
MODERNISATION FUND

Accelerating the transition to climate neutrality

ROMANIA

MINISTRY OF ENERGY

**ANNUAL REPORT ON INVESTMENTS
FINANCED FROM THE MODERNISATION FUND
FOR 2021**

April 2022

1. INTRODUCTION

The Modernisation Fund is a financing program established for the period from 2021 to 2030 by Article 10d of *Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC*, which aims to support the investments in the modernisation of energy systems, improve energy efficiency and transition in coal-dependent regions in Member States with GDP per capita at market prices below 60% of the EU average (10 states).

Recognized as one of the key financing instruments contributing to the objectives of the European Green Deal, the Modernisation Fund is made up of the revenues obtained by auctioning on the market of 2% of the total quantity of greenhouse gas (GHG) emission allowances at EU level, for the period 2021-2030, Romania having allocated 11.98%.

At the same time, the Directive 2003/87/EC provides for the possibility that the beneficiary Member States of the MF may transfer all or part of the allocation granted free of charge under Article 10c, as well as the possibility of transferring all or part of the amount of allowances from the Solidarity Fund provided for in Article 10 para. (2) point. b) of the Directive. Romania has used this possibility of transfer and thus, the total number of certificates allocated to Romania in the MF is 200,766,069.

2. LEGAL AND INSTITUTIONAL FRAMEWORK INCIDENT

Taking into consideration the provisions of:

- *Government Emergency Ordinance no. 212/2020 on the establishment of some measures at the level of the central public administration and for the amendment and completion of some normative acts*, with subsequent amendments;
- *Government Decision no. 780/2006 on the establishment of the greenhouse gas emission allowance trading scheme*, with subsequent amendments and completions;
- *Government Decision nr. 316/2021 on the organization and functioning of the Ministry of Energy*, with subsequent amendments and completions,

The Ministry of Energy is the national authority for the implementation and management of the Modernisation Fund provided for in 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.

The Annual Report of Romania on the investments financed from the Modernisation Fund was drawn up in accordance with the provisions of Article 13 para. (1) of 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 modernize the energy systems and to improve energy efficiency of certain Member States.

3. INVESTMENT PROJECTS SUBMITTED FOR EVALUATION IN 2021 TO THE EUROPEAN INVESTMENT BANK AND INVESTMENT COMMITTEE

In 2021, pursuant to Article 4(1) of the Implementing Regulation and considering the constraints in terms of projects maturity and state aid clearance requirements, Romania submitted to the European Investment Bank (EIB) and the Investment Committee (IC) for assessment in the second biannual cycle, 9 proposals for investment projects, of which, one project in the field of energy network modernization proposed by CNTEE Transelectrica S.A. and 8 projects (submitted for preliminary assessment) in the field of electricity production from renewable sources proposed by Complexul Energetic Oltenia S.A., both areas being considered as priorities in accordance with the provisions of Art. 10d(2) of Directive 2003/87/EC.

No.	Title of the project	Project proponent	Total value of the investment excluding VAT (Euro)	Requested amount from MF (Euro)
1.	Building a new 400 kV OHL double circuit Constanța Nord – Medgidia Sud (one circuit equipped)	CNTEE Transelectrica S.A.	22.992.330,00	22.992.330,00
2.	Construction of a Photovoltaic Park on the Waste Pile Bohorelu – Jilt Open Pit Mining Unit	Complexul Energetic Oltenia S.A.	18.476.771,240	12.933.740,00
3.	Construction of a Photovoltaic Park on the Waste Pile Pinoasa Open Pit Mining Unit	Complexul Energetic Oltenia S.A.	68.431.830,490	47.902.281,00
4.	Construction of a photovoltaic park on the waste pile Rovinari East Open Pit Mining Unit	Complexul Energetic Oltenia S.A.	104.090.452,270	72.863.317,00
5.	Construction of a Photovoltaic Park on the ash and slag closed deposits of SE Isalnița	Complexul Energetic Oltenia S.A.	76.331.437,790	53.432.006,00

