

Modernisation Fund

How to support EU Emissions Trading System reform and low-carbon investments in Central and Eastern Europe?

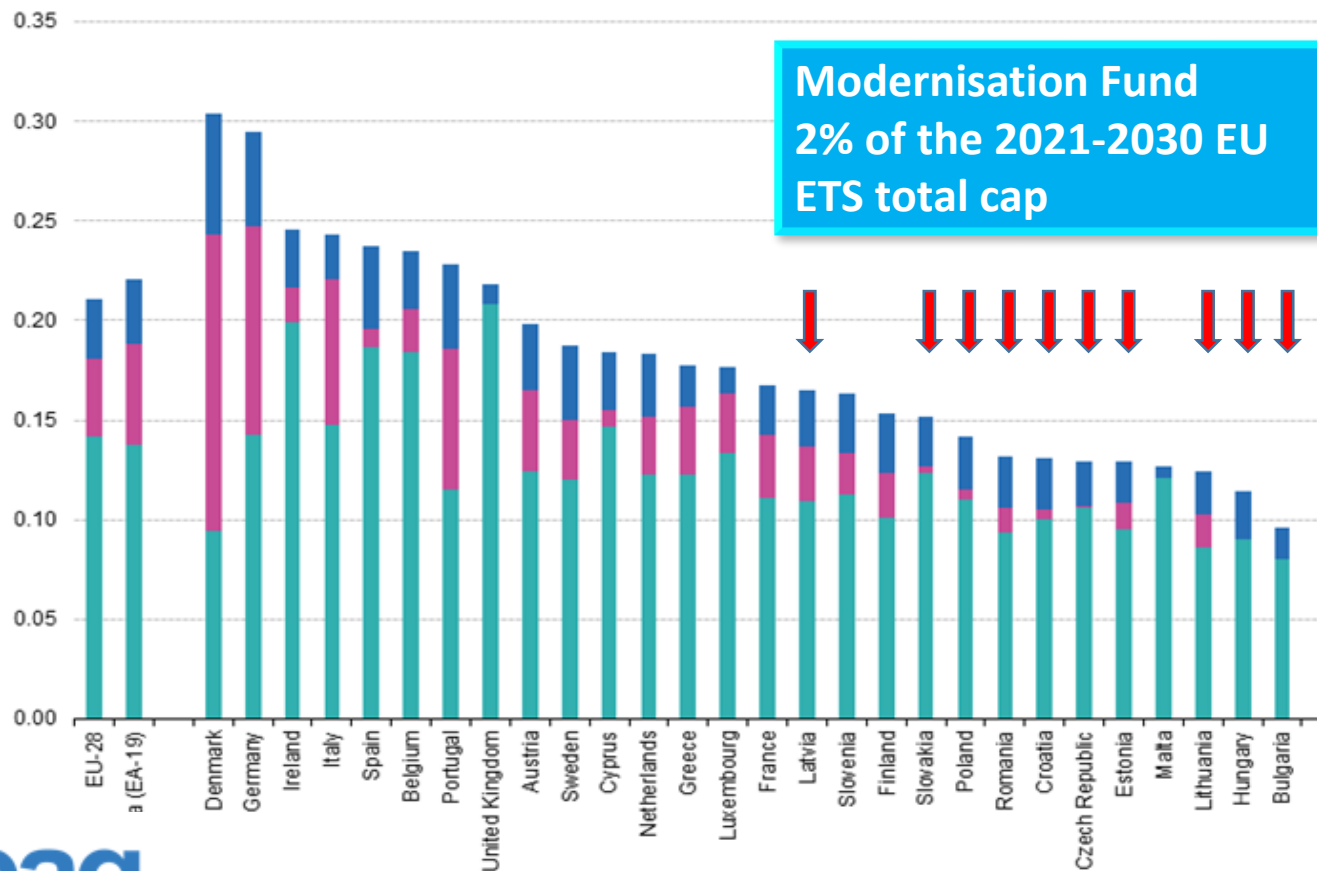
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4th November 2016

