



Amendments to the Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emission reductions and low carbon investments

Amendment 1

Article 10

Text proposed by Commission	Amendment
<p>(4) Article 10 is amended as follows:</p> <p>(a) three new subparagraphs are added to paragraph 1:</p> <p>"From 2021 onwards, the share of allowances to be auctioned by Member States shall be 57%.</p> <p>2% of the total quantity of allowances between 2021 and 2030 shall be auctioned to establish a fund to improve energy efficiency and modernise the energy systems of certain Member States as set out in Article 10d of this Directive ("the Modernisation Fund").</p> <p>The total remaining quantity of allowances to be auctioned by Member States shall be distributed in accordance with paragraph 2.";</p> <p>(b) paragraph 2 is amended as follows:</p> <p>(i) in point (a), "88%" is replaced by "90%";</p> <p>(ii) point (b) is replaced by the following:</p> <p>"(b) 10% of the total quantity of allowances to be auctioned being distributed amongst certain Member States for the purpose of solidarity and growth within the Community, thereby increasing the amount of allowances that those</p>	<p>From 2021 onwards, the share of allowances to be auctioned by Member States shall be XY%.</p>

<p>Member States auction under point (a) by the percentages specified in Annex IIa."; and</p> <p>(iii) point (c) is deleted;</p> <p>(iv) the third subparagraph is replaced by the following:</p> <p>"If necessary, the percentage referred to in point (b) shall be adapted in a proportional manner to ensure that the distribution is 10%."</p> <p>(c) in paragraph 3, the following points (j), (k) and (l) are added:</p> <p>(j) to fund financial measures in favour of sectors or subsectors that are exposed to a genuine risk of carbon leakage due to significant indirect costs that are actually incurred from greenhouse gas emission costs passed on in electricity prices, provided that these measures meet the conditions set out in Article 10a(6);</p> <p>(k) for climate financing actions in vulnerable third countries, including adaptation to the impacts of climate change.;</p> <p>(l) to promote skill formation and reallocation of labour affected by the transition of jobs in a decarbonising economy in close coordination with the social partners."</p>	<p>c) in paragraph 3, the first subparagraph is replaced by:</p> <p>Member States shall determine the use of revenues generated from the auctioning of allowances. At least 85 % of the revenues generated from the auctioning of allowances referred to in paragraph 2, including all revenues from the auctioning referred to in paragraph 2 point (b) or the equivalent in financial value of these revenues, shall be used for one or more of the following:</p> <p>, and the following points (j), (k) and (l) are added:</p> <p>"(j) to fund financial measures in favour of sectors or subsectors that are exposed to a genuine risk of carbon leakage due to significant indirect costs that are actually incurred from greenhouse gas emission costs passed on in electricity prices, provided that these measures meet the conditions set out in Article 10a(6);</p> <p>(k) for climate financing actions in vulnerable third countries, including adaptation to the impacts of climate change.;</p> <p>(l) to promote skill formation and reallocation of labour affected by the transition of jobs in a decarbonising economy in close coordination with the social partners."</p> <p>(d) the second subparagraph of paragraph 3 is replaced by the following:</p> <p>"Member States shall be deemed to have fulfilled the provisions of this paragraph if they</p>
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<p>(d) the third subparagraph of paragraph 4 is replaced by the following:</p> <p>“The Commission shall be empowered to adopt a delegated act in accordance with Article 23.”.</p>	<p>have in place and implement fiscal or financial support policies, including in particular in developing countries, or domestic regulatory policies, which leverage financial support, established for the purposes set out in the first subparagraph and which have a value equivalent to at least 85 % of the revenues generated from the auctioning of allowances referred to in paragraph 2, including all revenues from the auctioning referred to in paragraph 2 point (b).”</p> <p>(e) the third subparagraph of paragraph 4 is replaced by the following:</p> <p>“The Commission shall be empowered to adopt a delegated act in accordance with Article 23.”.</p>
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Justification:

Auction share

The exact volume XY shall be decided by the Council and the European Parliament well ahead of the start of Phase IV. Calculation methodologies differ significantly and used methodology will have a huge impact on the industry. It is important that it will be determined by political consensus. For the time being, there persists a lack of clarity about the exact number that meets the interpretation of the Council Conclusions. In view of the importance of this number, this shall be agreed by the Council and subsequently approved by the Parliament on the basis of the Commission proposal.

