

Modernisation Fund & Innovation Fund

Thomas Garabetian, Senior Policy Officer

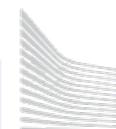
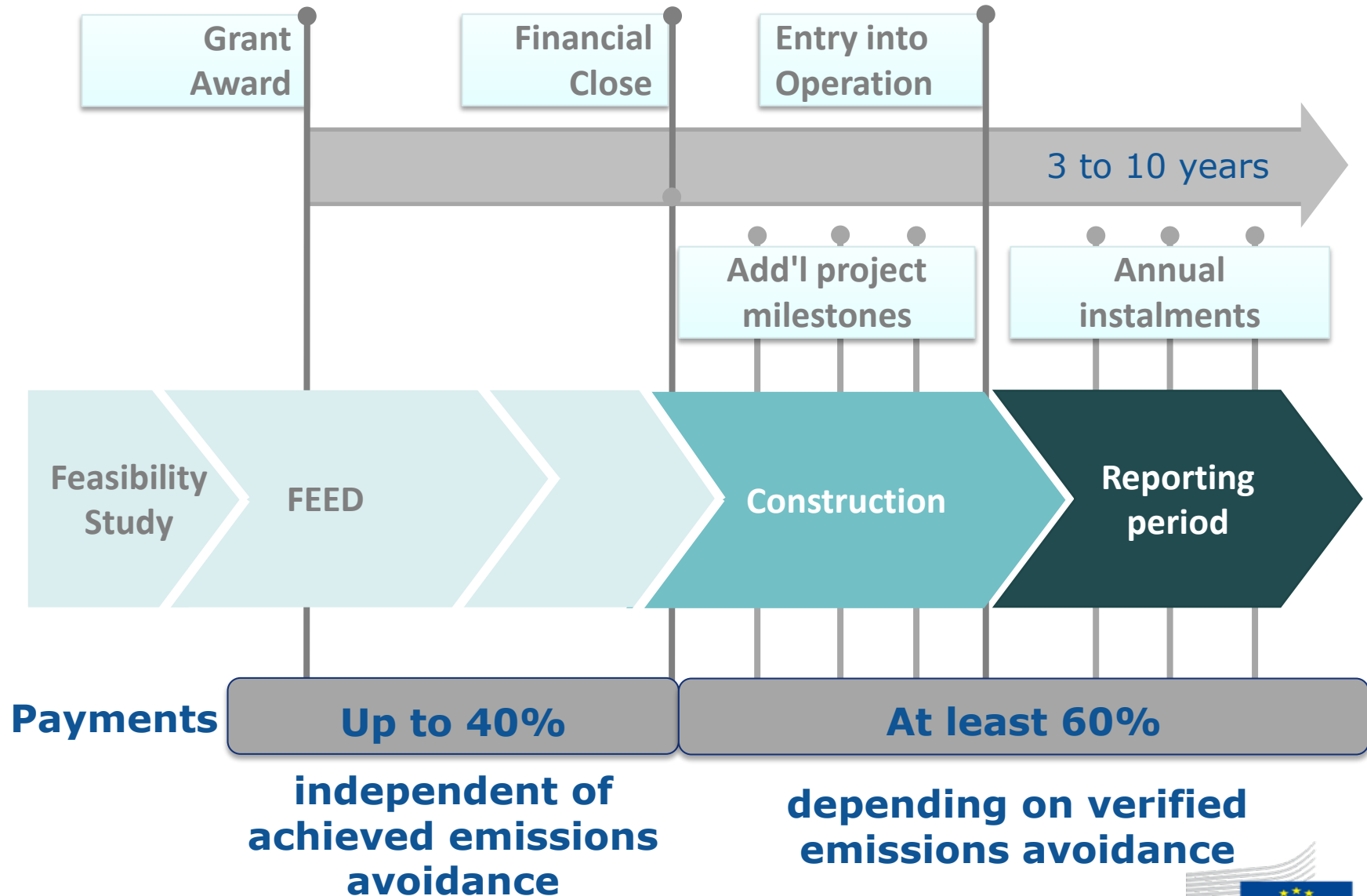


What is the Innovation Fund

- Finances innovative clean energy technology projects
- Around EUR 10 billion (size of the Fund depends on the ETS carbon price)
- Up to 60% of the additional costs
- 1 or 2 calls per year
(1st Call planned June 2020= EUR 1 billion
Only for projects >EUR 7.5 million)
- Projects applying must be in EU ETS countries (Applying companies does not need to be from these countries)

