

Monitored indicators are not obligatory but present a contribution for monitoring of project outputs from the point of view of its benefits to national strategic goals.

The mandatory indicators include:

- reduction of primary non-renewable energy consumption in connection with project implementation in MWh per year,
- reduction of CO₂ emissions in connection with project implementation in tonnes of carbon dioxide per year,
- power output of newly implemented RES source in MW (broken down by source type),
- minimum volume of energy produced from RES in MWh per year,
- newly installed usable capacity of accumulation of electricity from RES in MWh.

The monitored indicators include: reduction of particulate matter (PM) emissions from stationary sources, reduction of emissions of suspended PM₁₀ particles from stationary sources, reduction of emissions of suspended PM_{2.5} particles from stationary sources, reduction of sulphur dioxide (SO₂) emissions from stationary sources, reduction of nitrogen oxide (NO_x) emissions from stationary sources, reduction of volatile organic compounds (VOC) emissions from stationary sources, reduction of ammonia (NH₃) emissions from stationary sources.

The project proponents are further required to:

- submit project documentation for a construction permit, emission assessment, and energy audit together with grant application;
- complete the project no later than 3 years from the moment of issuance of the Decision of the Minister of the Environment on the provision of funds from the SEF;
- keep the supported installation without any major changes for at least 10 years after project completion.

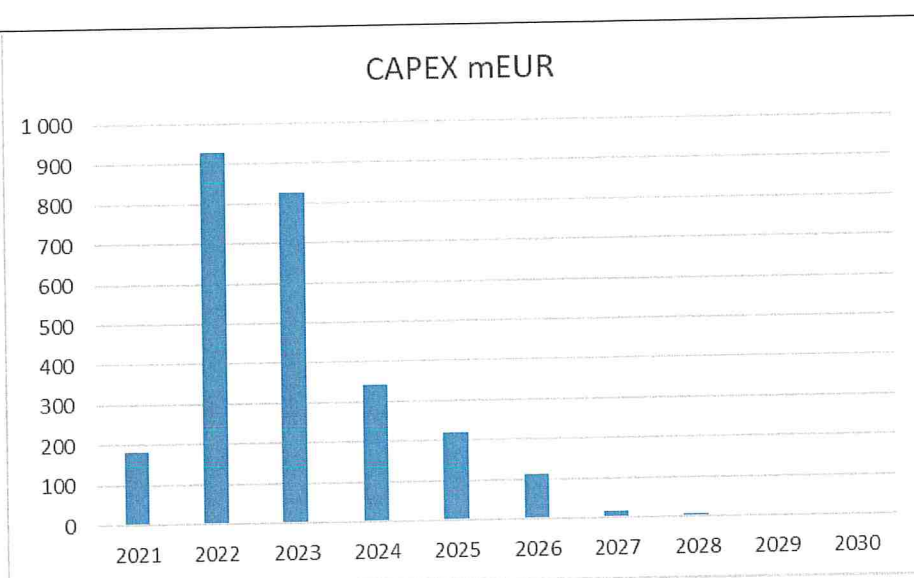
These conditions ensure that projects are in advanced stage of preparation and that the projects have specified time frame during which they must materialize. The preliminary conditions were made available to the project proponents for sake of project intentions registration. The enormous number of projects submitted shows that applicants put forward technologies that are mature and ready for implementation.

4.6. Please indicate direct employment created by the proposed investment (separately for the implementation period, in person x years, and operation period, in number of permanent jobs created).

According to the estimate of the report submitted by ICF, the scheme should have the direct, indirect and induced employment effect of 3,704 (FTE person-years) and the reduction of energy consumption should help to create 1,757 additional jobs, which is 0.66 jobs per unit energy saved/ generated (GWh) by 2030 (as calculated for this scheme's total volume of investments; see Annex C).

4.7. Please provide the investment implementation schedule.

According to the proposals of financing in years contained in projects' intentions submitted in the project intentions registration, the following investment implementation schedule for projects under the scheme can be anticipated:



On the basis of the investment implementation trend presented in the chart, the RES+ scheme implementation schedule for the year 2021 was conceived as follows:

- 1) Launching the 1st call for project proposals: 05/2021
- 2) Start of receiving applications for support: 07/2021
- 3) Submission deadline of applications (under the first call): 05/2022 (*extension possible*)

The call for proposals is continuous. Based on the implementation of the projects supported by this disbursement cycle, subsequent disbursement applications will be submitted to the EIB.

5. Justification for the Modernisation Fund (Articles 6(7)(a), 6(7)(b) and Annex I, point 1.3 of the IR)

5.1. Please provide justification for the Modernisation Fund support, including the confirmation of the compliance of an investment with Article 10d(1) of Directive 2003/87/EC.

Given that this scheme will provide support to renewable power generation, which will lead to significant reduction of GHG emissions, gradual coal phase-out, Just Transition in coal regions, decentralization of power sources as well as better energy efficiency, we are positive that this scheme is fully in line with the aims of the 2003/87/EC Directive, the objectives of the European Union's 2030 climate and energy policy framework, with the objectives of the National Energy and Climate Plan of the Czech Republic as well as the long-term objectives as expressed in the Paris Agreement.

It fully complies with Article 10d(1) in the following aspects: it shall not provide any subsidies to new energy generation facilities that use solid fossil fuels, it will modernise energy systems, including renewable energy and energy efficiency. It also includes the financing of small-scale investment projects.

5.2. Please provide detailed justification why the investment shall be considered as a priority investment under article 10d(2) of the ETS Directive

The article 10d(2) of the ETS Directive states: « At least 70 % of the financial resources from the Modernisation Fund shall be used to support investments in the generation and use of electricity from renewable sources, the improvement of energy efficiency, except energy efficiency relating to energy generation using solid fossil fuels, energy storage and the modernisation of energy networks, ...». Renewable sources of electricity and energy storage are explicitly mentioned in the Art. 10d(2) as well as in the Assessment Guidance Document, Appendix 1, as a priority investment example. Given that no other activities than renewable sources of electricity and energy storage technology will be supported under this scheme, we are positive that this scheme represents priority investment.

6. Costs (Annex I, point 1.4 of the IR)

6.1. Please provide total investment cost by investment category - the following is an example of the types of investment categories expected:

- Planning/design fees
- Land purchase
- Building and construction
- Plant and machinery or equipment
- Publicity
- Supervision

Where it is required by the nature of the project, please provide units costs (i.e. in case of supply contracts, Just Transition measures, etc.) and/or costs of major components / modules.

Based on the analysis of the project intentions registration, we can provide an estimate on the composition of the investment costs. The investment categories are represented by the following shares:

- *Planning/design fees* are eligible only in case of Design & Build (& Operate) mode: **1.6 mEUR**, which corresponds to ca 0.3%.
- *Land purchase* is not eligible under this scheme.
- *Building and construction* as essential eligible costs will account for **more than 532 mEUR**, which corresponds to ca 97% of total costs, it can be divided into:
 - *Supplies* – 483 mEUR, which corresponds to ca 88%;
 - *Building operations*: 33 mEUR, which corresponds to ca 6%;
 - *Services* – 16 mEUR, which corresponds to ca 3%.
- *Publicity is also eligible*, as defined in the [Design manual for projects funded from the Modernisation Fund](#).
- *Supervision* can reach **up to 16 mEUR**, which corresponds to ca 3% of direct realization costs of the project.

The projects will be subject to compliance with the legislation on public procurement and program's Guidelines of the Fund for public procurement (Annex of the Programme Implementation Document, see Annex A).

Investment costs by investment categories will be monitored in particular through mandatory financial indicators of submitted projects.

6.2. Please specify categories and values of the investment costs to be covered by the Modernisation Fund.

General conditions for eligibility of expenditures are the following:

Support may only be granted for eligible expenditure that meets all of the following conditions:

- is in accordance with the legal regulations of the Czech Republic and the EU,
- is in accordance with the program, the relevant call and the issued methodological guidelines,
- is spent in accordance with the 3E Rule (economy, efficiency, effectiveness),
- complies with the terms of the GBER
- is appropriate, i.e. corresponds to the usual prices at the place and time,
- is duly identifiable, provable and verifiable,
- is directly and exclusively connected with the implementation of the project, is created at the time of its implementation, and is part of its budget,
- is eligible if the cost was incurred after the application was submitted.

The basic eligible costs related to the investment include in particular:

1. Direct realization costs: expenditures on construction works, supplies and services directly related to the project, including the investments made. In the case of the Design & Build (& Operate) mode, it is possible to include also expenditures on related project documentation into direct realization expenditures.
2. Activities of professional technical or author's supervision, as well as ensuring occupational health and safety – eligible maximum 3.0% of direct realization costs of the project.
3. Publicity measures: expenditure on publicity measures that were incurred in direct connection with the project and in connection with the requirements for ensuring publicity are eligible; publicity requirements will be set out in the call and in the Graphic Manual for projects financed from the Modernisation Fund (to be completed).
4. VAT: Value added tax can be considered eligible only for recipients who cannot claim a deduction of input value added tax in the sense of relevant national legislation (Act No. 235/2004 Coll. concerning value added tax, as subsequently amended). If the right to a VAT refund arises subsequently, the beneficiary is obliged to return the relevant aid, regardless of whether or not he asserts the right before the financial administration authorities.

Eligible VAT applies only to payments which are considered eligible. If the payment is eligible only partially, then the VAT relating to that payment is eligible from the same aliquot part.

Ineligible expenditures, i.e. expenditures for which support cannot be granted are the following:

- measures that do not correspond to the objectives of the program and the conditions of the relevant call,
- purchase of used equipment,
- expenditures for the processing of project documentation and project activities (with the exception of the Design & Build (& Operate) regime,
- expenditure on the purchase of real estate,
- fees for the withdrawal of land from the agricultural land fund or land intended for the performance of forest functions and for the establishment of easement,
- taxes - VAT (except as state above), direct taxes, gift and inheritance tax, real estate tax, real estate transfer tax, road tax, customs duties,
- expenditure on providing relevant statements,
- induced investments that are not exclusively and directly linked to the purpose of the project,
- loan instalments, interests,

- extra-works above the amount of eligible less-works,
- administrative fees (e.g. notary fees, cadastre deposits, fees for issued building permits, fees for discharging wastewater into surface waters),
- budget reserve,
- payroll and other staff expenses, overheads and operating expenses.