Earmarking of auction revenues

The EC suggests that Member States should compensate its industrial sector for indirect carbon costs. These compensations could represent about 35% of the EUA auctioning revenues. The needed funds should not be granted at the expense of the currently allowed uses which significantly contribute to the fulfilment of other European climate targets. Therefore, the proportion of earmarking should increase by the above-mentioned value from the current 50% to 85%. Proposed amendment will secure sufficient amount of financial resources for particular measures.

Amendment 2

Article 10(5)

Text proposed by Commission	Amendment
	<p>10(5) The Commission shall monitor the functioning of the European carbon market. Each year, it shall submit a report to the European Parliament and to the Council on the</p>

	<p>functioning of the carbon market including the implementation of the auctions, liquidity and the volumes traded. The report shall also address the interaction of the EU ETS and other climate-energy policies at the European and national levels, and shall transparently analyse the implications of various policies on the level of demand for EU allowances and its consequences on the supply-demand balance in the carbon market. If necessary, Member States shall ensure that any relevant information is submitted to the Commission at least two months before the Commission adopts the report.</p>
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Amendment 3

Article 29

Text proposed by Commission	Amendment
	<p style="text-align: center;">Article 29</p> <p style="text-align: center;">Report to ensure the better functioning of the carbon market</p> <p>If, on the basis of the regular reports on the carbon market referred to in Article 10(5), the Commission has evidence that the carbon market is not functioning properly, it shall submit a report to the European Parliament and to the Council. The report shall include a section dedicated to the interaction of other European and national policies with the EU ETS in terms of the volumes of emission reductions and the cost-effectiveness of such policies. The report shall be accompanied, if appropriate, by proposals aiming at increasing transparency of the carbon market, and addressing measures to improve its functioning.</p>

Justification:

Overlapping policies

Given the fragile supply/demand balance expected after 2020, the additional drop of the demand caused by the EU ETS overlaps with other climate policies can translate into a situation, when the supply of allowances will be chronically equal or higher than the respective demand. The resulting lack of scarcity of allowances threatens one of the EU ETS main objectives, which is to incentivise the long term decarbonization of the European economy. Because there is no price without scarcity and there is no incentive without price. At the same time, MSR will not solve this problem as it just cannot be triggered

when the oversupply is within the pre-defined band, even if the market gets all the allowances it needs without any effort. Therefore, the negative effect of the overlapping climate policies should be neutralized by placing into the MSR the volume of allowances equivalent to the emission savings achieved outside the EU ETS market by means of the RES and EE support schemes.

The ETS Directive itself needs to spell out the process for assessments and reviews to address transparently the question of policy interaction. Amendment 2 together with Amendment 3 propose transparent process how to tackle the issue of overlapping policies. The annual Report on the State of the Carbon Market is an opportune moment to address such questions and shall be deemed as a point of departure for actions aimed at the recovery of the ETS scheme. This annual report should incorporate a section about transparency of policy interplay.

