

# Annual report to the European Commission

## on the implementation of the Modernisation Fund

Information provided by: **Czech Republic**

Reporting year: **2021**

### 1. Overview of investments

1.1. number of investments financed from the Modernisation Fund to date 31.12.2021	4 priority schemes (2021 disbursement 320mEUR)
1.2. number of on-going investments	4 priority schemes (in total allocation 1,162mEUR)
1.3. number of completed investments	0
1.4. number of discontinued investments	0
1.5. overall ratio of the financing provided to priority investments against non-priority investments, if any, in the beneficiary Member State	100%

Scheme designation	Scheme title	Objectives/measures supported	Confirmed by IC	Dates of calls	Implementation timing of Calls	Current state
MF 2021-1 CZ 0-001	Scheme (Part A): Support for photovoltaic power plants with installed capacity up to 1 MW of the "RES+" Programme (New renewable energy sources)	Installation of new photovoltaic power plants with capacity up to 1 MW and elements of active energy management. Electricity storage systems can only be supported as part of a complex photovoltaic plant project.	6/8/2021	12/07/2021– 28/02/2022	3 years (Implementation period between the Decision of Minister and projects' completion)	Projects submitted: 103 Projects approved: 19 Projects realized/financed: 0
MF 2021-1 CZ 0-002	Scheme (Part B): Support for photovoltaic power plants with installed capacity above 1 MW of the "RES+" Programme	Installation of new photovoltaic power plants with capacity above 1 MW and elements of active energy management. Electricity storage systems can only be	6/8/2021	12/07/2021– 29/10/2021	5 years (Implementation period between the Decision of Minister and projects' completion)	Projects submitted: 135 Projects approved: 0 Projects realized/financed: 0

	(New renewable energy sources)	supported as part of a complex photovoltaic plant project.				
MF 2021-2 CZ 0-001	Scheme (Part A): Modernisation of energy sources priority investments of the Programme "HEAT"	Modernisation of energy sources and fuel base switch in thermal energy supply systems, with primary objective of decommissioning of coal-fired energy sources, in particular reconstruction or replacement of the energy source with a change of the fuel used or type of energy to renewable energy sources in high-efficiency cogeneration of heat and power.	10/12/2021	24/05/2021– 14/01/2022	30 months <i>(Implementation period between the Decision of Minister and projects' completion)</i>	Projects submitted: 3 Projects approved: 3 Projects realized/financed: 1, modernisation of a heating plant, 84,814,416.73 CZK (3.361 mil. EUR, CZK/EUR = 25.238) paid on 16/12/2021
MF 2021-2 CZ 0-002	Scheme (Part A1): Modernisation of energy production priority investments of the Programme ENERG ETS	Modernisation of energy sources and fuel base switch in EU ETS industry, with primary objective of decommissioning of coal-fired energy sources, in particular reconstruction or replacement of the energy source with a change of the fuel used or type of energy to renewable energy sources with high-efficiency CHP.	10/12/2021	19/07/2021– 31/01/2022	30 months <i>(Implementation period between the Decision of Minister and projects' completion)</i>	Projects submitted: 0 Projects approved: 0 Projects realized/financed: 0

*As seen from the table above, most of the project applications received and the projects approved by the end of the year 2021 belong to the schemes supporting construction of new photovoltaic power plants under the programme RES+ of the Modernisation fund. According to the conditions of the program, support is provided to the approved projects only after the completion of the given project measures' implementation. For this reason, just a small part of the approved and received allocation for schemes submitted by the Czech Republic has been reimbursed to project proponents so far and only for the project implemented under the HEAT program, where the subsidy is provided already during the implementation phase of the projects in accordance with the conditions of the program.*

The **administration of projects financed from the Modernization Fund** is provided by the State Environmental Fund of the Czech Republic (SEF CR) in accordance with Act no. 383/2012 Coll. on the Emissions Trading, as well as in accord with Act No. 388/1991 Coll. on the State Environmental Fund of the Czech Republic, as amended, and the Statute of the State Environmental Fund of the Czech Republic. The Minister of the Environment decides on the provision of funds from the SEF CR.

The main organizational units involved in the preparation processes and subsequent administration of the Modernization Fund are:

- a) Committee for the Modernization Fund composed of representatives of the Ministry of the Environment, the SEF CR, the Ministry of Industry and Trade and the Ministry of Finance,

- b) Platform for the Modernization Fund, which consists of representatives of stakeholders from the ranks of state administration bodies, trade unions, the professional public and other partners.