Grant disbursement

Basics



Innovation Fund vs Horizon 2020

| Innovation Fund | | Horizon 2020 |
|--|------------------------------|---|
| Build and operate large-scale industrial assets with breakthrough technologies | Objective | R&I programme |
| Single entity, i.e. international consortia not required | Applicants | At least 3 legal entities from at least 3 Member States |
| Technical, business, and financial viability | Selection criteria | Focus on research & innovation |
| Lump-sum payments upon milestones and performance (verified GHG emissions avoidance) | Disbursement of grant | Upon final report and approval of the eligible costs |

Criteria for project selection

- **GHG emissions savings over the first 10 years of operation**
- **Degree of innovation:** breakthrough technologies, 2050 consistency...
- **Project maturity & due diligence:** how robust is the project development (feasibility study, planning, authorisations, business plans, financing model...)
- **Scalability:** what is the potential of this technology with a focus on GHG emission reduction

Calls

- Large Scale Project Call for Proposals: (Until 29/10/2020)
https://ec.europa.eu/info/funding-tenders/opportunities/docs/2021-2027/innovfund/wp-call/call-fiche_innovfund-lsc-2020-two-stage_en.pdf
- Small scale projects (<7.5 M EUR capital) = available by the end of 2020

Modernisation Fund

- Goes live on 1st January 2021.
- 70% of the funds must be spent on:
 - Generation and use of electricity from renewables;
 - Improvement of energy efficiency (including in transport, buildings, agriculture and waste) except energy generation using fossil fuels;
 - Energy storage;
 - Modernisation of energy networks, including district heating pipelines, grids for electricity transmission, increase of interconnections between EU Member States
 - Just transition in carbon-dependent regions to support the redeployment, re-skilling and up-skilling of workers, job-seeking initiatives and start-ups.

| Member State | Volume of allowances | Size of the fund (€10 EU ETS price) | Size of the fund (€25 EU ETS price) |
|------------------|----------------------|-------------------------------------|-------------------------------------|
| Bulgaria | 18,104 | 181,04 | 452,6 |
| Croatia | 9,734 | 97,34 | 243,35 |
| Czechia | 48,329 | 483,29 | 1208,225 |
| Hungary | 22,072 | 220,72 | 551,8 |
| Estonia | 8,618 | 86,18 | 215,45 |
| Latvia | 4,464 | 44,64 | 111,6 |
| Lithuania | 7,967 | 79,67 | 199,175 |
| Romania | 37,138 | 371,38 | 928,45 |
| Poland | 134,571 | 1345,71 | 3364,275 |
| Slovakia | 19,003 | 190,03 | 475,075 |

MODERNISATION FUND

How does the financing process work?

EU Member State submits the investment proposal

The European Investment Bank confirms priority status

PRIORITY INVESTMENT

NON-PRIORITY INVESTMENT

The European Investment Bank assesses proposal

The Investment Committee votes

The European Commission takes disbursement decision

The European Investment Bank disburses funds

EU Member State implements investment and reports to the European Commission

STATE AID CLEARANCE

Article 10c

- Energy utilities in **Bulgaria, Hungary and Romania** will give free EU ETS allowances in exchange for making investments in their energy systems.
- The agreed investment programme must modernise, diversify and aid a sustainable “transformation of the energy sector” in the Member State.
- Investments **below** €12.5 million: These do not require competitive bidding across the EU.
- Investments **above** €12.5 million require competitive bidding between 2021-2030, which covers:
 - Cost-benefit analysis including the largest reduction in CO2 emissions
 - Do not lead to an increase in energy demand
 - Are the best value for money
 - Do not increase dependency on emission-intensive fossil fuels or electricity generation
 - NOTE - cancelled projects will have their allowance reallocated to new projects from a new round of competitive bidding.

Next Steps

- Engaging/influencing energy ministries to include projects in Modernisation and Article 10c
 - EGEC can provide inputs and coordination
- At the European level, outreach to the permanent representations and the EC for an implementation fit for geothermal energy
 - Definition of the details of the operation of the fund within the EC
- Synergies with other funding programmes:
 - E.g. exploration funding under TEN-E/CEF?
 - Recovery and Resilience Fund?

Takeaways

- Key opportunity for selected countries
- No European bidding process, less precise criteria than Innovation Fund
- Key role of national ministries in directing Modernisation Fund money to projects
- Need for a joint action at the EU and national level to maximise impact for geothermal industry

Thank you!