Amendment 4

Article 10a

Text proposed by Commission	Amendment
<p>(5) Article 10a is amended as follows:</p> <p>(a) the second paragraph of paragraph 1 is replaced by the following:</p> <p>"The Commission shall be empowered to adopt a delegated act in accordance with Article 23. This act shall also provide for additional allocation from the new entrants reserve for significant production increases by applying the same thresholds and allocation adjustments as apply in respect of partial cessations of operation."</p> <p>(b) a new third subparagraph is added to paragraph 2 as follows:</p> <p>"The benchmark values for free allocation shall be adjusted in order to avoid windfall profits and reflect technological progress in the period between 2007-8 and each later period for which free allocations are determined in accordance with Article 11(1). This adjustment shall reduce the benchmark values set by the act adopted pursuant to Article 10a by 1% of the value that was set based on 2007-8 data in respect of each year between 2008 and the middle of the relevant period of free allocation, unless:</p> <p>(i) On the basis of information submitted pursuant to Article 11, the Commission shall identify whether the values for each benchmark calculated using the principles in Article 10a differ from the annual reduction</p>	<p>(5) Article 10a is amended as follows:</p> <p>(a) the second paragraph of paragraph 1 is replaced by the following:</p> <p>"The Commission shall be empowered to adopt a delegated act in accordance with Article 23. This act shall also provide for additional allocation from the new entrants reserve for significant production increases by applying the same thresholds and allocation adjustments as apply in respect of partial cessations of operation."</p> <p>(b) a new third subparagraph is added to paragraph 2 as follows:</p> <p>"The benchmark values for free allocation shall be adjusted in order to avoid windfall profits and reflect technological progress in the period between 2007-8 and each later period for which free allocations are determined. The starting point shall be the average performance of the 10 % most efficient installations being responsible at least for 10% production in a sector or subsector in the Community in the years 2013-2014. The Commission shall consult the relevant stakeholders, including the sectors and subsectors concerned, in accordance with Article 11(1). This adjustment shall reduce the benchmark values set by the act adopted pursuant to Article 10a by 1% of the value that was set based on 2007-8 data in respect of each year between 2008 and the middle of the</p>

<p>referred to above by more than 0.5% of the 2007-8 value higher or lower annually. If so, that benchmark value shall be adjusted either 0.5% or 1.5% in respect of each year between 2008 and the middle of the period for which free allocation is to be made;</p> <p>(ii) By way of derogation regarding the benchmark values for aromatics, hydrogen and syngas, these benchmark values shall be adjusted by the same percentage as the refineries benchmarks in order to preserve a level playing field for producers of these products.</p> <p>The Commission shall adopt an implementing act for this purpose in accordance with Article 22a."</p> <p>(c) paragraph 5 is replaced by the following:</p> <p>"In order to respect the auctioning share set out in Article 10, the sum of free allocations in every year where the sum of free allocations does not reach the maximum level that respects the Member State auctioning share, the remaining allowances up to that level shall be used to prevent or limit reduction of free allocations to respect the Member State auctioning share in later years. Where, nonetheless, the maximum level is reached, free allocations shall be adjusted accordingly. Any such adjustment shall be done in a uniform manner.";</p> <p>(d) the first subparagraph of paragraph 6 is replaced by the following:</p> <p>"Member States should adopt financial measures in favour of sectors or sub-sectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs that are actually incurred from greenhouse gas emission costs passed on in electricity prices, taking into account any effects on the internal market. Such financial measures to compensate part of these costs shall be in accordance with state aid rules. "</p> <p>(e) paragraph 7 is amended as follows</p> <p>(i) The first and second sentences of the first subparagraph are replaced by the following:</p> <p>"Allowances from the maximum amount</p>	<p>relevant period of free allocation, unless:</p> <p>(i) On the basis of information submitted pursuant to Article 11, the Commission shall identify whether the values for each benchmark calculated using the principles in Article 10a differ from the annual reduction referred to above by more than 0.5% of the 2007-8 value higher or lower annually. If so, that benchmark value shall be adjusted either 0.5% or 1.5% in respect of each year between 2008 and the middle of the period for which free allocation is to be made;</p> <p>(ii) By way of derogation regarding the benchmark values for aromatics, hydrogen and syngas, these benchmark values shall be adjusted by the same percentage as the refineries benchmarks in order to preserve a level playing field for producers of these products.</p> <p>The Commission shall adopt an implementing act for this purpose in accordance with Article 22a."</p> <p>(c) paragraph 5 is replaced by the following:</p> <p>"In order to respect the auctioning share set out in Article 10, the sum of free allocations in every year where the sum of free allocations does not reach the maximum level that respects the Member State auctioning share, the remaining allowances up to that level shall be used to prevent or limit reduction of free allocations to respect the Member State auctioning share in later years. Where, nonetheless, the maximum level is reached, free allocations shall be adjusted accordingly. Any such adjustment shall be done in a uniform manner and should not be used for free allocations adjusted by linear factor referred to in Article 9.";</p> <p>(d) the first subparagraph of paragraph 6 is replaced by the following:</p> <p>"Member States should adopt financial measures in favour of sectors or sub-sectors which are exposed to a genuine risk of carbon leakage due to significant indirect costs that are actually incurred from greenhouse gas emission costs passed on in electricity prices, taking into account any effects on the internal</p>
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referred to Article 10a(5) of this Directive which were not allocated for free up to 2020 shall be set aside for new entrants and significant production increases, together with 250 million allowances placed in the market stability reserve pursuant to Article 1(3) of Decision (EU) 2015/... of the European Parliament and of the Council(*).