Categories and values of the investment costs to be covered by the Modernisation Fund are described in detail in the cost analysis provided by the Czech Technical University in Prague (CTU, see Annex D). The amount of support for the implementation of the project must always be lower than the aid intensity according to the GBER thresholds (see section 7.3) and must not exceed 50% of the total project expenditure.

6.3. Explain how you have estimated the project budget.

- Please provide the year of the preparation of the project budget.
- Please indicate whether the costs are based on basic/detailed design, or pre/post tendering estimates, or contractual estimate. The most recent cost information should be used.
- If costs are based on finalised public procurement procedures, please provide a list of; finalised procedures, resulting contracts - their scope and price.
- Please provide justification of all investment costs - benchmark construction cost against similar projects (adjusted for differences in cost levels and year of cost estimate). Benchmark design and supervision cost items (as a percentage of overall costs) against 'normally' expected levels for the type of project.
- In case of soft investments targeting Just Transition in carbon-dependent regions: salaries benchmarked against market rates/salary bands.

The preparation of the scheme budget started during the year 2020, when ICF analysed the investment gaps and potential. The consultants concluded that the biggest investment and GHG reduction potential lays in the RES+ programme. Based on these recommendations, the Czech Government approved the General Programme Document in January 2021, which states that 38.7 % of the overall Modernisation Fund revenues available for the Czech Republic shall be used for the RES+ programme.

For the year 2021, only 3 programmes (dealing with: 1) modernization of heat supply systems – Programme HEAT, 2) new renewable sources of energy – Programme RES+, and 3) improving energy efficiency and reducing the emissions of greenhouse gases in industry in EU ETS – Programme ENER ETS) were chosen as having the highest impact out of 9 programmes on energy efficiency and GHG emissions reduction. Therefore the Committee for the Modernisation Fund decided to make use of the 2021 revenues as follows:

Estimated financial sources	
Number of auctions from 1.1.2021 to 25.5.2021	46
EUAs per auction (equal for each)	552 500
EUAs auctioned from 1.1.2021 to 25.5.2021 (total)	25 415 000
EUAs auctioned from 1.1.2021 to 25.5.2021 (CZ MF)	7 631 724
2021 average EUA price EUR/EUA (from 1.1.2021 to 12.4.2021)	39,59
Value of CZ MF share auctioned from 1.1.2021 to 25.5.2021 (EUR)	302 139 940

Source: EEX, EUA Primary Market Auction Report 2021 (cited 12.4.2021): https://www.eex.com/en/market-data/environmental-markets/eua-primary-auction-spot-download	
Required for the first disbursement (priority projects only)	262 000 000
Amount in EUR earmarked for programme HEAT in 2021:	30 000 000
Amount in EUR earmarked for programme RES+ in 2021:	202 000 000
Out of which for PV project up to 1 MW:	39 000 000
Amount in EUR earmarked for programme ENERG ETS in 2021:	30 000 000

The resulting allocation of the scheme is 39 mEUR, which results from app. 15% of the share of PV projects up to 1 MW in the registration of project intentions.

In the preliminary call for project intentions, a total of 8,224 project intentions were accepted for the whole RES+ programme. Data from the preliminary call for project intentions were analysed, ineligible projects were excluded and eligible expenditure assessed. An overview of resulting data is given in the table below; three forms of typical projects are in Annex E (and some other can be provided for further assessment).

Number of project intentions for the RES+ programme	8,224
Number of project intentions for the present scheme	5,599
Total installed capacity	2,194 MWp
Total capacity of energy storage	604 MWh
Total CAPEX	2,662 mEUR
Total support from the Modernisation fund for project intentions in the present scheme	932 mEUR
Renewable energy capacity installed per investment	0.82 MWp/mEUR
Renewable energy capacity installed per support	2.4 MWp/mEUR
Renewable energy production per investment	824 MWh/mEUR
Renewable energy production per support	2,355 MWh/mEUR
GHG reductions per investment	709 t CO _{2eq} /mEUR
GHG reductions per support	2,026 t CO _{2eq} /mEUR

Along with the ICF study and the analysis of submitted project intentions, a special **cost analysis was provided by the Czech Technical University in Prague** (CTU, see Annex D). The SEF designed aid intensity for the scheme on basis of the cost analysis by the CTU. The budget was established in accordance with the interest expressed in project intentions submitted within the preliminary call (see Annex B) and on the basis of aid intensity calculated by the CTU. As a result of these background procedures, the budget of this scheme is considered to be well substantiated.

7. Financing Details (Articles 4(5) and Article 6(7)(e) and Annex I, points 1.5, 1.6, 1.7 of the IR)

7.1. Is investment supported with other EU/National funds/support mechanisms?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
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7.2. If Yes, please provide detail (which funds, measures, support value, type of costs covered and other relevant information)

Please note, that provided information about contributions from other Union and national instruments shall allow to assess whether the amount requested from the Modernisation Fund are intended to cover the same costs of the investment as those financed by another Union or national instrument.

In general, the financing of measures supported by the Modernization Fund from other support instruments is not envisaged. It will be assessed individually and in case of inadmissible concurrence of support, the given project will be excluded from the scheme.

7.3. Please specify a requested amount of the financing from the Modernisation Fund (in EUR), a maximum co-financing rate and a form of financing (grant, loan, etc.).

The estimated amount for this scheme is 192,000,000 EUR in total and 39,000,000 EUR for the first disbursement under this application.

The support to the final beneficiaries will be provided in the form of ex-post grants, based on pre-determined unit subsidy not exceeding the aid intensity according to GBER.

Projects will be submitted and evaluated on an ongoing basis as part of non-competitive calls. Unit subsidies will be used to determine the maximum amount of support. The total maximum amount of support is calculated as follows:

maximum amount of support = $P_{inst} \times \text{unit subsidy}$ (where P_{inst} is the installed capacity of the project in kWp and unit subsidy is specified for each individual category of PV plants; i.e.: ground mounted PV power plants, PV power plants on building envelopes, floating PV power plants, agrophotovoltaics).

The unit subsidy determined in the Programme (according to CTU study, see Annex D) are set as maximal and recent development in each technology and its economic conditions should be taken into account. The unit subsidy is below the GBER threshold of eligible investment costs. Maximal eligible investment costs are calculated as the total investment costs minus the counterfactual investment. Counterfactual investment costs are determined by the CTU study (see Annex D).

These unit subsidies have been set to take into account the maximum aid intensity under the conditions of public support and the deduction of counterfactual investment. Among the rules for selection of projects for support and the aid intensity for each individual project, safeguards are implemented to ensure that the Modernisation fund maximum co-financing rate does not exceed:

- 50 % of total costs,
- GBER aid intensity.

The maximum amount of support in the projects of this scheme, i.e. the threshold for individual notification, is EUR 15 million.

7.4. Please provide the overall financing plan and financing structure for the investment proposal. Please indicate volumes, own financing, equity/debt ratio.

The support will be provided after the decision of the Minister of the Environment and the grant agreement concluded with the SEF in the form of an ex post subsidy, a one-off subsidy paid on the basis of documented eligible expenses (the payment request will be backed up by copies of invoicing and bank statements, or other documents) and documents proving the completion of the project and meeting the conditions set out in the Programme Implementation Document (Annex A) together with the relevant call.

The SEF will not provide pre-financing, soft loans, guarantees or financial instruments.

Given the type of investment, the nature of the project and entity, and the conditions of support (see counterfactual investment in section 4.5.), it is expected that a larger share will be on the final beneficiary's own resources.

8. State Aid (Article 6(7)(c) and Annex I, point 1.8 of the IR)

8.1. Does the investment involve granting State aid? (in the meaning of Article 107(1) of the Treaty on the Functioning of the European Union)

Yes ☐

~~No~~ ☐

8.2. If Yes, please provide evidence as applicable:

- a) the Commission decision clearing national aid measure;
- b) reference under which the block-exempted measure has been registered (State aid number attributed by the Commission's electronic notification system referred to in Article 11 of Regulation (EU) No 651/2014).

Please **specify total eligible costs based on the State aid decision.**

Please confirm that the **total amount requested from the Modernisation Fund** and other Union and national instruments (total State aid) **does not exceed the amount and percentage allowed by the State aid decision.**

State aid intensities are in force at the time of submission of the scheme (05/2021), in case of relevant legislative rules update (GBER rules in particular) the scheme will be updated in accordance with all EU and national requirements.

The maximum amount of support in the projects of this scheme is EUR 15 million. **The scheme complies with the GBER and Article 41 thereof.** Only projects that meet the conditions of the GBER and do not exceed the limit for individual notification will be supported from the scheme. Over-GBER-threshold projects will be submitted and notified individually, outside of this scheme.

This procedure was preliminarily consulted with the Czech Office for the Protection of Competition (ÚOHS) and at the same time we submitted the relevant documents to this Office for inspection. No fundamental observations were made so far; however, cooperation with the Office will continue.

The reference registration number under which the block-exempted measure will be registered in the Commission's electronic notification system is: ### – *to be added no later than within 20 days after launching of the call* (see draft information in Annex F).

The maximum aid intensity according to GBER is defined below. The relevant article of the General Block Exemption Regulation (GBER) is: Article 41 – Investment support for renewable energy sources.

Applications submitted under announced calls that do not reach the GBER thresholds will be evaluated and approved on an ongoing basis after the submission of the application for support or within the deadline set in the text of the call.