The **Committee for the Modernization Fund** (hereinafter referred to as the “Committee”). The Committee is an advisory body to the Minister of the Environment, discusses and recommends proposals of members of the Committee, and deals in particular with basic conceptual, strategic and implementation documents related to the management of funds from the Modernization Fund. It is chaired by the Deputy Minister of the Section of EU Funds, Financial and Voluntary Instruments of the Ministry of the Environment; its Deputy Chairman is the Director of the Department of Energy and Climate Protection of the Ministry of the Environment, and its Member is the Director of the SEF CR. The Minister of the Environment also appoints three members on the proposal of the Minister of Industry and Trade and one member on the proposal of the Minister of Finance.

The **Platform for the Modernization Fund** (hereinafter referred to as the “Platform”) serves for the exchange of information and suggestions between the institutions of state administration, private sector, municipalities, NGOs and others. The Platform mainly discusses the recommendations of its members to the essential conceptual and implementation materials submitted by the Committee and comments on the documentation relevant for the implementation of the Modernization Fund in the Czech Republic. In addition to the members of the Committee, other members of the Platform are also entities whose scope includes areas supported by the Modernization Fund.

The SEF CR is also responsible for the preparation of the **General Program Document**, the relevant implementation programmes and other implementation documents. The Fund coordinates their preparation by means of *working groups* composed of representatives of the relevant ministries at working level, represented in the Modernization Fund Committee as well. Depending on the topics discussed, representatives of the Platform and other experts can also be invited to these debates of relevant working groups. The general program document, defining the scope of supported measures and the proportion of the Modernization Fund’s resources in the financing of individual areas of support (so-called programs), was prepared in cooperation with representatives of the ministries concerned and is based on conceptual and strategic documents on climate and energy that are binding for the Czech Republic. These are, e.g.: National Climate and Energy Plan, State Energy Concept of the Czech Republic, Climate protection policy in the Czech Republic, Long-term renovation strategy (to support renovation of national housing stock and other than residential buildings), National Action Plan for Clean Mobility, National Action Plan for Smart Grids, National Action Plan for Adaptation to Climate Change, National Emission Reduction Program of the Czech Republic. The coherence and interconnections with these conceptual and strategic documents, policies and action plans, covers not only the identification of specific areas of support, eligible measures and beneficiaries, but also the amount of investments needed for individual areas of support and their relative importance for the sustainable development of the Czech Republic.

The **program implementation documents** mentioned above describe specific conditions and forms of support provided from areas (as e.g. Renewable Energy Sources, Transport, Heating, Industry, etc.) that are intended to be financed from the funds of the Modernization Fund, set under the General programming

document approved by the government of the Czech Republic in January 2021. Projects are submitted within the programs for EIB approval individually or, if it is effective, through a scheme within the meaning of Art. 2 point 5 of the Modernization Fund Regulation.

Up to now, the SEF CR has announced **6 calls for the submission of applications** for support from the implementation programs mentioned in the titles of the schemes presented in this annual report. 4 of them cover the schemes in question, 2 were launched for above-limit projects, i.e. projects above GBER threshold.

SEF CR, as the managing authority of the Modernization Fund in the Czech Republic, informs and regularly publishes information related to the current state of preparation of implementing programs, their implementation and subsequently supported investments on its [website](#). On the website, the goals and principles of the implementation of the Modernization Fund in the Czech Republic are also presented. Moreover, the site is used to provide information on the forms and methods of support, conditions of acquiring it and the estimated timetable of calls. Announced calls from the Modernization Fund are published there as well. Most of the information is published and regularly updated through social networks managed by the SEF CR.