From 2021, allowances not allocated to installations because of the application of paragraphs 19 and 20 shall be added to the reserve."

(*) *[insert the full title of the Decision and the OJ reference].*"

(ii) The fifth subparagraph is deleted.

(f) in paragraph 8, the first, second and third subparagraphs of paragraph 8 are replaced by the following:

"400 million allowances shall be available to support innovation in low-carbon technologies and processes in industrial sectors listed in Annex I, and to help stimulate the construction and operation of commercial demonstration projects that aim at the environmentally safe capture and geological storage (CCS) of CO₂ as well as demonstration projects of innovative renewable energy technologies, in the territory of the Union.

The allowances shall be made available for innovation in low-carbon industrial technologies and processes and support for demonstration projects for the development of a wide range of CCS and innovative renewable energy technologies that are not yet commercially viable in geographically balanced locations. In order to promote innovative projects, up to 60% of the relevant costs of projects may be supported, out of which up to 40% may not be dependent on verified avoidance of greenhouse gas emissions provided that pre-determined milestones are attained taking into account the technology deployed.

In addition, 50 million unallocated allowances from the market stability reserve established

market. Such financial measures to compensate part of these costs shall be in accordance with state aid rules. "

(e) paragraph 7 is amended as follows

(i) The first and second sentences of the first subparagraph are replaced by the following:

"Allowances from the maximum amount referred to Article 10a(5) of this Directive which were not allocated for free up to 2020 shall be set aside for new entrants and significant production increases, together with 250 million allowances placed in the market stability reserve pursuant to Article 1(3) of Decision (EU) 2015/... of the European Parliament and of the Council(*).

From 2021, allowances not allocated to installations because of the application of paragraphs 19 and 20 shall be added to the reserve."

(*) *[insert the full title of the Decision and the OJ reference].*"

(ii) The fifth subparagraph is deleted.

(f) in paragraph 8, the first, second and third subparagraphs of paragraph 8 are replaced by the following:

"400 million allowances shall be available to support innovation in low-carbon technologies and processes in industrial sectors listed in Annex I, and to help stimulate the construction and operation of commercial demonstration projects that aim at the environmentally safe capture and geological storage (CCS) of CO₂ as well as demonstration projects of innovative renewable energy technologies, in the territory of the Union.