Applications submitted under the announced calls that exceed the GBER thresholds will be submitted individually for assessment by the European Investment Bank outside of this scheme; a decision issued by

the European Commission will be provided. Individually submitted applications must have a decision of the European Commission on state aid issued before they can be submitted for assessment.

Support to final beneficiaries

Given the nature of the projects, the aid will be granted under a public aid scheme under Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in accordance with Articles 107 and 108 of the Treaty (hereinafter only "GBER"). The aid will be disbursed as a percentage of eligible expenditure, which may not exceed the GBER aid intensities set out below.

Relevant article of the General Block Exemption Regulation (GBER) is the following:

Article 41 - Investment support for renewable energy sources

Enterprise / support (%)	Prague	Other regions
Large	45	60
Medium	55	70
Small	65	80

State aid intensities above are effective for the duration of the existing state aid rules.

All the above mentioned aid amounts must take into account counterfactual investment when determining the eligible expenditure (scenario without aid is indicated). The applicant quantifies the cost of the counterfactual investment/scenario that could be implemented without the aid and is considered less environmentally friendly. These costs are deducted from the costs of project implementation and the resulting amount is the eligible costs for the calculation of the maximum public support. The percentage of aid intensity according to the relevant GBER, size and location of the enterprise will then be applied to these costs.

The methods of project selection and of determining the amount of support are specified in the RES+ Programme Document (Annex A) and the methodology for quantifying the counterfactual investment was elaborated for SEF by CTU (See Annex D).

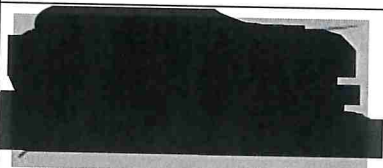
8.3. If No, please attach a statement evidencing that support for the investment proposal does not constitute State aid within the meaning of Article 107(1) of the Treaty. The statement should be signed by the national competition authority and should include either a reference to a Commission decision or detailed reasoning why the support does not constitute State aid.

9. Declaration of compliance (Article 6(7)(d) and Annex I, point 1.9 of the IR)

9.1. Please attach a declaration of investment compliance with the applicable requirements of Union and national laws. The declaration should be signed by the national authority responsible for the Modernisation Fund.

Statutory declaration: Please see Annex G.

10. Endorsement of Authority Submitting the Investment Proposal

Name:	Jan Kříž, Deputy Minister, Ministry of the Environment of the Czech Republic
Signature:	
Date:	11/05/2021

Annex 1. Information required under Annex I point 2 of the IR

Additional information relating to Schemes:

1. Managing authority (Annex I, point 2.1 of the IR)	
1.1. Name of the managing authority	State Environmental Fund
1.2. Address	Olbrachtova 2006/9, 140 00 Praha 4, Czech Republic
1.3. Website	https://www.sfzp.cz/en/
1.4. Main contact:	
Name	Ivo Marcin
Position in the Organisation	Director of the Department of the State Fund Strategy and International Cooperation
Email	ivo.marcin@sfzp.cz
Telephone Number	+420 267 994 148
Mobile Number (optional)	+420 736 756 015

2. Information about the scheme (Article 4(2) and Annex I, points 2.2-2.3 of the IR)

2.1. Please provide a general description of the entities in charge of initiating or initiating and implementing projects under the scheme. Please specify development stage of the scheme.

Targeted final beneficiaries are: power plant owners and holders of licenses for business in energy sectors (electricity generation). This includes public or private legal entities, municipalities, individuals and Renewable Energy Communities (Pursuant to Article 22 of the Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources. Community projects for renewables must also comply with conditions and requirements arising from the Directive (EU) 2018/2001, on the promotion of the use of energy from renewable sources, in particular requirements under Article 22 of the Directive regarding project focus (which must be in line with the focus and conditions of the Program), its geographical location and ownership.).

In the case of the renewable energy communities, the requirement to hold a license is relevant only if this obligation arises from the currently valid legal regulations.

In the case of an application for support for the construction of a PV plant operated in the heating industry, eligible applicants are also owners of heating infrastructure on the basis of a license for the production of thermal energy and/or electricity and a license for the distribution of heat; the licenses mentioned are granted by the Energy Regulatory Office (ERO) pursuant to § 5 of Act No. 458/2000 Coll., on business conditions and public administration in the energy sectors and amending certain laws (the Energy Act) as subsequently amended.

The need to hold a license also does not apply to applicants for support for the construction of PV located in the site of their own factory, who are entities operating equipment in the EU ETS in the Czech Republic and are not producers of electricity under Article 10c of Directive 2003/87/EC of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC and consuming all electricity produced in-house.

The stage of development of the scheme is advanced and the call for proposals is about to be launched.

2.2. Please indicate whether the proposal concerns an existing scheme ¹¹ .				
The present proposal represents a new scheme.				
2.3. Please specify total volume of the scheme.				
Total volume of the scheme: 192,000,000 EUR				
2.4. Please specify the amount requested as the first disbursement for the scheme.				
The first disbursement: 39,000,000 EUR				
2.5. Please provide location of the investment activity and provide the list of NUTS 2 locations concerned by the scheme.				
Location of the investment activity is the whole Czech Republic, i.e.: CZ01 Praha, CZ02 Střední Čechy, CZ03 Jihozápad, CZ04 Severozápad, CZ05 Severovýchod, CZ06 Jihovýchod, CZ07 Střední Morava, CZ08 Moravskoslezsko. In these, the Just Transition regions are the following: CZ04 Severozápad and CZ08 Moravskoslezsko.				
2.6.	Proposed Financial Start Date	2021	Proposed Financial Completion Date	2030

¹¹ In the meaning of recital 3 of the Implementing Regulation (2020/1001).

Annex 2. Information required under Annex I point 3 of the IR

Additional information relating to proposals other than Schemes:

1. Proponent (Annex I, point 3.1 of the IR)	
1.1. Name of the project proponent	
1.2. Address	
1.3. Website	
1.4. Main contact:	
Name	
Position in the Organisation	
Email	
Telephone Number	
Mobile Number (optional)	

2. Information about the project (Annex I, points 3.2-3.5 of the IR)

2.1. Please specify location of the project. Please include geographic coordinates of the investment activity and provide the list of NUTS 2 locations concerned by the proposal.

2.2. Please specify total investment of the project

2.3. Please indicate the development stage of the project

2.4. Please list mandatory permits obtained or to be obtained.

2.5.

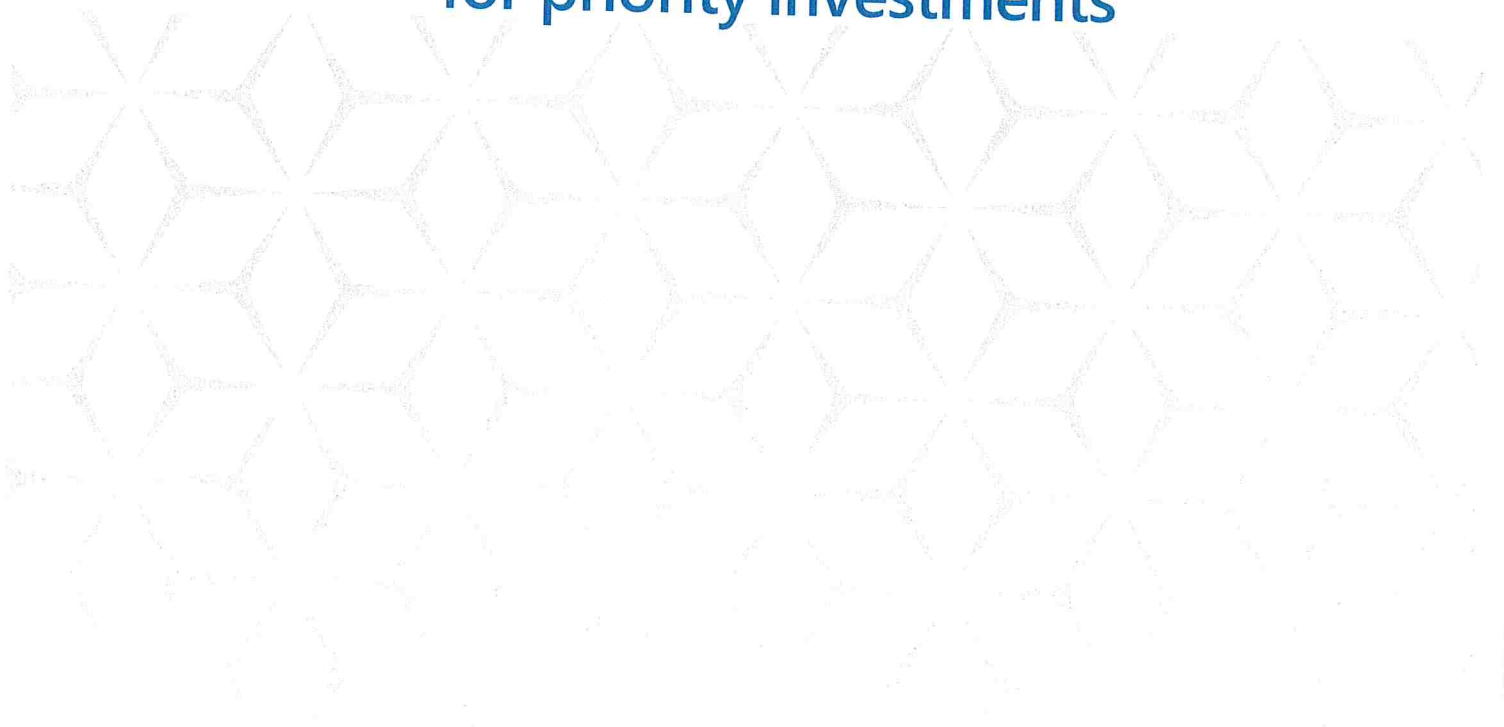
Proposed Financial
Start Date

Proposed Financial
Completion Date

MODERNISATION FUND
Accelerating the transition to climate neutrality

APPENDIX 4

**Investment proposal submission form
for priority investments**



MODERNISATION FUND
Accelerating the transition to climate neutrality

**Investment proposal submission form
for priority investments**

MODERNISATION FUND – Accelerating the transition to climate neutrality

✉ modernisation-fund@eib.org

<https://modernisationfund.eu/>

Appendix 4 Investment proposal submission form for priority investments

for submission of the information on priority investments in accordance with Article 10d(2) of ETS Directive¹