No.	Title of the project	Project proponent	Total value of the investment excluding VAT (Euro)	Requested amount from MF (Euro)
6.	Construction of a Photovoltaic Park on the ash and slag closed deposits of SE Rovinari	Complexul Energetic Oltenia S.A.	73.125.623,480	51.187.936,00
7.	Construction of a Photovoltaic Park on the ash and slag closed deposits of SE Turceni	Complexul Energetic Oltenia S.A.	100.582.366,430	70.407.657,00
8.	Construction of a Photovoltaic Park on the Inner Waste Pile within Tismana 1 - Rosia-Rovinari Open Pit Mining Unit	Complexul Energetic Oltenia S.A.	114.406.488,62	80.084.542,00
9.	Construction of a Photovoltaic Park on the Inner Waste Pile within the Tismana 2 - Roşia – Rovinari Open Pit Mining Unit	Complexul Energetic Oltenia S.A.	115.357.809,74	80.750.467,00
TOTAL			693.795.110,06	492.554.276,00

4. OVERVIEW OF INVESTMENTS FINANCED FROM THE MF

4.1. Number of investments financed from the Modernisation Fund to date

As a result of the evaluation of the priority investment proposals submitted by Romania for financing from the budget allocated to Romania from the Modernisation Fund, on 12 October 2021 the EIB confirmed as a priority investment the project proposed by CNTEE Transelectrica S.A. – *Building a new 400 kV OHL double circuit Constanța Nord – Medgidia Sud (one circuit equipped)*. The total value of the investment (with VAT) is 27,360,872 Euro, and the amount requested for financing from the Modernisation Fund is 22,992,330 Euro.

4.2. Number of on-going, completed and discontinued investments

- Number of on-going investments: 1
- Number of completed investments: 0
- Number of discontinued investments: 0

4.3. Overall ratio of the financing provided to priority investment against non-priority investment

Given that in 2021 a single project was confirmed as a priority investment and no non-priority projects were submitted to the EIB/CI for evaluation, the overall ratio between the financing granted to priority investments and the financing granted to non-priority investments is: 100/0.

5. INFORMATION ON INVESTMENTS FINANCED FROM THE MODERNISATION FUND

In the first year of operationalization of the Modernisation Fund, the following investment project was confirmed by the European Investment Bank as a priority investment:

MF reference number	Name of the investment	Type of investment	Date of confirmation by the EIB	Project proponent	Amount of financing from MF (euro)
MF 2021-2 EN 0-009	New 400 kV OHL double circuit Constanța Nord – Medgidia Sud (one circuit equipped)	Priority	12.10.2021	CNTEE Transelectrica SA	22.992.330,00
Total investment costs (with and without VAT)			EUR 27,360,872.70 (with VAT) and EUR 22,992,330.00 (excluding VAT)		
Dates and amounts of payments from the Modernisation Fund to the proponent of the project			EUR 0		
Amounts received by Romania from the Modernisation Fund, but which have not yet paid to the project proponent			EUR 22,992,330.00		
Amounts recovered by Romania from the project proponent			n/a		
Assessment of the added value of the investments financed from the MF in terms of energy efficiency and modernisation of the energy system					
Indicator:		Projected	At the time of the report (31 Dec 2021)		
(a) The energy saved, in MWh		1,020 MWh per year	0		