The allowances shall be made available for innovation in low-carbon industrial technologies and processes and support for demonstration projects for the development of a wide range of CCS and innovative renewable energy technologies that are not yet commercially viable in geographically balanced locations. In order to promote innovative projects, up to 60% of the relevant costs of projects may be supported, out of which up to

<p>by Decision (EU) 2015/... shall supplement any existing resources remaining under this paragraph for projects referred to above, with projects in all Member States including small-scale projects, before 2021. Projects shall be selected on the basis of objective and transparent criteria.</p> <p>The Commission shall be empowered to adopt a delegated act in accordance with Article 23."</p> <p>(g) paragraphs 9 and 10 are deleted.</p> <p>(h) in paragraph 11, the wording "with a view to reaching no free allocation in 2027" is deleted.</p> <p>(i) paragraphs 12 to 18 are deleted.</p>	<p>40% may not be dependent on verified avoidance of greenhouse gas emissions provided that pre-determined milestones are attained taking into account the technology deployed.</p> <p>In addition, 50 million unallocated allowances from the market stability reserve established by Decision (EU) 2015/... shall supplement any existing resources remaining under this paragraph for projects referred to above, with projects in all Member States including small-scale projects, before 2021. Projects shall be selected on the basis of objective and transparent criteria.</p> <p>The Commission shall be empowered to adopt a delegated act in accordance with Article 23."</p> <p>(g) paragraphs 9 and 10 are deleted.</p> <p>(h) in paragraph 11, the wording "with a view to reaching no free allocation in 2027" is deleted.</p> <p>(i) paragraphs 12 to 18 are deleted.</p>
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Justification:

Benchmarks

We argue against the flat linear decrease of benchmarks' values which takes no account of real technological progress. There should be a proper reassessment of values based on sound technical analysis before each trading period begins. After thorough assessment of technological progress the Commission recently decided to increase efficiency reference value for separate heat production (output in hot water) in natural gas boilers from 90 to 92 % - see Commission Delegated Regulation (EU) 2015/2402 of 12 October 2015 reviewing harmonised efficiency reference values for separate production of electricity and heat in application of Directive 2012/27/EU of the European Parliament and of the Council and repealing Commission Implementing Decision 2011/877/EU. It was its first increase since the reference value of 90 % for heat production in gas boilers was set in 2007 and the second review of reference values (first one took place in 2011).

It is true that the average performance of heat production in terms of CO2 factor is improving over time. However, the benchmark value for the best performing installations in the heat sector in terms of their CO2 emissions was set in 2011 on the basis of a hot water gas boiler. Had the benchmark value been originally set as an average on the basis of all installations in the heat sector, then it would have made sense to adjust it according to development of average CO2 factor for all heat installations, as is now proposed. But, since this is not the case, changing the benchmark values to reflect improvement in gas boiler's performance by adjusting it by the "average" CO2 factor for heat production which reflects average improvement of all installations combined (and not only gas boilers) is incorrect.

It should be also noted that the free allocation to heating sector is further restrained to only a fraction of amount suggested by benchmark value by 30% reduction factor for sectors not exposed to international

carbon leakage. Although district heating installations are not fulfilling definition for international carbon leakage, in reality district heating installations are exposed to "national" carbon leakage (leakage of emission into sectors outside of EU ETS) and there is therefore already a significant pressure on district heating installations which cannot be compared to requirements set on individual gas boilers - the most common competition to district heating. Further increase of benchmark value for the heat sector beyond what can be technically achieved would be counterproductive as it would have a negative impact for district heating schemes, even those with a significant share of biomass (or other renewables) as compared to individual gas boilers as long as there would be no comparable EU-wide tool for non-ETS installations for addressing carbon price such as carbon tax. This would ultimately lead to an increase of total amount of CO2 emissions triggered by customer disconnections for alternatives outside of the EU ETS.

Reference to Article 9

Under the current regime (Phase III of the ETS) free allocation to CHP heat is cut annually by the linear reduction factor of 1.74%, but not by the cross-sectoral correction factor. The new proposal might cause that in the future, free allocation to CHP heat would be cut by both the newly updated linear factor of 2.2% and the cross-sectoral correction factor. This would put CHP in a disadvantageous position towards heat boilers subject to only one reduction factor and it is against promoting energy efficiency as envisaged by the Energy Efficiency Directive. Subjecting CHP plants to both reductions factors should be avoided and the wording of this article needs to be rectified. The current proposal already envisages a reduction of free allocation to heat to 30% for both CHP and heat boilers. This is why we suggest including additional wording into this article, which helps to clarify the situation of CHP under the new regime (Phase IV of the ETS) and helps to avoid double regulation.

