

MODERNISATION FUND

Accelerating the transition to climate neutrality

IC Recommendation on Non-Priority Proposal

MF 2024-1 RO 1-001 - Increasing the transmission capacity of SNT and the security of natural gas supply of the Işalnița Electrocentrale Branch (Dolj county) and the Turceni Electrocentrale Branch (Gorj county)



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 and revised on 1 January 2024 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 17/01/2024, Romania (the "beneficiary Member State") submitted to the EIB the investment proposal "Increasing the transmission capacity of SNT and the security of natural gas supply of the Işalnița Electrocentrale Branch (Dolj county) and the Turceni Electrocentrale Branch (Gorj county)" for which it envisages a contribution from the MF (reference number MF 2024-1 RO 1-001).

The project foresees construction of two sections of DN 500 pipeline with total length of 38.6 km.

The main objective(s) of the proposal can be summarised as follows:

- To contribute to reduction of GHG emissions by supplying gas to new gas-fired electricity generation capacities, namely CCGT Isalnita and CCGT Turceni.

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

The proposed investment would facilitate the supply of required gas volumes to the new CCGT Isalnita and CCGT Turceni power plants mentioned in the National Energy and Climate Plan 2021-2030 (NECP), which will contribute to replacing electricity generated in coal-fired units.

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

The Investment Committee recommends only partial financing of the Investment Proposal of up to EUR 8 464 480 (from the original requested funding of EUR 14 755 604). This funding amount is derived by considering:

- the quantity of gas transported in the pipeline that could reasonably be estimated to replace an equivalent amount coal-fired electricity generation, using CCGT technology, as a proportion of the gas transmission capacity of the pipeline and
- that the investment support is limited to 26 km Hurezani-Turburea section, because the Tantareni-Turceni section was already supported under the investment relating to the construction of CCGTs in [Isalnita](#) and [Turceni](#).

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 Directive 2003/87/EC;
- b) Romania has sufficient funds available in the relevant category or subcategory of funds according to the statement of the available funds referred to in Article 5(1) and after deduction of any amounts to be disbursed according to information specified in Article 6(10) and on the basis of the recommendations already issued in accordance with paragraph 9 of this Article;
- c) The European Investment Bank confirmed that the share of the funds allocated to priority investments is at least 80% of the revenue from allowances referred to in Article 10(1), third subparagraph, and from allowances transferred to the Modernisation Fund under Article 10d(4) of Directive 2003/87/EC used by Romania;
- d) The financing complies with the fourth sentence of the second sub-paragraph of Article 10d(6) of Directive 2003/87/EC;
- 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) According to the information provided by the beneficiary Member State, and as assessed by the EIB, about contributions from other Union and national instruments, as the amounts, requested from the Modernisation Fund don't exceed EUR 8 464 480 they 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 “Increasing the transmission capacity of SNT and the security of natural gas supply of the Işalnița Electrocentrale Branch (Dolj county) and the Turceni Electrocentrale Branch (Gorj county)” to the amount of EUR 8 464 480 (from the original requested funding of EUR 14 755 604) 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 up to EUR 8 464 480 (from the original requested funding of EUR 14 755 604) 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 in respect of the Hurezani – Turburea section and 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, 27 March 2024