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**MODERNISATION FUND**

Accelerating the transition to climate neutrality

## **MODERNISATION FUND** **EIB CONFIRMATION OF PRIORITY INVESTMENT**

ref. MF 2024-2 CZ 0-001

*Beneficiary Member State: Czech Republic*

*Investment Proposal: Renewal of the heat and power plant Teplárna*

### **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 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 09/07/2024 Czech Republic (the “beneficiary Member State”) submitted to the EIB an investment proposal “Renewal of the heat and power plant Teplárna” for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2024-2 CZ 0-001).

The investment proposal concerns a project for the period of 2025-2030 relating to the replacement of heat and electricity generated in lignite-fired boilers by energy generated in highly efficient CHP in Teplárna Power Plant in Pilsen.

The investment concerns:

- a) modification of the existing K6 boiler to increase, up to 100%, the amount of utilised biomass;
- b) modification of existing TG2 turbine;
- c) replacement of coal-fired boilers K4 and K5 with gas turbine and heat recovery steam generator.

The beneficiary Member State has requested funding of EUR 50 430 329 under the proposed project.

The main objective of the investment is to reduce the overall energy use and to improve energy efficiency in heat and electricity generation sector and to shift the energy generation based on lignite and RDF to biomass and natural gas HE CHP's in order to support the decarbonisation of energy generation in Pilsen.

The project is aligned with the objectives of the National Energy and Climate Plan (NECP) of Czech Republic which comprises measures to increase the share of heat generated in highly efficient cogeneration plants in the heating sector as well as with the National long-term strategy of Czech Republic in terms of increasing energy efficiency in heating and cooling sector.

### **3. Compliance with the conditions for a 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 energy systems, improves energy efficiency and results in greenhouse gas reduction.
- 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 c) the reduction of overall energy use through energy efficiency".
- c) The beneficiary Member State has sufficient funds available from the auctioning of allowances covered by a notification pursuant to Article 10d(4) of Directive 2003/87/EC 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:
  - obtained State aid clearance in accordance with the Commission decision.

- 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 “Renewal of the heat and power plant Teplárna” (Modernisation Fund reference number MF 2024-2 CZ 0-001) 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, 7<sup>th</sup> October 2024