

Response to the EU Modernisation Fund Consultation

Brussels, 16 March 2020

WindEurope, representing more than 400 members across the European wind energy value chain, welcomes the public consultation on the EU Modernisation Fund Implementing Regulation launched by the European Commission following Art. 10d of the ETS Directive.

The Modernisation Fund is a key instrument for the achievement of the EU long-term energy and climate objectives, as it supports low-income Member States in decarbonising their economies, funding measures in important domains such as energy efficiency, electricity transmission and interconnections. Crucially, the Modernisation Fund helps boosting renewable energy deployment in those countries where the growth of renewable installations might be slower due to a higher cost of capital as compared to Countries with a higher GDP.

To ensure these objectives are pursued and reached, the Modernisation Fund needs to be fully aligned with the European Green Deal. Funds under this mechanism should be allocated to those low-GDP countries that prove **concrete efforts in decarbonisation in line with 2050 climate neutrality and show ambition in their 2030 renewable energy targets**. It should be considered that, as the European Commission has pointed out in their recommendations in June 2019, some Countries could raise the renewable targets they have proposed in the draft – and now final – National Energy and Climate Plans. This is even more important considering that the EU 2030 Greenhouse Gas (GHG) emission targets will be raised to 50-55% from the current 40%, following the recent Climate Law proposal. **The revision of this target represents an important opportunity for raising national ambitions in renewable energy and the Implementing Act of the Modernisation Fund should align with this process to support higher climate and energy objectives.**

Art. 10d of the ETS Directive prevents most of the beneficiary States from using the Modernisation Fund to support projects related to *solid* fossil fuel deployment. This wording is not in line with the Union climate targets as it only prohibits funding hard coal and lignite but allows for other fossil fuels to play a major role in those countries, without effectively boosting renewable energy deployment. **WindEurope therefore strongly recommends that funding of all fossil fuels is effectively excluded from the implementation of Modernisation Fund.** This would ensure policy coherence and be consistent with the European Investment Bank energy lending criteria preventing financing to all fossil fuels as of next year, and considering that the Bank will play a major role in the management of the Fund.

The same article prescribes that the Fund can be used to boost renewable energy deployment and the use of renewable electricity. Following the most recent technology developments and reflecting the increasingly growing role of renewables in the EU energy mix, the Implementing Regulation of the

Modernisation Fund should specify that **storage solutions and 'hybrid' renewable energy power plants** (plants with any combination of wind, PV and storage) are eligible as priority investment projects.

Priority investments should also substantially cover **electricity networks**. Today only 24% of the final EU energy uses is supplied by electricity, out of which only 30% by renewables – with wind covering 15% of the EU electricity demand. Decarbonising our economies means significantly increasing the share of renewable electricity in the final energy uses, modernising industrial processes as well as buildings and the transport sector. Electricity can cover 62% of the EU energy demand in 2050, with renewables producing 78% of it¹. The electricity infrastructure needs to be reinforced and expanded to ensure that the use of renewable electricity is maximised in the energy mix. Funding under the Modernisation Fund – but also other important infrastructural funds such as Connecting Europe Facility or initiatives such as the Ten-Year Network Development Plan – should be consistent with these objectives.

With regards to the functioning of the Modernisation Fund, WindEurope welcomes the importance of the role the European Investment Bank will play in managing it. This ensures impartiality in the assessment of the investments at the national level. Transparency and accountability at the Member State level will be crucial in the correct management of this Fund, ensuring that investments will ultimately boost the Energy Union objectives and comply with the 2050 decarbonisation goals.

¹ *Breaking New Ground*, WindEurope, September 2018. Accessible at: <https://windeurope.org/wp-content/uploads/files/about-wind/reports/WindEurope-breaking-new-ground.pdf> [March 2020]