Amendment 5

Article 10c

Text proposed by Commission	Amendment
<p>1. By derogation from Article 10a(1) to (5), Member States which had in 2013 a GDP per capita in € at market prices below 60% of the Union average may give a transitional free allocation to installations for electricity production for the modernisation of the energy sector.</p> <p>2. The Member State concerned shall organise a competitive bidding process for projects with a total amount of investment exceeding €10 million to select the investments to be financed with free allocation. This competitive bidding process shall:</p> <p>(a) comply with the principles of transparency, non-discrimination, equal treatment and sound financial management;</p> <p>(b) ensure that only projects which contribute to the diversification of their energy mix and sources of supply, the necessary restructuring, environmental upgrading and retrofitting of the</p>	<p>1. By derogation from Article 10a(1) to (5), Member States which had in 2013 a GDP per capita in € at market prices below 60% of the Union average may give a transitional free allocation to installations for electricity production generators for the modernisation of the energy sector.</p> <p>2. The Member State concerned shall organise a competitive bidding process for projects with a total amount of investment exceeding €15 million to select the investments to be financed with free allocation. This competitive bidding process shall:</p> <p>(a) comply with the principles of transparency, non-discrimination, equal treatment and sound financial management;</p> <p>(b) ensure that only projects which contribute to the diversification of their energy mix and sources of supply, the necessary restructuring, environmental upgrading and retrofitting of the</p>

<p>infrastructure, clean technologies and modernisation of the energy production, transmission and distribution sectors are eligible to bid;</p> <p>(c) define clear, objective, transparent and non-discriminatory selection criteria for the ranking of projects, so as to ensure that projects are selected which:</p> <p>(i) on the basis of a cost-benefit analysis, ensure a net positive gain in terms of emission reduction and realise a pre-determined significant level of CO2 reductions;</p> <p>(ii) are additional, clearly respond to replacement and modernisation needs and do not supply a market-driven increase in energy demand;</p> <p>(iii) offer best value for money;</p> <p>By 30 June 2019, any Member State intending to make use of optional free allocation shall publish a detailed national framework setting out the competitive bidding process and selection criteria for public comment.</p> <p>Where investments with a value of less than €10 million are supported with free allocation, the Member State shall select projects based on objective and transparent criteria. The results of this selection process shall be published for public comment. On this basis, the Member State concerned shall establish and submit a list of investments to the Commission by 30 June 2019.</p> <p>3. The value of the intended investments shall at least equal the market value of the free allocation, while taking into account the need to limit directly linked price increases. The market value shall be the average of the price of allowances on the common auction platform in the preceding calendar year.</p>	<p>infrastructure, clean technologies and modernisation of the energy production including heat distribution networks, transmission and distribution sectors are eligible to bid;</p> <p>(c) define clear, objective, transparent and non-discriminatory selection criteria for the ranking of projects, so as to ensure that projects are selected which:</p> <p>(i) on the basis of a cost-benefit analysis, ensure a net positive gain in terms of emission reduction and realise a pre-determined significant level of CO2 reductions;</p> <p>(ii) are additional, clearly respond to replacement and modernisation needs and do not supply a market-driven increase in energy demand;</p> <p>(iii) offer best value for money;</p> <p>By 30 June 2019, any Member State intending to make use of optional free allocation shall publish a detailed national framework setting out the competitive bidding process and selection criteria for public comment.</p> <p>Where investments with a value of less than €15 million are supported with free allocation, the Member State shall select projects based on objective and transparent criteria. The results of this selection process shall be published for public comment. On this basis, the Member State concerned shall establish and submit a list of investments to the Commission by 30 June 2019.</p> <p>3. The value of the intended investments shall at least equal the market value of the free allocation, while taking into account the need to limit directly linked price increases. The market value shall be the average of the price of allowances on the common auction platform in the preceding calendar year. Free allocations to operators shall be based on the ex-ante efficiency benchmark based on the weighted average of emission levels of electricity production from electricity generators in the Member State concerned.</p>
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Justification:

