

Romania: Call for project proposals for financing via the EU Modernisation Fund

Romania launched a call for project proposals from companies interested in attracting financing from the EU Modernisation Fund, for investments in sectors such as renewable energy, energy efficiency, energy storage or the modernisation of energy networks.

Interested investors have less than two weeks left to apply if they want to be included in the list of indicative proposals to be submitted by the Romanian Ministry of Economy, Energy and Business Environment with the European Investment Bank and the Investment Committee.

Why apply?

With an expected budget of EUR 14bln in 2021 – 2030, the EU Modernisation Fund is one of the key funding instruments aimed at achieving the 2030 EU climate objectives, as set out in the European Green Deal. It was created to help 10 lower-income EU Member States, including Romania, modernise their energy systems and improve their energy efficiency during the 2021 – 2030 period.

The EU Modernisation Fund is financed from revenues achieved from the auctioning of 2 % of the total greenhouse gas emission allowances for 2021 – 2030 under the EU Emissions Trading System.

Investors could benefit from EU Modernisation Fund financing of up to 100 % of the project value in case of priority investments and up to 70 % of the project value in case of non-priority investments, provided the maximum funding is in line with EU State aid rules.

What projects are eligible?

At least 70 % of the EU Modernisation Fund will go to priority investments, namely those aimed at:

- the generation and use of electricity from renewable sources;
- improving energy efficiency (including in transport, buildings, agriculture, waste, and except in energy efficiency related to energy generation using solid fossil fuels);
- energy storage;
- modernising energy networks (including district heating pipelines, grids for electricity transmission and the increase of interconnections between Member States);
- support to a just transition in carbon-dependent regions in the beneficiary Member States, to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups, in dialogue with social partners.

The remaining 30 % of available funds will target investments that qualify for the EU Modernisation Fund, but do not fall under the above priority areas (so-called "non-priority investments").

How do you know your company is eligible?

Here is a quick checklist for investors to assess whether they are eligible for funding from the EU Modernisation Fund:

- The company needs to be a small, medium or large enterprise carrying out activities in Romania.

- Microenterprises, branches, representative offices or other entities without legal personality, companies undergoing dissolution, judicial reorganisation, liquidation, enforcement, operational closing, insolvency, bankruptcy or temporary suspension of activity are not eligible for this programme.
- The investor is the owner/concessionaire/user of the project land and has secured or is in process of securing construction rights.
- The investor may contribute to the total eligible value of the project, may also cover the non-eligible costs and has identified the financing sources for its own contribution.
- The investor is in good standing and has duly paid taxes, duties and contributions to the state and local budgets.

How to apply?

In addition to details about the company, investors will have to provide information about the project, including:

- name, location, estimated value, general overview;
- confirmation of the existence of a feasibility study;
- whether the project falls under the category of priority or non-priority investments and the evidence to this effect;
- the estimated added value of the investment in terms of the energy efficiency and modernisation of the energy system with information on the following points, based on the feasibility study:
 - the energy saved in MWh;
 - the expected cumulative MWh saved by the end of the investment lifetime;
 - the greenhouse gas emissions saved in tCO₂;
 - the expected cumulative tCO₂ saved by the end of the investment lifetime;
 - the additional renewable energy capacity installed, if applicable;
 - the achieved leverage of funds (total amount invested in relation to the contribution from the EU Modernisation Fund);
- estimated financing from the EU Modernisation Fund;
- necessary approvals, authorisations and certificates according to the feasibility study and the status thereof;
- estimated date for the initiation of the investment and the implementation timeframe.

Conclusion

While the application deadline set by the Romanian authorities is indeed tight (with project proposals to be submitted by 16 October 2020), the good news is that for some of the eligibility criteria the investor may simply confirm that it meets the requirement, with no need for additional details to be provided at this stage, unless specifically requested by the Ministry.

This is the first step of a more complex process that does not automatically secure financing for the selected projects, but rather helps assess the financing requirements. A second selection round will be organised once the legal framework for the implementation of the EU Modernisation Fund is put in place.