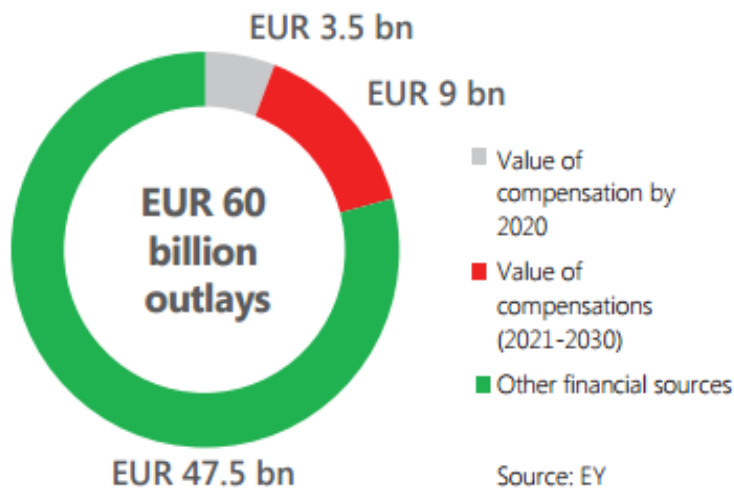
Modernisation Fund can keep the energy bills lower for end consumers

Electricity prices for household consumers, second half 2015 (EUR per kWh)



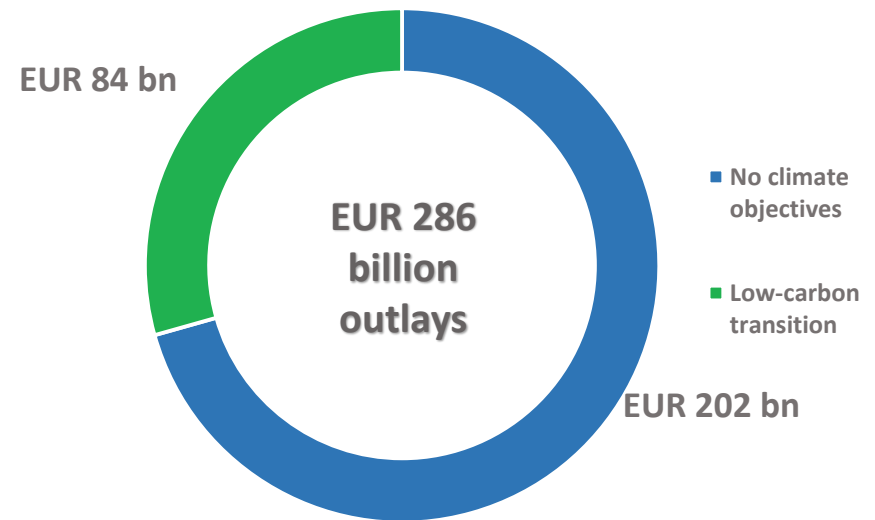
Modernisation Fund can sponsor various types of low-carbon investments

Polish Electricity Association estimated cost for investments in **Polish power generation** to meet 30% (2005 levels) reduction target in 2030



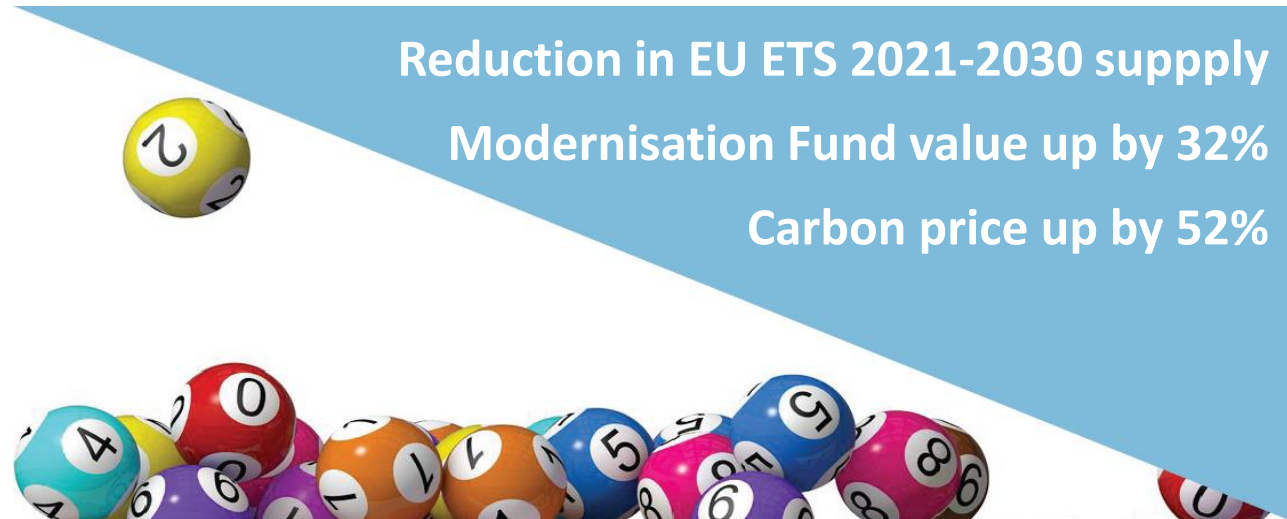
- RES PV: 29%
- RES wind: 22%
- Nuclear: 20%

