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MODERNISATION FUND

Accelerating the transition to climate neutrality

MODERNISATION FUND **EIB CONFIRMATION OF PRIORITY INVESTMENT**

ref. MF 2024-2 CZ 0-005

Beneficiary Member State: Czech Republic

Investment Proposal: Renewal of the heat and power plant Energetika

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 Energetika” for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2024-2 CZ 0-005).

The investment proposal concerns a large-scale project for the period 2024-2030 relating to the reduction of overall energy use (by 30.2%) through energy efficiency

by replacement of lignite fired heat and power plant (HPP) with new HPP based on natural gas CHP (CCGT and HRSG) in Energetika Power Plant in Pilsen.

The investment concerns the replacement of the existing heat and power plant (HPP) Energetika (with the output of 140 MWt / 100 MWe) lignite fuelled, by the new HPP highly efficient (CCGT and HSRG) based on natural gas with the output of 83 MWt / 84.2 MWe.

The Beneficiary Member State has requested funding of EUR 5 000 000 for a first disbursement under the proposed large-scale project.

The beneficiary Member State has indicated a total expected Modernisation Fund funding for the investment proposal of EUR 76 994 254.

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 shifts the energy generation based on lignite to natural gas in order to support the decarbonisation of energy generation in Pilsen.

The scheme 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 emission 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 Energetika” (Modernisation Fund reference number MF 2024-2 CZ 0-005) 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, 7th October 2024