1. Submission information		
1.1. Targeted Investment Committee ²	S1/2021	
1.2. Priority order for assessment of priority investments ³	<p>By Submission Date - Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>If NO or for proposals submitted in batches: Please specify Priority Order: Reference Number</p> <p>P-1: Scheme (Part A – Priority): Support for photovoltaic power plants with installed capacity up to 1 MW <i>of the Programme RES+ (CZ)</i></p> <p>P-2: Scheme (Part B – Priority): Support for photovoltaic power plants with installed capacity above 1 MW <i>of the Programme RES+ (CZ)</i></p> <p>P-3: Scheme (Part A – Priority): Modernization of energy sources <i>of the Programme HEAT (CZ)</i></p> <p>P-4: Scheme (Part A1 – Priority): Modernization of energy sources <i>of the Programme ENERG ETS (CZ)</i></p>	
1.3. Is the proposal a scheme? If yes, please fill in Annex 1 of this Form. If no, please fill in Annex 2 of this Form.	Yes <input type="checkbox"/>	No <input type="checkbox"/>

2. General information

¹ 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 with amendments (ETS Directive)

² Please provide the targeted Investment Committee date in form of semester Sx and year.

³ As per article 4.3 of the Implementing Regulation.

2.1. Title of the investment	Scheme (Part B): Support for photovoltaic power plants with installed capacity above 1 MW <i>of the "RES+" Programme (New renewable energy sources)</i>				
2.2. Investment proponent / Managing authority	State Environmental Fund of the Czech Republic				
2.3. Beneficiary Member State	Czech Republic				
2.4. Priority area(s) based on Article 10d(2) the investment targets	<input type="checkbox"/> generation and use of electricity from renewable sources, <input type="checkbox"/> energy storage and the modernisation of energy networks <input type="checkbox"/> just transition in carbon-dependent region; <i>with a bonus in a competitive bidding process</i>				
2.5. Total investment costs in EUR (with and without VAT) / total volume of the scheme	Total investment costs: <ul style="list-style-type: none"> • 3,803,000,000 EUR with VAT and • 3,143,000,000 EUR without VAT Total volume of the scheme (amount of support from the Modernization Fund): <ul style="list-style-type: none"> • 1,100,000,000 EUR 				
2.6. Requested amount of the financing from the Modernisation Fund in case of the project (EUR) or In case of schemes requested amount for the first disbursement from the Modernisation Fund (EUR).	Requested amount for the first disbursement: <ul style="list-style-type: none"> • 163,000,000 EUR 				
2.7. Please provide a NACE ⁴ code for the economic activity (More than one code may be relevant in some cases).	<table border="1"> <thead> <tr> <th>Code</th><th>Pro-rata share of overall investment (%)</th></tr> </thead> <tbody> <tr> <td>D.35 Electricity, gas, steam and air conditioning supply</td><td>100%</td></tr> </tbody> </table>	Code	Pro-rata share of overall investment (%)	D.35 Electricity, gas, steam and air conditioning supply	100%
Code	Pro-rata share of overall investment (%)				
D.35 Electricity, gas, steam and air conditioning supply	100%				

⁴ Revision 2 classification system of economic activities established by Regulation (EC) No 1893/2006 of the European Parliament and of the Council

3. Authority responsible for the implementation of the Modernisation Fund

3.1. Name	State Environmental Fund of the Czech Republic
3.2. Address	Olbrachtova 2006/9, 140 00 Praha 4, Czech Republic
3.3. Website	https://www.sfzp.cz/en/
3.4. Main contact:	
Name	Ivo Marcin
Position in the Organisation	Director of the Department of the State Fund Strategy and International Cooperation
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Please provide enough detail in this Form to enable the EIB to clearly understand what the project will do, how the project will be delivered, the impact it will have and how it will meet the requirements set out in the Directive 2003/87/EC and Implementing Regulation (EU) 2020/1001.

Please be as concise as possible. Please note any supplementary information you provide will not be reviewed⁵.

⁵ Except information explicitly requested by this Proposal Form, or additionally by the EIB during the investment appraisal process.

Summary table about the scheme	
Scheme from the Support Programme:	Renewable Energy Sources (RES+)
Support sub-area	Priority projects defined in Article 5.2.2 of the Programme
Supported activities	Installation of new renewable energy sources – photovoltaic power plants with installed capacity above 1 MWp
Type of support	Ex-post Grants, through competitive selection of projects
Maximum amount of support for a project	15,000,000 EUR
Basic outputs expected (based on the project intentions registration) <ul style="list-style-type: none"> • <i>no. of projects supported:</i> • <i>total amount of support granted:</i> • <i>total investments:</i> • <i>total RES capacity installed:</i> • <i>electricity storage capacity:</i> • <i>total CO₂ emission reduction:</i> • <i>total energy savings:</i> • <i>no. of jobs created:</i> 	343 1,100,000,000 EUR 3,143 mEUR w/o VAT and 3,803 mEUR incl. VAT 2,959 MW (156.3% of the NECP ⁶ target) 684.5 MWh 2,545 kt CO _{2eq} (5.8% of the NECP target) 10,652 TJ (8.9% of the NECP target) 1,492 in direct employment

⁶ National Energy and Climate Plan

4. General description of the investment (Annex I, points 1.1, 1.2 and 1.10 of the IR⁷)

4.1. Please briefly describe what investment objectives are, including the impact it will have in the area and/or on project participants. Describe the short, medium and long-term results/impacts that the investment will deliver and how this will be measured.

Please link to SMART (specific, measurable, achievable and time-constrained) objectives. Please demonstrate how the investment will contribute to 2030 climate and energy framework objectives of the Member State and the long-term objectives as expressed in the Paris Agreement as required by the BMS National Energy and Climate Plans (NECP). Please also elaborate as to whether the proposal supports the national Just Transition Plan (JTP) and/or national RRP (Recovery and Resilience Plans).

Please include information on: (a) the expected energy saved in MWh (for a typical full year of the investment operation); (b) the greenhouse gas emissions to be saved in equivalent tCO₂ (for a typical full year of the investment operation); (c) the additional renewable energy capacity installed, if applicable;

The objective is to promote investments in renewable energy sources (RES) by providing investment subsidies for new installed capacity. This particular scheme focuses on projects of photovoltaic power plants with installed capacity above 1 MWe. For sake of grid stability, energy storage technologies can be supported as a part of the project.

The short-term goal of this scheme is creating of a perspective for investors in power sector that there is an instrument designed for support of investments in low-carbon technologies, which is rather ambitious and strict regarding the projects eligibility. Thus, the investing environment will shift from renovation of fossil fuels-fired units towards power generation technologies with lower carbon footprint. Partially this goal was achieved as the last coal-fired boiler in the power sector in the EU ETS was commissioned around the year 2017. This scheme should send a clear signal that low carbon investments in the power generation is the only option possible.

The medium-term goal is to provide support for RES projects throughout the period 2021-2030 so that they contribute to achievement of NECP targets – reduction of GHG emissions by 30% compared to 2005 levels and increase of share of renewable energy to 22% of the gross energy consumption. The NECP target for new PVE capacity is 2088 MWp. These targets are likely to be refined due to increased EU climate ambition and expected „Fit for 55“ package, but this scheme should exceed the current NECP targets. It will also put the Czech Republic on track towards the Paris Agreement goal of climate neutrality by 2050, because the new RES capacity will represent an economic pressure in the merit order in relation to fossil fuels-fired sources that will not have been replaced yet. According to the ICF Study, this scheme (together with a scheme for small-scale PV and other RES projects) should result in new RES capacity of 3074 MWp and production of 17,5 TWh of renewable energy by 2030, saving 6,5 mil. t CO₂ annually. The reduction of GHG emissions should be clearly visible from the EU ETS reporting in the EU Transaction Log. Even the ICF estimates can be considered as conservative, having on mind the results from the project intentions registration.

The long-term goal is to replace all coal-fired power plants with low carbon sources. The reduction of installations with coal-fired units, total of coal-based source streams as well as amount of coal combusted in EU ETS installations will be seen in the reporting pursuant to Art. 21 of the Emission Trading Directive 2003/87/EC.

In line with the national and European strategic goals discussed above, these measures in priority projects are supported:

⁷ IR – Implementing Regulation (EU) 2020/1001

Installations of new renewable energy sources (photovoltaic power plants with installed power output above 1 MWp) (see more details in section 4.5); they translate into the following envisaged contributions:

Renewable energy capacity installed: **2,959 MW** (156.3% of the NECP target)

Total CO₂ emission reductions: **2,545 kt CO_{2eq}** (5.8% of the NECP target)

Electricity storage capacity: **684.5 MWh**

Energy saved per support: **9.7 TJ/mEUR**

Emissions abated per support: **2.3 ktCO₂/mEUR**

Direct employment created: **1,492 additional jobs**

Indirect/induced employment created: **3,145 FTE person-years**

Total eligible costs: **2,829 mEUR**

Total costs including ineligible: **3,143 mEUR**

(see also sections 4.7 and 5.2)

The amounts of electricity produced from PV power plants is calculated in accordance with the ČSN EN 15316-4-3 standard based on the average values of solar irradiance in the usual conditions of the Czech Republic and the minimum required efficiency of photovoltaic cells (for more details see programme document, Annex A). Reduction of greenhouse gases emissions is calculated with a presumption that the electricity generated from renewable sources replaces the production of fossil fuels-fired power plants.

