001 “My Heating”



1. Background

The Modernisation Fund was set up pursuant to Article 10d of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (ETS Directive).

Detailed rules on the operation of the Modernisation Fund (MF) are set in the Commission Implementing Regulation (EU) 2020/1001 of 9 July 2020 laying down detailed rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund supporting investments to modernise the energy systems and to improve energy efficiency of certain Member States (Implementing Regulation).

In accordance with Article 10d(6) of the ETS Directive, where an investment in the modernisation of energy systems, which is proposed to be financed from the Modernisation Fund, does not fall into the areas listed in paragraph 2 of Article 10d, the investment committee shall assess the technical and financial viability of that investment, including the emission reductions it achieves, and issue a recommendation on financing the investment from the Modernisation Fund.

The Investment Committee may issue a recommendation on financing the investment from the Modernisation Fund, if the conditions specified in Article 7(7) of the Implementing Regulation are met.

2. Investment proposal

Pursuant to Article 4(1) of the Implementing Regulation, on 17/08/2021, Poland (the "beneficiary Member State") submitted to the EIB the investment proposal "My Heating" for which it envisages a contribution from the MF (MF reference number 2021-2 PL 1-001).

Upon request of the EIB for an administrative clarification on 22/09/2021, Poland provided additional information on 24/09/2021.

The investment proposal concerns allocating funds for the purchase and installation of 57 000 heat pumps based on renewable energy sources in new single-family residential buildings. The scheme targets only new buildings complying with the new energy performance standards for buildings, known as technical requirements WT 2021 that define the Polish standard for nearly zero energy buildings. The scheme will be implemented in

Poland during the years 2021-2027 and the final beneficiaries of the scheme will be natural persons, who are the owners or co-owners of the new single-family residential buildings.

The objectives of the scheme can be summarised as follows:

- Increasing energy efficiency in buildings;
- Avoiding CO₂ emissions;
- Reducing the emission intensity of single-family housing;
- Increasing the share of renewable energy sources in the final energy consumption;
- Promoting renewable energy sources;
- Popularising modern technologies to reduce low emissions.

The Beneficiary Member State estimated cumulative CO₂ savings at 1 376 584 t. The average avoided CO₂ emission is estimated at the level of 68 829 t CO₂/year.

3. Compliance with the conditions for non-priority investment.

- a) Poland has demonstrated that the investment complies with the requirements laid down in Article 10d(1) of the ETS Directive.
- b) Poland has sufficient funds available according to the statement of the available funds referred to in Article 5(1) of the Implementing Regulation and after deduction of any amounts to be disbursed for investments already confirmed in accordance with Article 6(9) of the Implementing Regulation.
- c) The European Investment Bank confirmed that the share of the funds allocated to priority investments is at least 70 % of the total amount of funds used by Poland, as defined in Article 7(7)(c) of the Implementing Regulation.
- d) Poland has confirmed in writing that up to 70% of the relevant costs of an investment will be supported with resources from the Modernisation Fund and the remaining costs are financed by private legal entities.
- e) Poland has provided evidence that the investment proposal does not constitute State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union.
- f) Poland has confirmed in writing that the investment complies with any other applicable requirements of Union and national law.
- g) Poland has confirmed in writing that the amounts requested from the Modernisation Fund are not intended to cover the same costs of the investment as those financed by another Union or national instrument.

4. Recommendations

The Investment Committee recommends financing of the investment proposal “My Heating” from the Modernisation Fund as a non-priority investment.

The requested amount of the first disbursement from the Modernisation Fund for the scheme is EUR 22 200 000.

The beneficiary Member State has indicated an expected Modernisation Fund funding for the investment proposal of EUR 133 333 333.

5. Justification for recommendations

The Investment Committee deems support from the MF is justified for the following reasons:

- a) The investment proposal meets conditions specified in Article 7(7) of the Implementing Regulation.
- b) The European Investment Bank has carried out a technical and financial due diligence of the Implementing Regulation and transmitted it to the Investment Committee, as required by Article 7 (2)-(6).
- c) Based on the information provided and having considered the scope of the investment proposal, including its costs, the EIB expressed its positive opinion on the technical, financial and greenhouse gases saving aspects of the investment proposal.
- d) The representative of the European Investment Bank has endorsed financing the investment proposal from the Modernisation Fund.
- e) The context of the proposal is to reduce the GHG emission intensity of single-family housing. The scope the investment is consistent with Article 10 d(1) of the ETS directive in regard to contributing to the objectives of the EU 2030 climate and energy policy framework and long-term objectives, as expressed in the Paris Agreement. It supports energy efficiency and it is in line with the objectives and measures set out in the National energy and climate plan for Poland.

6. Suggestions regarding application of the financing instruments (if applicable)

The Investment Committee has no suggestions regarding the application of the financing instruments.

Investment Committee, 26 October 2021