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MODERNISATION FUND
Accelerating the transition to climate neutrality



MODERNISATION FUND **EIB CONFIRMATION OF PRIORITY INVESTMENT**

ref. MF 2023-1 BG 0-004

Beneficiary Member State: Bulgaria

Investment Proposal: Modernisation, digital transformation and development of the information systems and physical infrastructure of the electricity distribution grid in South-Eastern Bulgaria to enable smart grids for accelerated electrification of transport, storage deployment, decarbonisation and decentralisation of energy consumption and production in distribution grids

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 Bulgaria (the “beneficiary Member State”) submitted to the EIB an investment proposal “Modernisation, digital transformation and development of the information systems and physical infrastructure of the electricity distribution grid in South-Eastern Bulgaria

to enable smart grids for accelerated electrification of transport, storage deployment, decarbonisation and decentralisation of energy consumption and production in distribution grids” for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2023-1 BG 0-004).

The investment proposal targeting the modernisation and digitalisation of the electricity distribution grid in South-Central and South-East Bulgaria.

The main objective of the project is to achieve greater energy efficiency and reduction of losses by modernising the electricity distribution network in order to improve grid stability and quality of power supply as well as to support the integration of renewable energy.

The beneficiary Member State has requested funding of EUR 127 573 716 for a disbursement under the proposed project.

The project aims at the modernisation of the electricity distribution system by replacement of 1 550 LV/MV grid transformers and the upgrade of 200 switchgears in medium and low voltage electrical transformer stations. An additional project element is the construction and replacement of 300 km of cable lines.

The modernisation of the electricity distribution system is included in the objectives and measures of the National Energy and Climate Plan (NECP) for Bulgaria aiming at supporting the extensive use of smart networks and 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 system 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 area “the 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. do not constitute State aid within the meaning of Article 107(1) 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 “Modernisation, digital transformation and development of the information systems and physical infrastructure of the electricity distribution grid in South-Eastern Bulgaria to enable smart grids for accelerated electrification of transport, storage deployment, decarbonisation and decentralisation of energy consumption and production in distribution grids” (Modernisation Fund reference number MF 2023-1 BG 0-004) as a priority investment.

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