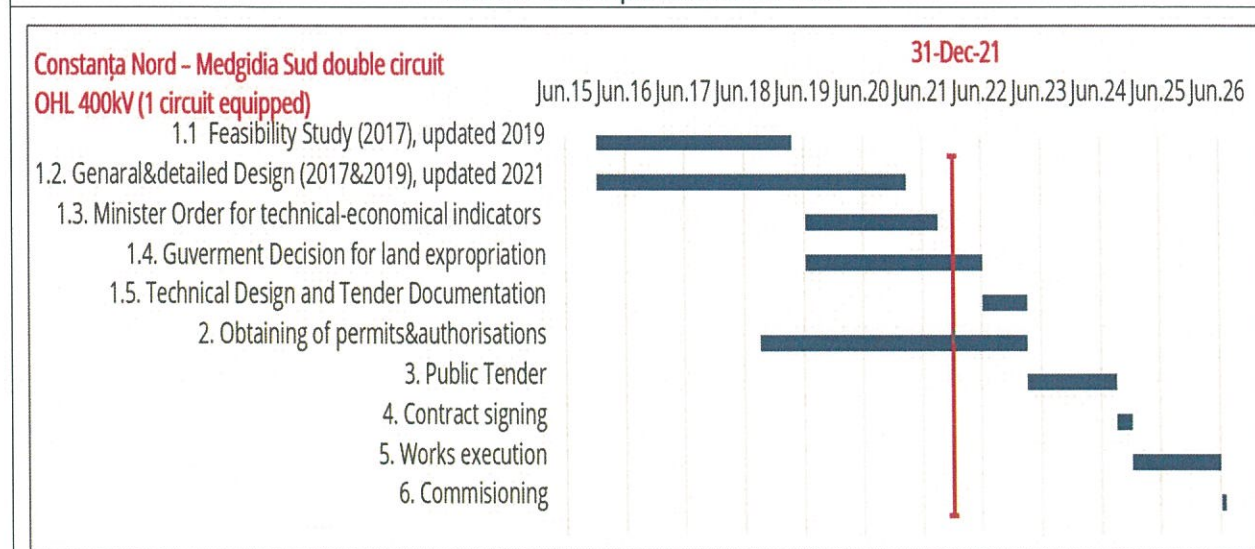
(b) Expected cumulative MWh saved by the end of the investment lifetime	1,020 MWh per year x 48 years = 48,960 MWh	0
(c) The greenhouse gas emissions saved in tCO ₂	16,212 tonnes per year	0
(d) Expected cumulative tCO ₂ saved by the end of the life of the investment lifetime	16,212 tonnes per year x 48 years = 778,176 tonnes	0
(e) The additional renewable energy capacity installed, if applicable	n/a	n/a
(f) Achieved leverage of funds (total amount invested in relation to the contribution from the Modernisation Fund)		0

6. ADDITIONAL INFORMATION ABOUT INVESTMENTS

New 400 kV OHL double circuit Constanța Nord – Medgidia Sud (one circuit equipped)

Intermediate steps taken since the previous annual report	<ul style="list-style-type: none"> The draft Government Decision approving the expropriation of land is on the inter-ministerial approval circuit and will be submitted to the Government for approval Technical design partially under evaluation
Expected entry into operation (see Investment Implementation Plan)	July 2026
Identified or expected delays in implementation	No delays have been identified
Identified or expected changes in the eligible costs, applied technology or results of an investment	n/a

Investment Implementation Plan



1.1 Feasibility study (2017), updated 2019	Jan.16	Apr.19	40
1.2. General & detailed design (2017&2019), updated 2021	Jan.16	Mar.21	63
1.3. Order of minister for technical and economic indicators	Jul.19	Sept.21	27
1.4. Government decision on land expropriation	Jul.19	Jun.22	36
1.5. Technical design and award documentation	Jun.22	Mar.23	9
2. Obtaining authorizations and approvals	Oct.18	Mar.23	55
3. Public auction	Mar.23	Sept.24	18
4. Signing the contract	Oct.24	Dec.24	3
5. Execution of works	Jan.25	Jun.26	18
6. Commissioning	Jul.26	Jul.26	1

7. CONCLUSIONS

At the end of the first year of operation of the Modernisation Fund, Romania is among the beneficiary Member State that have accessed the funds made available through this financing mechanism to support the modernisation of the energy system in accordance with article 10d of *the 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*.

In addition, regarding the operation of the Modernisation Fund, Romania, through the Ministry of Energy, envisages the finalization of the general institutional and financial framework applicable to the financing provided by the Modernisation Fund. At the same time, it will monitor the investments financed from MF, it will take the steps to submit to the EIB and the Investment Committee of new proposals for investment projects in order to benefit of financing from the funds allocated to Romania through this mechanism, in order to achieve the national targets established for 2030 by the National Integrated Energy and Climate Change Plan 2021-2030, approved by H.G. nr. 1.076/2021, to develop a robust, sustainable and resilient energy infrastructure with low CO2 emissions and to improve energy efficiency.