Innovation and Modernisation Fund

EMA meeting
21 May 2019

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Vision for a Clean Planet by 2050

Several pathways for a climate neutral Europe, challenging but feasible from technological, economic, environmental and social perspectives.

Different zero GHG pathways lead to different levels of remaining emissions and absorption of GHG emissions.
Innovation Fund

- Renewable energy
- Carbon Capture Use and Storage
- Energy-intensive industries
- Energy storage

Driving low-carbon technologies to the market
Key features of the Innovation Fund

- Volume of at least EUR 10 billion at current carbon prices
- Support of up to 60% of additional costs related to innovative technology
- First call expected for 2020 and regular calls up to 2030
- Financed from the revenues of the EU Emissions Trading System
- Support of additional capital and operating costs (up to 10 years)
- Comprehensive selection criteria and project development assistance
Synergies – Innovation Fund

Research
- Horizon Europe
- Partnerships

Demonstration
- Innovation Fund

Roll-out Infrastructure
- Connecting Europe Facility
- Modernisation Fund
- Cohesion Funding

InvestEU

Member State Funding
Technology and business

Selection criteria

- Greenhouse gas emissions avoidance
- Degree of innovation
- Project maturity
- Scalability
- Cost efficiency
Two-stage selection process

Expression of interest

- (a) GHG emissions avoidance
- (b) Degree of innovation
- (c) Project maturity

Full application

- (a) GHG emissions avoidance
- (b) Degree of innovation
- (c) Project maturity
- (d) Scalability
- (e) Cost efficiency

List of pre-selected projects to be consulted with MS

- Criteria (a) and (b) are met

Award of project development assistance

- Criteria (a), (b), (c) are met

Award of project grants
Support across project life-cycle

- Grant Award
- Financial Close
- Entry into Operation

- Feasibility Study
- FEED
- Construction
- Reporting period

Payments:
- 40%: Up to 40%, non-dependent on verified emissions reductions
- 60%: At least 60%, dependent on verified emissions reductions

3 to 10 years
Timeline – Innovation Fund

Adoption Delegated Regulation
26 February 2019

Preparations for first call

Industry workshops

Public consultation on conditions for first call

First call for proposals
mid-2020

European Commission
Modernisation Fund

- **Art. 10d of ETS Directive**
  - Support for modernisation of energy systems and just transition in 10 beneficiary Member States
  - No solid fossil fuels can be supported, except district heating in BG & RO
  - Size: 2% of total quantity of allowances
  - Additional allowances can be transferred to the MF: Article 10c and Article 10(2)(b) of the ETS Directive.
  - Auctioning of MF allowances will be done on common auction platform and in equal shares for each year (2021 to 2030).

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>BG</td>
<td>5.84%</td>
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<td>CZ</td>
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<td>RO</td>
<td>11.98%</td>
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<td>SK</td>
<td>6.16%</td>
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The ETS Directive determines the general framework for MF operation:

- Definition of **priority areas** and limitations for solid fossil fuel investments
- **Disbursement decision** as a prerogative of the Commission
- Establishment, composition and responsibilities of the **Investment Committee**
- **Role of the EIB** (assessment of projects, member of the Investment Committee, monetisation, execution of payments)
Priority investments as defined in the ETS Directive

- Generation and use of **electricity from renewables**
- Improvement of **energy efficiency** (including in transport, buildings, agriculture and waste) **except** energy generation using **solid fossil fuels**
- **Energy storage**
- Modernisation of **energy networks**, including district heating pipelines, grids for electricity transmission, increase of interconnections between MS
- Just transition in carbon-dependent regions so as to support the **redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups**, in dialogue with the social partners

70% to 100% of Modernisation Fund
Main investment areas highlighted in stakeholder workshops

- *Electricity, heating and cooling from renewable sources* (all Member States)
- **Energy efficiency of buildings** (almost all Member States)
- **Energy storage solutions**, both for RES coupling and grid stability
- Modernisation, digitalisation and interconnections of *grids*
- **Electric mobility**
- **Just transition**
The implementing act

Several aspects to be defined in the implementing act, e.g. along phases of a project lifetime, and other issues, e.g. governance details.
2019 milestones

- Discussion of concept paper in CCC: June 2019
- Deadline for 10c competitive bidding: 30 June 2019
- Deadline for notification of 10c and solidarity transfer: 30 September 2019
- Implementing act submitted to CCC: Nov 2019
2020 - 2021 milestones

- Implementing act adopted: Q1 2020
- Investment Committee constitution: Q1/Q2 2020
- Investment Committee 1st meeting: Q2/Q3 2020
- Entry into operation: Q1 2021