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MODERNISATION FUND
Accelerating the transition to climate neutrality



MODERNISATION FUND **EIB CONFIRMATION OF PRIORITY INVESTMENT**

ref. MF 2023-1 CZ 0-005

Beneficiary Member State: Czech Republic

Investment Proposal: Energy-efficiency and savings in modernisation and development of pipelines in the district heating and cooling (DHC), priority investment of the Programme “HEAT” (Modernization of thermal energy supply systems)

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 (the “ETS Directive”).

The legal basis for the operation of the Modernisation Fund is set out 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 (the “Implementing Regulation”).

In accordance with Article 10d(6) of the ETS Directive, the European Investment Bank (the “EIB”) is to confirm whether a proposed investment falls into a priority area. The EIB may confirm the proposal as a priority investment if the conditions specified in Article 6(7) of the Implementing Regulation are met.

2. Investment proposal

Pursuant to Article 4(1) of the Implementing Regulation, on 16/02/2023 Czech Republic (the “beneficiary Member State”) submitted to the EIB an investment proposal “Energy-efficiency and savings in modernisation and development of pipelines in the district heating and cooling (DHC), priority investment of the Programme “HEAT” (Modernization of thermal energy supply systems)” for which it

envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2023-1 CZ 0-005).

The investment proposal concerns a scheme for the period 2023-2039 relating to the modernisation, reconstruction, digitalisation and extension of the District Heating networks. After the implementation of the project, each modernised DH system will meet the requirements for energy-efficient district heating and cooling system according to Directive 2012/27/EU.

The beneficiary Member State has requested funding of EUR 100 000 000 for a disbursement under the proposed scheme.

The beneficiary Member State has indicated an expected Modernisation Fund funding for the investment proposal of EUR 350 000 000.

The purpose of this scheme is to increase energy efficiency and to reduce greenhouse gases emissions primarily through modernisation of District Heating grids, and to prepare the DH networks for implementation of the heat and chill from renewable sources.

Energy-efficient heat supply systems are mentioned as priority in the objectives and measures for Heating sector of the National Energy and Climate Plan (NECP) for Czech Republic aiming at supporting the modernization of thermal energy supply systems as well as contributing to the integration of renewable energy sources.

3. Compliance with the conditions for priority investment

- a) The beneficiary Member State has demonstrated that the investment complies with the requirements laid down in Article 10d(1) of the ETS Directive as it supports the modernisation of the energy systems and it is in line with the objectives and measures set out in its NECP.
- b) According to the information provided by the beneficiary Member State and pursuant to Article 10d(2) Directive 2003/87/EC, the investment is considered as a priority investment as it falls under the priority areas “the improvement of energy efficiency” and “modernisation of energy networks”.
- c) The beneficiary Member State has sufficient funds available for the requested disbursement 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.
- d) The beneficiary Member State has provided evidence that the measures under the investment proposal:
 - a. are exempted from the State aid notification in accordance with Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in

application of Articles 107 and 108 of the Treaty on the Functioning of the European Union.

- e) The beneficiary Member State has confirmed in writing that the investment complies with any other applicable requirements of Union and national law.
- f) According to the information provided by the beneficiary Member State, 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. Conclusions

The EIB has assessed the investment proposal based on the information submitted by the beneficiary Member State in accordance with Article 4 and Annex 1 of the Implementing Regulation and it has concluded that the investment proposal has met the conditions specified in Article 6(7) of the Implementing Regulation.

In view of the above, and in reliance on the information and evidence provided and the confirmations given by the beneficiary Member State as described at paragraph 3 above, the EIB confirms the proposal “Energy-efficiency and savings in modernisation and development of pipelines in the district heating and cooling (DHC), priority investment of the Programme “HEAT” (Modernization of thermal energy supply systems)” (Modernisation Fund reference number MF 2023-1 CZ 0-005) as a priority investment.

This confirmation, being based in part upon an exemption from State aid notification that is limited in time, is made on the assumption that the investment proposal, if it constitutes State aid after the expiry of such time limit, will continue to be exempted from State aid notification or that the beneficiary Member State will either obtain State aid clearance or cease to finance the investment proposal with Modernisation Fund funds at that time. As implied by Article 6(8) of the Implementing Regulation, the beneficiary Member State, when submitting a proposal concerning a subsequent disbursement for the scheme, may propose changes to the scheme for re-assessment.

This confirmation is without prejudice to the requirement for a disbursement decision to be made pursuant to Article 10d(3) of the ETS Directive.

European Investment Bank
Luxembourg, 15th March 2023