Methodology used for calculation of potential reduction of CO₂ emissions proceeds from Decree 140/2021 of March 2021 on Energy Audit which is grounded in Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC. The emission factor for electricity, used for calculation of the scheme contribution to the national climate goal, is 0.860 t CO₂/MWh.

In the preliminary call for project intentions, a total of 8,224 eligible project intentions were submitted for the whole RES+ programme, of which there are 2,099 projects for the present scheme with a total cost amounting to 19,219 mEUR and envisaged support from the Modernization Fund of 6,727 mEUR.

The proposed scheme is closely coordinated with preparations of the national Just Transition Plan (JTP), managed in the framework of the Operational programme Just Transition (financed from the Just Transition Fund) by the Ministry of the Environment of the Czech Republic in cooperation with SEF as an operator and projects administrator. The Czech JTP focuses on three coal regions (NUTS 3 Karlovarský, Moravskoslezský and Ústecký regions). Coal regions have **spacious areas affected by mining** (more than 70% of these areas are located in coal regions). The most affected is the Ústecký region with large surface lignite mines. PV powerplants supported by this scheme could be a good solution – it will help to replace energy sources, recover land, and it will also create new jobs. Both Modernisation fund and Just Transition Fund will provide financial support to this objective, and clear demarcation is set:

- **Modernisation fund** focuses on reducing greenhouse gases, and it supports new renewable energy sources (such as this scheme);
- **Just Transition Fund** addresses the impacts of the transition – it will support companies creating green jobs or employees coming from the coal industry, and it will help to recover land needed for new investments into renewable sources.

This scheme's competitive bidding favours projects located in the coal regions in order to boost necessary investments. Preferential treatment has two parts:

- ten bonus points (out of 100) simply for location in the coal region;
- bonus points for PV on the brownfields, land recovered from coal mining, and similar sites.

On this account, coal regions will get a large part of the positive economic effect generated by this scheme, and it can help the economy and transition significantly.

The coordination with the **national RRP** is also on a high level. The body responsible for RRP is the Ministry of Industry and Trade. Its representatives are members of a committee and all working groups related to Modernisation fund.

One of the objectives of the RRP is to achieve a **target share for renewable energy sources** according to the NECP (22% in 2030). Whereas RRP strongly focuses on small installations of RES connected to buildings (in the residential, commercial, and public sectors), this scheme will support larger installations. Both instruments will contribute to the abovementioned objective.

4.2. Please specify targeted beneficiaries⁸

Modernisation fund Operator / Intermediate Beneficiary

Modernisation fund operator / beneficiary is the State Environmental Fund of the Czech Republic (SEF). SEF is a special fund established by the law (Act no. 388/1991 Coll.). The primary purpose of the SEF is to support measures improving the quality of the environment. SEF will distribute grants from the scheme to final beneficiaries. SEF as the institution responsible for Modernisation fund implementation administers final beneficiary's applications, disburses grants to the final beneficiaries, and audits supported projects.

Financial capacity

SEF's budget is independent of the state budget and has its own income from environmental fees (around 60 mil. EUR per year⁹). Revenues from own economic activity (mainly interests from loans) are insignificant. SEF is also beneficiary of technical assistance to cover incurred costs of administration OP Environment and New Green Saving programme (around 13 mil. EUR per year). The total volume of the administered grants and loans was 572 mil. EUR in 2019. Modernisation fund resources are SEF's income according to the law (Act no. 383/2012 Coll. – national transposition of ETS directive). SEF's own resources will cover administrative costs of this scheme implementation.

Administrative capacity

SEF has more than 550 employees. There is a coordination unit of Modernisation and Innovation fund. Project administration is provided by the Section of Energy and Climate projects' implementation. Horizontal issues (i.e., legal services, financial control) are covered by the economic section and legal section for all programmes without specific allocation of employees. The organizational scheme of SEF can be downloaded from the Internet¹⁰. The SEF has long-term experience in the administration of support for environmental measures. In the present time, the SEF administers several financial programmes, e.g. Operational programme Environment (financed by Cohesion Fund and European Regional Development Fund), National programme Environment (financed from the budget of SEF); New Green Savings programme (funded by the State budget from emission allowances revenues); and Norway grants. Besides these programmes, the Fund will also administer support from the Just Transition Fund.

The Ministry of the Environment of the Czech Republic chairs the Czech Modernisation fund Committee as an advisory body to Minister. The Committee consists of representatives of the Ministry of Industry and Trade, Ministry of the Environment, Ministry of Finance and the SEF. It has a leading role in the implementation of the Modernisation fund in the Czech Republic.

The Platform of the Modernisation fund serves as an intermediary for communication with other stakeholders.

⁸ Beneficiary - an operator, body or firm, whether public or private, responsible for initiating and implementing operations.

⁹ 3-years average 2017-2019. More on <https://monitor.statnipokladna.cz/ucetni-jednotka/00020729/prehled> [partially in English]

¹⁰ See https://www.sfzp.cz/wp-content/uploads/2021/03/Organizacni_struktura_03-2021.pdf

Detailed institutional arrangements and a description of the responsibilities and competencies of the implementing body is included in the General Programme Document for the Implementation of the Modernisation fund in the Czech Republic (CZ; see 4.3 and [web](#)) or the Programme Implementation Document (Annex A).

Final beneficiaries

Final beneficiaries can be any body based in the Czech Republic and holding a business licence in the energy sector pursuant to Act no. 458/2000 Coll. Significant number of projects is expected from electricity generators according to Art. 10c of the Emission Trading Directive, then legal entities outside the EU ETS sector, municipalities, individuals as well as communities for renewable energy.

4.3. Please briefly demonstrate the need for the investment.

When the investment contributes to implementation of a territorial just transition plan, please provide information about the expected contribution of the investment to that plan.

In the Czech Republic, the share of RES in total energy consumption is still very low (around 16 %). More than 43 % of electricity is produced in coal and lignite-fired power plants, which emit app. 45 mil. t CO₂ per year. This represents two thirds of the Czech EU ETS sector.

The SEF launched a call for registration of project intentions at the end of 2020, collecting large database of projects which will be submitted once the call for proposals is launched. As can be seen from the analysis of project intentions registration (see Annex B), there is a strong appetite for PV projects among investors. However, the Czech Republic has no subsidy scheme for PV projects at this scale, unlike Member States like Germany or Poland, which are therefore more attractive for potential investors and "investment leakage" occurs. The RES+ programme and this particular scheme will represent a strong incentive for investments in renewables in the Czech Republic, which will enable making use of the potential for PV projects on brownfields and buildings.

The scheme contributes to implementation of territorial just transition plans (see also section 4.1); in the case of projects implemented in areas affected by the decline in coal mining, regional bonus is taken into account in the evaluation of the project.

Detailed information on the need for the investment is a part of a study (see Annex C) worked out by a team lead by ICF and supported by Enviros in the framework of a project "Supporting low-carbon transition of the Czech Republic by EU ETS Funding Mechanisms". This project was supported by the Directorate General for Structural Reform Support (DG REFORM) through the Commission's Structural Reform Support Service and aimed at developing an implementation framework for the Modernisation Fund (MF) in the Czech Republic. The specific project objectives were to:

1. Identify in which sectors the Modernisation Fund could be of most use based on a cross-sectoral gap assessment and an analysis of the energy system needs;
2. Propose national implementation modalities for the Modernisation Fund;
3. Assess the environmental, economic and financial leverage impact of the preferred implementation scenario.

In October 2020, the consortium delivered a final report comprising recommendations for the efficient use of the Modernization Fund as well as State Aid recommendations. Based on this report, in January 2021 the Czech Government approved a General Programme Document specifying 9 areas of support which are to be funded from the Modernization Fund as 9 programmes. One of these programmes named RES+ will provide grants for projects of new renewable sources of electricity. For sake of easier assessment by the EIB,

the programme RES+ was split into several smaller programmes with homogenous projects and technology focus. This particular scheme aims at Photovoltaic Power Plants with capacity above 1 MW.

Throughout the process of Modernisation fund implementation in the Czech Republic, the State Environmental Fund (SEF) and the Ministry of the Environment (MoE) have held consultations with stakeholders, other ministries and offices, including the Office for Protection of Competition, grid regulation bodies, business associations, NGOs and municipalities through a special consultative body – the Platform for the Modernization Fund. The Platform was created for the purpose of providing space for sharing the information about preparation of the MF and for consultations. The Platform met three times up until now. Additionally, several bilateral meetings were held with members of the Platform.

Cooperation was also established with the Czech Technical University's expert department, which provided a specifically designed cost analysis together with methodology of calculation of counterfactual investment (Annex D).

The need for the investment and its adequacy is thus clearly demonstrated.

4.4. Please briefly explain what options were analysed to achieve investment objectives. Please explain why the chosen investment is the most cost effective in achieving investment objectives.

Three options were analysed:

1. **Operating subsidy** – this support tool is common for renewable power generation in the EU and worldwide. However, the Czech Republic has a very negative experience from year 2010 when the overly generous operating subsidy for PV power plants caused enormous public expenditures for decades and reputation of PV technology was harmed substantially. For this reason, operating subsidy was out of question and only investment grants were being considered.
2. **IRR targeting** – another option was a system of a fixed internal rate of return. The system would calculate the investment grant necessary for the IRR to reach a predetermined number. Every project would receive different rate of support but the IRR would be the same for all. This system would motivate project proponents to invest in more quality components and equipment rather than to look for the cheapest option. However, this approach would have to create a costs benchmark in order to determine the IRR – projects with lower costs would enjoy windfall profits while projects with higher costs would not materialize. Also, it would require a very detailed economic analysis of each project, including future revenues which are dependent on the future price of electricity and energy commodities. Such information being not easily and reliably available, this option was set aside.
3. **Competitive bidding scheme** – bidding is a form of auction, but in this case the investment grant would be auctioned, not the operating subsidy. The threshold for the auction is the amount of funds available. This option secures grants for the most cost-effective projects, but concerns were that the emphasis on the lowest costs would bring low quality projects. In order to deal with this problem, a thorough qualitative requirements were specified for projects to be eligible to bid. The projects would win certain amount of points for weighted categories:
 - 60 % for cost efficiency;
 - 30 % for technical level (extra points for power storage or more sophisticated design); and
 - 10 % for projects located in coal regions.