EC estimated cost for replacement of **aging energy system infrastructure in 10 CEE Member States**:



- Energy efficiency: 59%
- Power generation: 26%
- Power transmission: 15%

The EU ETS carbon price will set the value of the Modernisation Fund

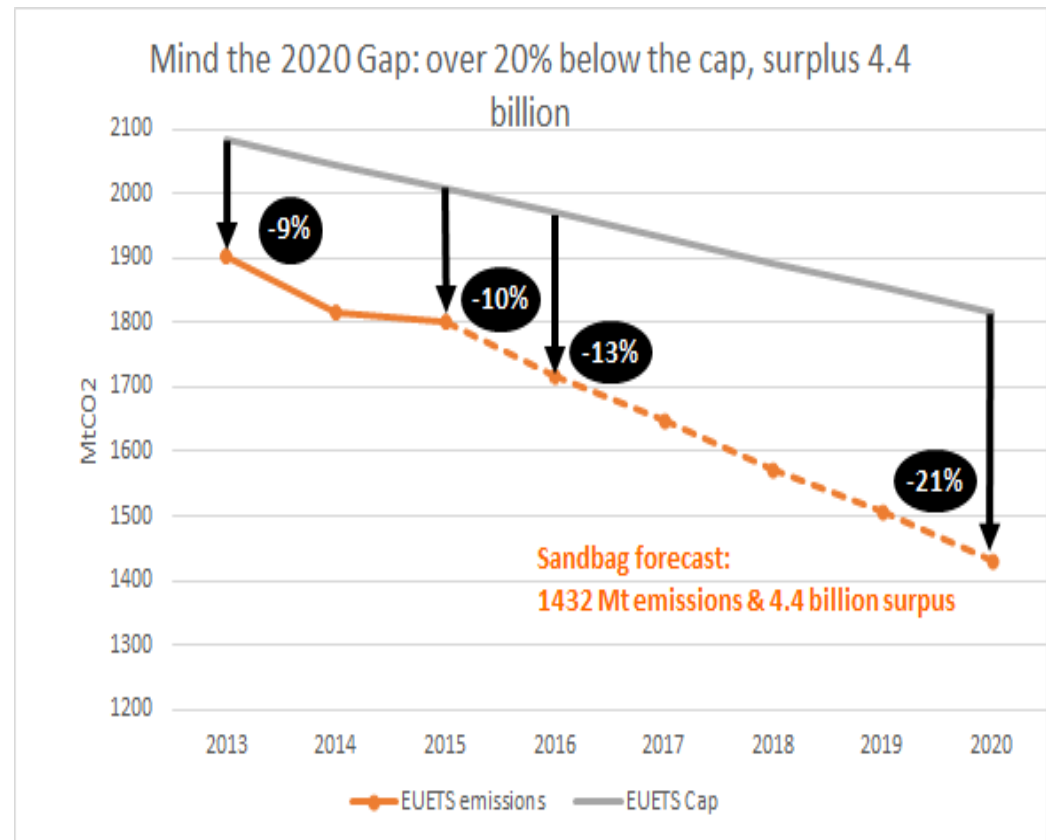


	Average price 2021-2030		Volume (million tonnes)	Modernisation Fund	
	Price scenario 1 (Sandbag)	Price scenario 2 (Thomson Reuters)		Total fund value (€ million)	
				Scenario 1	Scenario 2
No Phase 4 re-basing (BAU)	€ 12.50	€ 22.50	310	€ 3,876	€ 6,977
Phase 4 Cap Re-base	€ 19.00	€ 28.50	285	€ 5,408	€ 8,112
Difference (%)	52%	27%	-13%	32%	16%

