

# **MODERNISATION FUND**

Accelerating the transition to climate neutrality

## **IC Recommendation on Non-Priority Proposal (Subsequent Disbursement)**

**MF 2025-2 PL 1-001  
RES - heat sources for district heating**



## **1. Background**

The Modernisation Fund was set up pursuant to Article 10d of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC (ETS Directive).

Detailed rules on the operation of the Modernisation Fund (MF) are set in the Commission Implementing Regulation (EU) 2020/1001 of 9 July 2020 laying down detailed rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund supporting investments to modernise the energy systems and to improve energy efficiency of certain Member States (Implementing Regulation).

In accordance with Article 10d(6) of the ETS Directive, where an investment in the modernisation of energy systems, which is proposed to be financed from the Modernisation Fund, does not fall into the areas listed in paragraph 2 of Article 10d, the Investment Committee shall assess the technical and financial viability of that investment, including the emission reductions it achieves, and issue a recommendation on financing the investment from the Modernisation Fund.

The Investment Committee may issue a recommendation on financing the investment from the Modernisation Fund, if the conditions specified in Article 7(7) of the Implementing Regulation are met.

Where a proposal concerns a subsequent disbursement for a scheme recommended for the financing by the Investment Committee, the proposal shall not require carrying out of due diligence assessment by the EIB, and the assessment of the proposal by the Committee shall be limited to verification of compliance with the requirements specified in Article 7(8) of the Implementing Regulation, provided that there have been no changes to the scheme

## **2. Investment proposal**

Pursuant to Article 4(1) of the Implementing Regulation, on 12/08/2025, Poland (the “beneficiary Member State”) submitted to the EIB and the Investment Committee an investment proposal concerning a subsequent disbursement from the Modernisation Fund for the Scheme “RES - heat sources for district heating” (MF reference number 2025-2 PL 1-001).

The Investment Committee issued [a recommendation for financing the scheme “RES - heat sources for district heating”](#) (MF reference number 2022-2 PL 1-001) from the Modernisation Fund on 25/10/2022.

The proposal is a nationwide, multiannual scheme targeted to invest in the construction and/or conversion of heat production plants with an installed output of at least 2 MW thermal and based on renewable energy sources (RES), using the following RES technologies: geothermal heat plants, large-scale heat pumps and solar heat collector plants.

The objectives of the scheme can be summarised as follows:

- The short-term goal is to create a perspective of low-carbon investments in the district heating sector. The scheme should send a clear signal that low carbon investment in heat generation is the only possible option.
- The medium-term goal is to support fuel switching, district heating renovation and storage technologies that would significantly reduce greenhouse gases (GHG) emissions and increase energy efficiency.
- The long-term goal - and beyond the scheme - is to completely phase out coal from the district heating sector. This scheme ensures that each supported project will relate to the decommissioning of any coal-fired units in district heating systems by 2035.

The beneficiaries are entrepreneurs conducting economic activity in the field of heat generation or generation of heat and electricity, implementing a project within the district heating system.

The scheme will be implemented in the territory of Poland in the years 2023 – 2030.

The new renewable energy technologies will replace energy generated from coal (80%) and natural gas (20%). The Beneficiary Member State foresees that the implementation of the scheme will result in reduction of 387 062 tons of CO<sub>2</sub>eq per year.

The beneficiary Member State has indicated an expected Modernisation Fund funding for the investment proposal of EUR 444 444 444.

The EIB has disbursed an amount of EUR 22 222 222.

The beneficiary Member State has requested funding of EUR 49 000 000 for a subsequent disbursement. This is the second disbursement request for this investment.

### ***3. Compliance with the conditions for non-priority investment***

As the proposal concerns a subsequent disbursement and as there have been no changes to the scheme, the proposal shall not require carrying out of due diligence assessment by the EIB, and the assessment of the proposal by the Investment Committee shall be limited to verification of compliance with the requirements specified in Article 7(8) of the Implementing Regulation:

- a) The beneficiary Member State has sufficient funds available in the relevant category of funds according to the statement of the available funds referred to in Article 5(1) of the Implementing Regulation and after deduction of any amounts to be disbursed for investments already confirmed in accordance with Article 6(9) of the Implementing Regulation and on the basis of the recommendations already issued in accordance with Article 7(9) of the Implementing Regulation.

- b) The European Investment Bank confirmed that the share of the funds allocated to priority investments is at least 90 % of the of the revenue from allowances referred to in Article 10(1), fourth subparagraph, of Directive 2003/87/EC used by the Czech Republic, as defined in Article 7(7)(ca) of the Implementing Regulation..
- c) The financing complies with the fourth sentence of the second sub-paragraph of Article 10d(6) of Directive 2003/87/EC.
- d) The beneficiary Member State has provided evidence that the investment proposal is exempted from the State aid notification in accordance with the applicable State aid rules.
- e) The beneficiary Member State has provided information about the implementation of the scheme in accordance with Annex I, point 4.2 of the Implementing Regulation.

#### **4. Recommendation**

The Investment Committee recommends financing the subsequent disbursement from the Modernisation Fund for the scheme of EUR 49 000 000 - revenue from allowances referred in Article 10(1), the fourth subparagraph of Directive 2003/87/EC – 2.5%.

#### **5. Justification for recommendation**

The Investment Committee deems support from the MF the subsequent disbursement as here have been no changes to the scheme and the investment proposal meets the requirements specified in points Article 7(8) of the Implementing Regulation.

#### **6. Suggestions regarding application of the financing instruments (if applicable)**

The Investment Committee has no suggestions regarding the application of the financing instruments.

Investment Committee, 21 October 2025