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MODERNISATION FUND
Accelerating the transition to climate neutrality

MODERNISATION FUND
EIB CONFIRMATION OF PRIORITY INVESTMENT

ref. MF 2024-1 CZ 0-006

Beneficiary Member State: Czech Republic
Investment Proposal: Reduction of CO2 emissions during heat production

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 14/02/2024 Czech Republic (the "beneficiary Member State") submitted to the EIB an investment proposal "Reduction of CO2 emissions during heat production" for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2024-1 CZ 0-006).

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The project consists of the installation of a new heat source, steam boiler B14, which will be designed for biomass combustion, storage area, steam turbine and connections.

The technical characteristics of the new system are 110 MW of thermal output and 30 MW of electrical output. The fuel biomass will come from the wood form pulp production and from saw mill located adjacent to the Mondi Štětí plant.

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 124 526 841.

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.

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 a) the generation and use of electricity from renewable sources.

c) The beneficiary Member State has sufficient funds generated before 31 December 2027 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:
   - have obtained State aid clearance in accordance with the Commission decision,
   - are exempted from the State aid notification in accordance with the applicable State aid rules.

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.

g) According to the information provided by the beneficiary Member State, the duration of the scheme does not exceed five years.

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 “Reduction of CO2 emissions during heat production” (Modernisation Fund reference number MF 2024-1 CZ 0-006) as a priority proposal.

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, 12th March 2024