For the abovementioned reasons, the competitive bidding was chosen (and recommended by the consultants) as a project selection method for the PV power plants above 1 MWp. The project intentions registration shows that there is more than enough of projects to make the bidding effective. Safeguards are introduced so that the competition is effective and tamper resistant. The system of bidding is described in detail in the Programme Document for RES+, which is enclosed (Annex A).

4.5. Please briefly describe foreseen investments (technologies, main parameters, capacities, mass and energy balances, scope of works/supplies, related infrastructure).

Please provide evidence that the proposed technology/ies are mature (actual system proven in operational environment under comparable conditions and scale and with available references).

In this scheme, supported projects consist of installations of new photovoltaic power plants. Electricity storage systems can only be supported as part of a complex photovoltaic plant project installed directly at the source site. Only projects that meet the objectives of the program and the eligibility criteria can be supported.

General eligibility criteria of investments

The following eligibility criteria will be applied to all investments:

- a) The project implementation period must not exceed 5 years from the moment of issuing the Decision of the Minister of the Environment on the provision of funds from the State Environmental Fund of the Czech Republic;
- b) The project must be realized in the Czech Republic.
- c) The project must meet the general and specific conditions given by the relevant type of public support according to GBER.
- d) The applicant must not be a company in difficulty. (as per Commission Regulation (EU) No. 651/2014)
- e) The applicant must not have a conflict of interest. (as per Act No. 159/2006 Coll., on conflicts of interest, as subsequently amended, including the restrictions set out in Section 4c of the Act; if the applicant is a legal entity, its ownership structure and actual owners must be documented in the sense of Act No. 253/2008 Coll., on selected measures against legitimization of proceeds of crime and financing of terrorism, as subsequently amended.)

The project proponent is obliged to equip the electricity generation facility according to the conditions set out in the following documents:

- contract for connection to the transmission or distribution system,
- Commission Regulation (EU) 2016/631 of 14 April 2016 laying down a network code for requirements for the connection of generators to the electricity system,
- Rules for the Operation of the Transmission or Distribution System.

These requirements ensure that the project has been approved by local electricity distributor and grid operator, thus the technical connection is realistic.

Projects must not be purposely divided into separate applications in order to circumvent the thresholds set by the program, i.e. in particular the GBER threshold. In the case of a project divided into several stages, these stages are considered as separate projects if the time between the next two stages of implementation is longer than 3 years.

Within one project it is possible to use only one place of implementation, which means one offtake or transfer point or a group of decentralized sources of RES, which form the so-called virtual power plant.

Photovoltaic power plants must not be built on the agricultural land areas (except for agrophotovoltaic projects) or land intended for the performance of the forest function.

Installation of PV plants on the areas of the agricultural land is possible only in the case of protection classes according to the certified soil ecological unit (BPEJ) III to V, provided that the use of the land for construction of PV is permitted by the relevant (local) state administration authorities.

Only plants in which only the following photovoltaic modules, inverters and batteries will be installed can be supported:

- with independently verified parameters, which will be supported by copies of certificates issued by accredited certification bodies,
- with a manufacturer-guaranteed service life of at least 20 years for modules and 10 years for inverters and batteries.

Minimum efficiency of modules under standard test conditions (STC):

- 19.0% for monofacial modules made of monocrystalline silicon,
- 18.0% for monofacial modules made of multicrystalline silicon,
- 19.0% for bifacial modules at 0% bifacial gain,
- 12.0% for thin film modules,
- not specified for special products and applications (e.g.: agrophotovoltaics with sunshare technology, special photovoltaic coverings, technology designed for flat roofs with low load capacity).

Minimum inverter efficiency must be 97.0% (Euro efficiency).

Aid for the construction of an electricity storage system may only be granted for systems with a capacity of:

- min. 20% of the theoretical hourly production at the installed peak power of the PV plant (hereinafter also THVzPinst),
- max. equal to THVzPinst.

Lead-based, NiCd, or NiMH-based technologies will not be supported.

Power plants must be equipped with transformers (inverters) with continuous or discrete controllability of the power supplied to the electrical system, enabling the management of power output.

More details on these requirements can be found in the Programme Implementation Document (Annex A).

Within the implemented projects, mandatory indicators setting minimum requirements for project contributions as well as so-called monitored indicators will be monitored and evaluated by SEF.

Mandatory indicators will be part of the grant application and will be subject to a contractual obligation; they will help to monitor and measure the achievement of specified outputs of the project itself. Fulfilment of mandatory indicators is under the direct control of the project by SEF and must be achieved in a specified time frame set down in advance. If the project target values of relevant mandatory indicators would not be fulfilled, a correction of up to 100% (depending on the degree of non-fulfilment) would be applied. Monitored indicators are not obligatory, but present a contribution for monitoring of project outputs from the point of view of its benefits to national strategic goals.

The mandatory indicators include:

- reduction of primary non-renewable energy consumption in connection with project implementation in MWh per year,
- reduction of CO₂ emissions in connection with project implementation in tonnes of carbon dioxide per year,
- power output of newly implemented RES source in MW (broken down by source type),
- minimum volume of energy produced from RES in MWh per year,
- newly installed usable capacity of accumulation of electricity from RES in MWh.

The monitored indicators include: reduction of particulate matter (PM) emissions from stationary sources, reduction of emissions of suspended PM₁₀ particles from stationary sources, reduction of emissions of suspended PM_{2.5} particles from stationary sources, reduction of sulphur dioxide (SO₂) emissions from stationary sources, reduction of nitrogen oxide (NO_x) emissions from stationary sources, reduction of volatile organic compounds (VOC) emissions from stationary sources, reduction of ammonia (NH₃) emissions from stationary sources.

The project proponents are further required to:

- submit project documentation for a construction permit, emission assessment, and energy audit together with grant application;
- complete project no later than 5 years from the moment of issuing the Decision of the Minister of the Environment on the provision of funds from the State Environmental Fund of the Czech Republic;
- keep the supported installation without any major changes for at least 10 years after project completion.

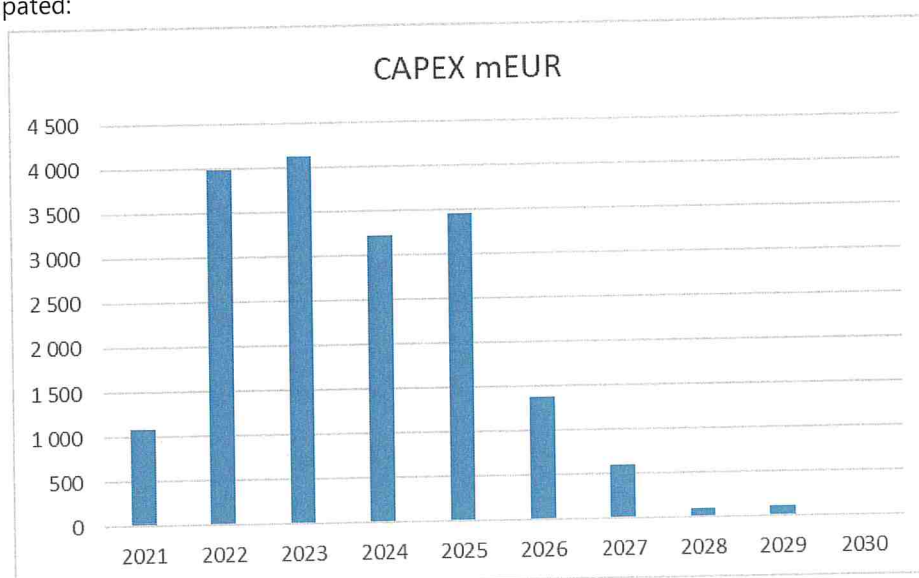
These conditions ensure that projects are in advanced stage of preparation, that the projects have specified time frame during which they must materialize. The preliminary conditions were made available to the project proponents for sake of project intentions registration. The enormous amount of projects submitted shows that applicants put forward technologies that are mature and ready for implementation.

4.6. Please indicate direct employment created by the proposed investment (separately for the implementation period, in person x years, and operation period, in number of permanent jobs created).

According to the estimate of the report submitted by ICF, the scheme should have the direct, indirect and induced employment effect of 3,145 (FTE person-years) and the reduction of energy consumption should help to create 1,492 additional jobs, which is 0.66 jobs per unit energy saved/generated (GWh) by 2030 (as calculated for this scheme's total volume of investments; see Annex C).

4.7. Please provide the investment implementation schedule.

According to the proposals of financing in years contained in projects' intentions submitted in the project intentions registration, the following investment implementation schedule for projects under this scheme can be anticipated:



On the basis of the investment implementation trend presented in the chart, the RES+ scheme implementation schedule for the year 2021 was conceived as follows:

- 1) Launching the 1st call for project proposals: 05/2021
- 2) Start of receiving applications for support: 07/2021
- 3) Submission deadline of applications (under the first call): 10/2021

Based on the implementation of the projects supported by this disbursement cycle, subsequent disbursement applications will be submitted to the EIB.

5. Justification for the Modernisation Fund (Articles 6(7)(a), 6(7)(b) and Annex I, point 1.3 of the IR)

5.1. Please provide justification for the Modernisation Fund support, including the confirmation of the compliance of an investment with Article 10d(1) of Directive 2003/87/EC.

Given that this scheme will provide support to renewable power generation, which will lead to significant reduction of GHG emissions, gradual coal phase-out, Just Transition in coal regions, decentralization of power sources as well as better energy efficiency, we are positive that this scheme is fully in line with the aims of the 2003/87/EC Directive, the objectives of the European Union's 2030 climate and energy policy framework, with the objectives of the National Energy and Climate Plan of the Czech Republic as well as the long-term objectives as expressed in the Paris Agreement.