<b>2. Information on each investment</b>				
	<i>Scheme on PV plants up to 1 MW [MF 2021-1 CZ 0-001]</i>	<i>Scheme on PV plants above 1 MW [MF 2021-1 CZ 0-002]</i>	<i>Scheme on HEAT incl. HE CHP &amp; RES in heating [MF 2021-2 CZ 0-001]</i>	<i>Scheme on ENER G ETS incl. HE CHP &amp; RES in EU ETS industry [MF 2021-2 CZ 0-002]</i>
<i>2.1. total investment triggered (total investment costs) [mil. EUR w/o VAT]</i>	549	3,143	543	185
<i>2.2. dates and amounts of payments from the Modernisation Fund to the project proponent or the scheme managing authority</i>	06/08/2021 39,000,000 EUR  13/12/2021 58,000,000 EUR	06/08/2021  163,000,000 EUR	13/12/2021 30,000,000 EUR	13/12/2021 30,000,000 EUR
<i>2.3. amounts received from the Modernisation Fund by the beneficiary Member State but not yet paid to the project proponent</i>	0	0	0	0

<i>or the scheme managing authority<sup>1</sup> [mil. EUR]</i>				
<i>2.4. any amounts recovered by the beneficiary Member State from the project proponent or the scheme managing authority, and the dates of recovery [mil. EUR]</i>	0	0	0	0
<i>2.5. an assessment of the added value of the investment in terms of energy efficiency and modernisation of the energy system, including information on the following:</i>				
<i>(a) the energy saved in GWh/year – projected scenario:</i>	452	2,959	1,444	794
<b>at the time of the report<sup>2</sup>:</b>	0	0	0	0
<i>(b) expected cumulative GWh saved by the end of the investment lifetime – projected scenario:</i>	4,522	29,588	14,438	7,937
<b>at the time of the report:</b>	0	0	0	0
<i>(c) the greenhouse gas emissions saved in ktCO<sub>2</sub>/yea r– projected scenario:</i>	389	2,545	1,974	1,012
<b>at the time of the report:</b>	0	0	0	0
<i>(d) expected cumulative ktCO<sub>2</sub> saved by the end of the investment lifetime – projected scenario:</i>	3,888	25,445	19,738	10,124
<b>at the time of the report:</b>	0	0	0	0
<i>(e) the additional renewable energy capacity installed, if applicable [MW<sub>e</sub>, MW<sub>t</sub>] – projected scenario:</i>	452 MW <sub>e</sub>	2,959 MW <sub>e</sub>	265 MW <sub>e</sub> 945 MW <sub>t</sub>	99 MW <sub>e</sub> 315 MW <sub>t</sub>
<b>at the time of the report:</b>	0	0	0	0

<sup>1</sup> The funds are disbursed from the EIB directly to the account of SEF acting as managing authority.

<sup>2</sup> According to SEF methodology, the project contributions are reported only after the project's successful completion. No project has been fully completed yet.

(f) <i>achieved leverage of funds (total amount invested in relation to the contribution from the Modernisation Fund) – projected scenario:</i>	2.9×	2.9×	2.2×	2.2×
<b><i>at the time of the report:</i></b>	0	0	0	0

2.6. *when the investment aims at implementation of a territorial just transition plan, information about the expected contribution of the investment to that plan*

The proposed schemes are closely coordinated with preparations of the national Just Transition Plan (JTP), managed in the framework of the Operational programme Just Transition (financed from the Just Transition Fund) by the Ministry of the Environment of the Czech Republic in cooperation with SEF as an operator and projects administrator. The Czech JTP focuses on three coal regions (NUTS 3 Karlovarský, Moravskoslezský and Ústecký regions). Coal regions have **spacious areas affected by mining** (more than 70% of these areas are located in coal regions). The most affected is the Ústecký region with large surface lignite mines. The transition of an energy sector is/will be an integral part of regional plans and JTP. Both Modernisation fund and Just Transition Fund will provide financial support to this objective, and clear demarcation is set:

- **Modernisation fund** focuses (as e.g. in these schemes) on GHG reduction and modernisation of energy systems together with generation of electricity from RES and in the case of the ENER ETS scheme also energy efficiency;
- **Just Transition Fund** addresses the impacts of the transition – it will support companies creating green jobs or employees coming from the coal industry, and it will help to recover land needed for new investments into renewable sources.

### 3. Additional information about investments other than schemes

3.1. *Milestones achieved since the previous annual report*

3.2. *Expected entry into operation*

N/A

3.3. *Identified or expected delays in implementation*

This section only applies to projects, and not to schemes

3.4. *Identified or expected changes in eligible costs, technology applied or results of an investment*

### 4. Additional information about non-priority investment

4.1. *Confirmation of co-financing from private sources*

N/A  
This section only applies to projects, and not to schemes