

**MODERNISATION FUND**  
Accelerating the transition to climate neutrality

# **IC Recommendation on Non-Priority Proposal**

**MF 2023-1 RO 1-001 - Gas Transmission Pipeline Black Sea-Podisor**



## **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 14/01/2023, Romania (the "beneficiary Member State") submitted to the EIB the investment proposal "" Gas Transmission Pipeline Black Sea-Podisor" for which it envisages a contribution from the MF (MF reference number 2023-1 RO 1-001).

The proposal is a construction of 308.1 km natural gas transmission pipeline with maximum capacity of 12 bcm/year from the Black Sea gas take-off point to the connection to the BRUA (Bulgaria-Romania-Hungary-Austria) pipeline in Podisor.

The objectives of the proposal can be summarised as follows:

- Creation of the necessary infrastructure to enable supply gas to natural gas power plants (Isalnita, Turceni, Mintia).
- Contribute to the energy efficiency improvement goal with a primary energy savings.
- Upgrade the National Transmission System (NTS) by creating the conditions to transport the natural gas - hydrogen mix to reduce greenhouse gas emissions.
- Increase the security of natural gas supply, facilitate cross-border exchanges with the Republic of Moldova, Ukraine, Bulgaria and Hungary.

- Secure natural gas flows to facilitate the processing of rare earth deposits in the South-West and West of Romania under conditions of increased efficiency.

The investment beneficiary is the National Gas Transmission Company TRANSGAZ S.A.

The proposed investment would facilitate the supply of required gas volumes to CCGT plants mentioned in the National Energy and Climate Plan 2021-2030 (NECP), namely: Isalnita, Turceni and Mintia, which will replace electricity generated the lignite-based units.

The assessment concludes that power generated in CCGTs in Turceni, Isalnita and Mintia would contribute to enabling the replacement of the power generated in coal fired plants and therefore should enable GHG emission reductions.

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

- a) Romania has demonstrated that the investment complies with the requirements laid down in Article 10d(1) of the ETS Directive.
- b) Romania 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 Romania, as defined in Article 7(7)(c) of the Implementing Regulation.
- d) Romania 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) Romania 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) Romania has confirmed in writing that the investment complies with any other applicable requirements of Union and national law.
- g) Romania 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 “Gas Transmission Pipeline Black Sea-Podisor” to the amount of EUR 85 544 422 from the Modernisation Fund.

#### **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, and assessment of expected emission reductions and transmitted it to the Investment Committee, as required by Article 7 (2)-(6) of the Implementing Regulation.
- c) The representative of the European Investment Bank has endorsed financing the investment proposal for an amount up to “EUR 85 544 422” from the Modernisation Fund.
- d) Taking into consideration the project’s objectives and the scope of the investment, the IC endorses a financing of the Investment Proposal “Gas Transmission Pipeline Black Sea - Podisor” in respect of the gas transmission capacity that corresponds to the amount of gas that can be reasonably estimated to replace coal-fired electricity generation.

#### **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, 30 March 2023