Re-basing and other EU ETS reform options will increase Modernisation Fund value

Tightening supply during 2021-2030

- Re-basing of the starting point in 2021
- Changes to the Linear Reduction Factor
- Unilateral Member States cancellation
- Market Stability Reserve cancellation/transfer options



Source: Sandbag estimates

There is data available for your country to make re-basing attractive to stakeholders

- Check out our briefing: [A tighter cap grows the funds](#) (Nov 2016)
- There is more to EU ETS support for CEE than Modernisation Fund

	Modernisation Fund					Solidarity Fund				
	Share	No Re-basing (BAU)		Cap Rebase		Share	No Re-basing (BAU)		Cap Rebase	
		Volume/€ sensitivity	Value (M€)	Volume/€ sensitivity	Value (M€)		Volume/€ sensitivity	Value (M€)	Volume/€ sensitivity	Value (M€)
Poland	43.4%	134.6	€ 1,683	123.6	€ 2,348	34.3%	303.2	€ 3,790	278.3	€ 5,288
Czech Rep.	15.6%	48.3	€ 604	44.4	€ 843	11.2%	99.2	€ 1,240	91.1	€ 1,730
Romania	12.0%	37.1	€ 464	34.1	€ 648	15.0%	132.8	€ 1,660	121.9	€ 2,316
Hungary	7.1%	22.1	€ 276	20.3	€ 385	3.1%	27.6	€ 345	25.4	€ 482
Slovakia	6.1%	19.0	€ 238	17.4	€ 332	4.4%	38.8	€ 485	35.6	€ 676
Bulgaria	5.8%	18.1	€ 226	16.6	€ 316	8.5%	75.1	€ 938	68.9	€ 1,309
Croatia	3.1%	9.7	€ 122	8.9	€ 170		-	€ -	-	€ -
Estonia	2.8%	8.6	€ 108	7.9	€ 150	2.3%	20.4	€ 255	18.7	€ 355
Lithuania	2.6%	8.0	€ 100	7.3	€ 139	1.2%	10.3	€ 128	9.4	€ 179
Latvia	1.4%	4.5	€ 56	4.1	€ 78	0.6%	5.1	€ 63	4.7	€ 88
TOTAL		310.1	€ 3,876	284.6	€ 5,408		883.7	€ 11,046		€ 15,414

Source: Sandbag's analysis based on the EC proposal and Sandbag's price scenario.

NGOs: Use the data to showcase attractive investments opportunities

Regional like energy efficiency in cities...

CEE Covenant of Mayors Sustainable Energy Action Plans (March 2016).

58% of Mayors claim they cannot realise the plans and funding is the major barrier.

Bulgaria: 23 signatories
Croatia: 59 signatories
Czech Republic: 5 signatories
Estonia: 3 signatories
Hungary: 26 signatories
Latvia: 19 signatories
Lithuania: 14 signatories
Poland: 33 signatories
Romania: 48 signatories
Slovakia: 4 signatories.



National like landmark gov dev plans...

Polish Responsible Development Strategy targets 29 low carbon investments actions:

- Energy efficiency in buildings,
- Grid and network investments for electricity and gas,
- CPH,
- Local RES and distribution systems.

Only 5 out of 29 will get implemented with the high likelihood (Fundacja Instytut na rzecz Ekorozwoju study, Sep 2016)

[Source: A chance for Responsible Development \(Sep 2016\)](#)

NGOs: Participate in investment selection and monitoring.

**Check out the proposed EU ETS legislation on Modernisation Fund:
<https://sandbag.org.uk/ets-directive/>**

- **Art 10d: no proposal on selection criteria – delegated act & complicated proposal on the governance – major governance issue.**
- **Sandbag: Member States should be able to control their investment portfolios, but...**

... under the decarbonisation strategies supportive of 80-95% by 2050 – lowering CO₂ emissions as a clear aim behind investments.

...with institutional assistance from the EIB for due-diligence, investment selection and attracting private funding.

... in cooperation with important stakeholders, including NGOs.

Thank you! Now the ball is in your court...



Any questions? Feedback?

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