It fully complies with Article 10d(1) in the following aspects: it shall not provide any subsidies to new energy generation facilities that use solid fossil fuels, it will modernise energy systems, including renewable energy and energy efficiency. It also includes the financing of small-scale investment projects (there is no lower threshold for the eligible investments).

5.2. Please provide detailed justification why the investment shall be considered as a priority investment under article 10d(2) of the ETS Directive

The article 10d(2) of the ETS Directive states: « At least 70 % of the financial resources from the Modernisation Fund shall be used to support investments in the generation and use of electricity from renewable sources, the improvement of energy efficiency, except energy efficiency relating to energy generation using solid fossil fuels, energy storage and the modernisation of energy networks, ...». Renewable sources of electricity and energy storage are explicitly mentioned in the Art. 10d(2) as well as in the Assessment Guidance Document, Appendix 1, as a priority investment example. Given that no other activities than renewable sources of electricity and energy storage technology will be supported under this scheme, we are positive that this scheme represents priority investment.

6. Costs (Annex I, point 1.4 of the IR)

6.1. Please provide total investment cost by investment category - the following is an example of the types of investment categories expected:

- Planning/design fees
- Land purchase
- Building and construction
- Plant and machinery or equipment
- Publicity
- Supervision

Where it is required by the nature of the project, please provide units costs (i.e. in case of supply contracts, Just Transition measures, etc) and/or costs of major components / modules.

Based on the analysis of the project intentions registration, we can provide an estimate on the composition of the investment costs. The investment categories are represented by the following shares:

- *Planning/design fees*
are eligible only in case of Design & Build (& Operate) mode: **9 mEUR**, which corresponds to ca 0.3%.
- *Land purchase*
is not eligible under this scheme.
- *Building and construction* as essential eligible costs will account for **more than 3,049 mEUR**, which corresponds to ca 97% of total costs, it can be divided into:
 - *Supplies* – 2,767 mEUR, which corresponds to ca 88%;
 - *Building operations*: 189 mEUR, which corresponds to ca 6%;
 - *Services* – 94 mEUR, which corresponds to ca 3%.
- *Publicity is also eligible*,
as defined in the [Design manual for projects funded from the Modernisation Fund](#).
- *Supervision*
can reach **up to 94 mEUR**, which corresponds to ca 3% of direct realization costs of the project.

The projects will be subject to compliance with the legislation on public procurement and program's Guidelines of the Fund for public procurement (Annex of the Programme Implementation Document, see Annex A).

Investment costs by investment categories will be monitored in particular through mandatory financial indicators of submitted projects.

6.2. Please specify categories and values of the investment costs to be covered by the Modernisation Fund.

General conditions for eligibility of expenditures are the following:

Support may only be granted for eligible expenditure that meets all of the following conditions:

- is in accordance with the legal regulations of the Czech Republic and the EU,

- is in accordance with the program, the relevant call and the issued methodological guidelines,
- is spent in accordance with the 3E Rule (economy, efficiency, effectiveness),
- complies with the terms of the GBER
- is appropriate, i.e. corresponds to the usual prices at the place and time,
- is duly identifiable, provable and verifiable,
- is directly and exclusively connected with the implementation of the project, is created at the time of its implementation, and is part of its budget,
- is eligible if the cost was incurred after the application was submitted.

The basic eligible costs related to the investment include in particular:

1. Direct realization costs: expenditures on construction works, supplies and services directly related to the project, including the investments made. In the case of the Design & Build (& Operate) mode, it is possible to include also expenditures on related project documentation into direct realization expenditures.
2. Activities of professional technical or author's supervision, as well as ensuring occupational health and safety – eligible maximum 3.0% of direct realization costs of the project.
3. Publicity measures: expenditure on publicity measures that were incurred in direct connection with the project and in connection with the requirements for ensuring publicity are eligible; publicity requirements will be set out in the call and in the Graphic Manual for projects financed from the Modernisation Fund (to be completed).
4. VAT: Value added tax can be considered eligible only for recipients who cannot claim a deduction of input value added tax in the sense of relevant national legislation (Act No. 235/2004 Coll. concerning value added tax, as subsequently amended). If the right to a VAT refund arises subsequently, the beneficiary is obliged to return the relevant aid, regardless of whether or not he asserts the right before the financial administration authorities.

Eligible VAT applies only to payments which are considered eligible. If the payment is eligible only partially, then the VAT relating to that payment is eligible from the same aliquot part.

Ineligible expenditures, i.e. expenditures for which support cannot be granted are the following:

- measures that do not correspond to the objectives of the program and the conditions of the relevant call,
- purchase of used equipment,
- expenditures for the processing of project documentation and project activities (with the exception of the Design & Build (& Operate) regime,
- expenditure on the purchase of real estate,
- fees for the withdrawal of land from the agricultural land fund or land intended for the performance of forest functions and for the establishment of easement,
- taxes - VAT (except as state above), direct taxes, gift and inheritance tax, real estate tax, real estate transfer tax, road tax, customs duties,
- expenditure on providing relevant statements,
- induced investments that are not exclusively and directly linked to the purpose of the project,
- loan instalments, interests,
- extra-works above the amount of eligible less-works,
- administrative fees (e.g. notary fees, cadastre deposits, fees for issued building permits, fees for discharging wastewater into surface waters),
- budget reserve,

- payroll and other staff expenses, overheads and operating expenses.

Values or shares of investment costs cannot be provided in advance as the amount of subsidy will be determined for each project through the competitive bidding. However, as can be seen from the text above and from the RES+ Programme Document (Annex A), GBER thresholds are always the limit.

6.3. Explain how you have estimated the project budget.

- Please provide the year of the preparation of the project budget.
- Please indicate whether the costs are based on basic/detailed design, or pre/post tendering estimates, or contractual estimate. The most recent cost information should be used.
- If costs are based on finalised public procurement procedures, please provide a list of; finalised procedures, resulting contracts - their scope and price.
- Please provide justification of all investment costs - benchmark construction cost against similar projects (adjusted for differences in cost levels and year of cost estimate). Benchmark design and supervision cost items (as a percentage of overall costs) against 'normally' expected levels for the type of project.
- In case of soft investments targeting Just Transition in carbon-dependent regions: salaries benchmarked against market rates/salary bands.

The preparation of the scheme budget started during the year 2020, when ICF analysed the investment gaps and potential. The consultants concluded that the biggest investment and GHG reduction potential lays in the RES+ programme. Based on these recommendations, the Czech Government approved the General Programme Document in January 2021, which states that 38.7 % of the overall Modernisation Fund revenues available for the Czech Republic shall be used for the RES+ programme.

For the year 2021, only 3 programmes (dealing with: 1) modernization of heat supply systems – Programme HEAT, 2) new renewable sources of energy – Programme RES+, and 3) improving energy efficiency and reducing the emissions of greenhouse gases in industry in EU ETS – Programme ENERG ETS) were chosen as having the highest impact out of 9 programmes on energy efficiency and GHG emissions reduction. Therefore the Committee for the Modernisation Fund decided to make use of the 2021 revenues as follows:

Estimated financial sources	
Number of auctions from 1.1.2021 to 25.5.2021	46
EUAs per auction (equal for each)	552,500
EUAs auctioned from 1.1.2021 to 25.5.2021 (total)	25,415,000
EUAs auctioned from 1.1.2021 to 25.5.2021 (CZ MF)	7,631,724
2021 average EUA price EUR/EUA (from 1.1.2021 to 12.4.2021)	39.59
Value of CZ MF share auctioned from 1.1.2021 to 25.5.2021 (EUR)	302,139,940
Source: EEX, EUA Primary Market Auction Report 2021 (cited 12.4.2021): https://www.eex.com/en/market-data/environmental-markets/eua-primary-auction-spot-download	
Required for the first disbursement (priority projects only)	262,000,000
Amount in EUR earmarked for programme HEAT in 2021:	30,000,000
Amount in EUR earmarked for programme RES+ in 2021:	202,000,000

Out of which for PV project above 1 MW:	163,000,000
Amount in EUR earmarked for programme ENERG ETS in 2021:	30,000,000

In the preliminary call for project intentions, a total of 8,224 project intentions were accepted for the whole RES+ programme. Data from the preliminary call for project intentions were analysed, ineligible projects were excluded and eligible expenditure assessed. An overview of resulting data is given in the table below; three forms of typical projects are in Annex E (and some other can be provided for further assessment).

Number of project intentions for the RES+ programme	8,224
Number of project intentions for the present scheme	2,099
Total installed capacity	18,093 MWp
Total capacity of energy storage	4,186 MWh
Total CAPEX	19,219 mEUR
Total support from the Modernisation fund for project intentions in the present scheme	6,727 mEUR
Renewable energy capacity installed per investment	0.94 MWp/mEUR
Renewable energy capacity installed per support	2.7 MWp/mEUR
Renewable energy production per investment	941 MWh/mEUR
Renewable energy production per support	2,690 MWh/mEUR
GHG reductions per investment	810 t CO _{2eq} /mEUR
GHG reductions per support	2,313 t CO _{2eq} /mEUR

Along with the ICF study and the analysis of submitted project intentions, a special **cost analysis was provided by the Czech Technical University in Prague** (CTU, see Annex D). The budget was established on the basis of analysis of costs provided in the project intentions submitted within the preliminary call for project intentions (see Annex B) and subsequently verified by the cost analysis of the CTU. As a result of these background procedures, the budget of this scheme is considered to be well substantiated.

7. Financing Details (Articles 4(5) and Article 6(7)(e) and Annex I, points 1.5, 1.6, 1.7 of the IR)

7.1. Is investment supported with other EU/National funds/support mechanisms?

Yes ☐

No ☐

7.2. If Yes, please provide detail (which funds, measures, support value, type of costs covered and other relevant information)

Please note, that provided information about contributions from other Union and national instruments shall allow to assess whether the amount requested from the Modernisation Fund are intended to cover the same costs of the investment as those financed by another Union or national instrument.

In general, the financing of measures supported by the Modernization Fund from other support instruments is not envisaged. It will be assessed individually and in case of inadmissible concurrence of support, the given project will be excluded from the scheme.

7.3. Please specify a requested amount of the financing from the Modernisation Fund (in EUR), a maximum co-financing rate and a form of financing (grant, loan, etc.).

The estimated amount for this scheme is 1.1 bil. EUR in total and 163 mil. EUR for the first disbursement under this application. There will be no co-financing on the scheme level. Among the rules for selection of projects for support and the aid intensity for each individual project, safeguards are implemented to ensure that the Modernisation fund maximum co-financing rate does not exceed:

- 50 % of total costs,
- GBER aid intensity.

The support to the final beneficiaries will be provided in the form of ex-post grants.

The maximum amount of support in the projects of this scheme, i.e. the threshold for individual notification, is EUR 15 million.

7.4. Please provide the overall financing plan and financing structure for the investment proposal. Please indicate volumes, own financing, equity/debt ratio.

The support will be provided after the decision of the Minister of the Environment and the grant agreement concluded with the SEF in the form of an ex post subsidy, a one-off subsidy paid on the basis of documented eligible expenses (the payment request will be backed up by copies of invoicing and bank statements, or other documents) and documents proving the completion of the project and meeting the conditions set out in the Programme Implementation Document (Annex A) together with the relevant call.

The SEF will not provide pre-financing, soft loans, guarantees or financial instruments.

Given the type of investment, the nature of the project and entity, and the conditions of support (see counterfactual investment in section 4.5.), it is expected that a larger share will be on the final beneficiary's own resources.

8. State Aid (Article 6(7)(c) and Annex I, point 1.8 of the IR)

8.1. Does the investment involve granting State aid? (in the meaning of Article 107(1) of the Treaty on the Functioning of the European Union)	Yes <input type="checkbox"/>	No <input type="checkbox"/>
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8.2. If Yes, please provide evidence as applicable:

- a) the Commission decision clearing national aid measure;
- b) reference under which the block-exempted measure has been registered (State aid number attributed by the Commission's electronic notification system referred to in Article 11 of Regulation (EU) No 651/2014).

Please **specify total eligible costs based on the State aid decision.**

Please confirm that the **total amount requested from the Modernisation Fund** and other Union and national instruments (total State aid) **does not exceed the amount and percentage allowed by the State aid decision.**

State aid intensities are in force at the time of submission of the scheme (05/2021), in case of relevant legislative rules update (GBER rules in particular) the scheme will be updated in accordance with all EU and national requirements.

The maximum amount of support in the projects of this scheme is EUR 15 million. **The scheme complies with the GBER and Article 41 thereof.** Only projects that meet the conditions of the GBER and do not exceed the limit for individual notification will be supported from the scheme. Over-GBER-threshold projects will be submitted and notified individually, outside of this scheme.

This procedure was preliminarily consulted with the Czech Office for the Protection of Competition (ÚOHS) and at the same time we submitted the relevant documents to this Office for inspection. No fundamental observations were made so far; however, cooperation with the Office will continue.

The reference registration number under which the block-exempted measure will be registered in the Commission's electronic notification system is: ### – *to be added no later than within 20 days after launching of the call* (see draft information in Annex F).

The maximum aid intensity according to GBER is defined below. The relevant article of the General Block Exemption Regulation (GBER) is: Article 41 – Investment support for renewable energy sources. Applications submitted under announced calls that do not reach the GBER thresholds will be evaluated and approved within the deadline set in the text of the call.

Applications submitted under the announced calls that exceed the GBER thresholds will be submitted individually for assessment by the European Investment Bank and do not fall under this scheme. Individually submitted applications must have a decision of the European Commission on state aid issued before they can be submitted for assessment.

Support to final beneficiaries

Given the nature of the projects, the aid will be granted under a public aid scheme under Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in accordance with Articles 107 and 108 of the Treaty (hereinafter only "GBER"). The aid will be disbursed as a percentage of eligible expenditure, which may not exceed the GBER aid intensities set out below.

Relevant article of the General Block Exemption Regulation (GBER) is the following:

Article 41 - Investment support for renewable energy sources

Enterprise / support (%)	Prague	Other regions
Large	45	60
Medium	55	70
Small	65	80

State aid intensities above are effective for the duration of the existing state aid rules.

All the above mentioned aid amounts must take into account counterfactual investment when determining the eligible expenditure (scenario without aid is indicated). The applicant quantifies the cost of the counterfactual investment/scenario that could be implemented without the aid and is considered less environmentally friendly. These costs are deducted from the costs of project implementation and the resulting amount is the eligible costs for the calculation of the maximum public support. The percentage of aid intensity according to the relevant GBER, size and location of the enterprise will then be applied to these costs.

The methods of project selection and of determining the amount of support are specified in the RES+ Programme Document (Annex A) and the methodology for quantifying the counterfactual investment was elaborated for SEF by CTU (See Annex D).

8.3. If No, please attach a statement evidencing that support for the investment proposal does not constitute State aid within the meaning of Article 107(1) of the Treaty. The statement should be signed by the national competition authority and should include either a reference to a Commission decision or detailed reasoning why the support does not constitute State aid.

9. Declaration of compliance (Article 6(7)(d) and Annex I, point 1.9 of the IR)

9.1. Please attach a declaration of investment compliance with the applicable requirements of Union and national laws. The declaration should be signed by the national authority responsible for the Modernisation Fund.

Statutory declaration: Please see Annex G.

10. Endorsement of Authority Submitting the Investment Proposal

Name:	Jan Kříž, Deputy Minister, Ministry of the Environment of the Czech Republic
Signature:	
Date:	11/05/2021

Annex 1. Information required under Annex I point 2 of the IR

Additional information relating to Schemes:

1. Managing authority (Annex I, point 2.1 of the IR)	
1.1. Name of the managing authority	State Environmental Fund
1.2. Address	Olbrachtova 2006/9, 140 00 Praha 4, Czech Republic
1.3. Website	https://www.sfzp.cz/en/
1.4. Main contact:	
Name	Ivo Marcin
Position in the Organisation	Director of the Department of the State Fund Strategy and International Cooperation
Email	ivo.marcin@sfzp.cz
Telephone Number	+420 267 994 148
Mobile Number (optional)	+420 736 756 015

2. Information about the scheme (Article 4(2) and Annex I, points 2.2-2.3 of the IR)

2.1. Please provide a general description of the entities in charge of initiating or implementing projects under the scheme. Please specify development stage of the scheme.

Targeted final beneficiaries are: power plant owners and holders of licenses for business in energy sectors (electricity generation). This includes electricity producers according to Article 10c of Directive 2003/87/EC, public or private legal entities, municipalities, individuals and Renewable Energy Communities (Pursuant to Article 22 of the Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources. Community projects for renewables must also comply with conditions and requirements arising from the Directive (EU) 2018/2001, on the promotion of the use of energy from renewable sources, in particular requirements under Article 22 of the Directive regarding project focus (which must be in line with the focus and conditions of the Program), its geographical location and ownership.).

In the case of the renewable energy communities, the requirement to hold a license is relevant only if this obligation arises from the currently valid legal regulations.

In the case of an application for support for the construction of a PV plant operated in the heating industry, eligible applicants are also owners of heating infrastructure on the basis of a license for the production of thermal energy and/or electricity and a license for the distribution of heat; the licenses mentioned are granted by the Energy Regulatory Office (ERO) pursuant to § 5 of Act No. 458/2000 Coll., on business conditions and public administration in the energy sectors and amending certain laws (the Energy Act) as subsequently amended.

The need to hold a license also does not apply to applicants for support for the construction of PV located in the site of their own factory, who are entities operating equipment in the EU ETS in the Czech Republic and are not producers of electricity under Article 10c of Directive 2003/87/EC of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC and consuming all electricity produced in-house.

The stage of development of the scheme is advanced and the call for proposals is about to be launched.

2.2. Please indicate whether the proposal concerns an existing scheme ¹¹ .				
The present proposal represents a new scheme.				
2.3. Please specify total volume of the scheme.				
Total volume of the scheme: 1,100,000,000 EUR				
2.4. Please specify the amount requested as the first disbursement for the scheme.				
The first disbursement: 163,000,000 EUR				
2.5. Please provide location of the investment activity and provide the list of NUTS 2 locations concerned by the scheme.				
Location of the investment activity is the whole Czech Republic, i.e.: CZ01 Praha, CZ02 Střední Čechy, CZ03 Jihozápad, CZ04 Severozápad, CZ05 Severovýchod, CZ06 Jihovýchod, CZ07 Střední Morava, CZ08 Moravskoslezsko. In these, the Just Transition regions are the following: CZ04 Severozápad and CZ08 Moravskoslezsko.				
2.6.	Proposed Financial Start Date	2021	Proposed Financial Completion Date	2030

¹¹ In the meaning of recital 3 of the Implementing Regulation (2020/1001).

Annex 2. Information required under Annex I point 3 of the IR

Additional information relating to proposals other than Schemes:

1. Proponent (Annex I, point 3.1 of the IR)	
1.1. Name of the project proponent	
1.2. Address	
1.3. Website	
1.4. Main contact:	
Name	
Position in the Organisation	
Email	
Telephone Number	
Mobile Number (optional)	

2. Information about the project (Annex I, points 3.2-3.5 of the IR)

2.1. Please specify location of the project. Please include geographic coordinates of the investment activity and provide the list of NUTS 2 locations concerned by the proposal.

2.2. Please specify total investment of the project

2.3. Please indicate the development stage of the project

2.4. Please list mandatory permits obtained or to be obtained.

2.5.

Proposed Financial
Start Date

Proposed Financial
Completion Date