Criteria for bidding process

The EC proposed to continue with the system of free allocation for the power sector with lower-income member states which we support. However, it proposed to complement the current system of the national investment plans (NIPs) by the bidding process. The system of the NIPs is working well and is transparent enough (they are consulted with the EC and a public when being prepared) but it can be complement with the proposed bidding process. However, the threshold for bidding process should be increased to at least 15 million EUR (instead of proposed 10 million EUR) to avoid administrative burden and to reflect scale and amounts that are normally required for energy decarbonisation projects but also to be in line with other EU legislation.

Eligibility

Just like the title of Article 10c suggests, it should apply to the entire energy sector including also combined heat and power plants which produce electricity and heat in cogenerations (as is the case in the current regime). And, by extension, we suggest including "heat distribution networks" on the list of eligible investments under Article 10c. As investments into district heating networks are by definition local, they pose marginal threat to distortion of competition.

Free allocation calculation

A set of clear rules for calculation of free allocation at the installation level needs to be established. We call for a calculation based on benchmark value according to weighted average of emission levels of electricity production from electricity generators in the Member States concerned. This approach should ensure that efficiency of electricity generators is duly taken into account.

Amendment 6

Article 10d

Text proposed by Commission	Amendment
<p>1. A fund to support investments in modernising energy systems and improving energy efficiency in Member States with a GDP per capita below 60% of the Union average in 2013 shall be established for the period 2021-30 and financed as set out in Article 10.</p> <p>The investments supported shall be consistent with the aims of this Directive and the European Fund for Strategic Investments.</p>	<p>1. A fund to support investments in modernising energy systems and improving energy efficiency in Member States with a GDP per capita below 60% of the Union average in 2013 shall be established for the period 2021-30 and financed as set out in Article 10.</p> <p>The investments supported shall be consistent with the aims of this Directive and the European Fund for Strategic Investments.</p>
<p>2. The fund shall also finance small-scale investment projects in the modernisation of energy systems and energy efficiency. To this end, the investment board shall develop guidelines and investment selection criteria specific to such projects.</p>	<p>2. The fund shall also finance small-scale investment projects in the modernisation of energy systems and energy efficiency. To this end, the investment board shall develop guidelines and investment selection criteria specific to such projects.</p>
<p>3. The funds shall be distributed based on a combination of a 50% share of verified emissions</p>	<p>3. The funds shall be distributed based on a combination of a 50% share of verified emissions</p>

<p>and a 50% share of GDP criteria, leading to the distribution set out in Annex IIb.</p> <p>4. The fund shall be governed by an investment board and a management committee, which shall be composed of representatives from the beneficiary Member States, the Commission, the EIB and three representatives elected by the other Member States for a period of 5 years.</p> <p>The investment board shall be responsible to determine an Union-level investment policy, appropriate financing instruments and investment selection criteria. The management committee shall be responsible for the day-to-day management of the fund.</p> <p>The investment board shall elect a representative from the Commission as chairman. The investment board shall strive to take decisions by consensus. If the investment board is not able to decide by consensus within a deadline set by the chairman, the investment board shall take a decision by simple majority.</p> <p>The management committee shall be composed of representatives appointed by the investment board. Decisions of the management committee shall be taken by simple majority.</p> <p>If the EIB recommends not financing an investment and provides reasons for this recommendation, a decision shall only be adopted if a majority of two-thirds of all members vote in favour. The Member State in which the investment will take place and the EIB shall not be entitled to cast a vote in this case. For small projects funded through loans provided by a national promotional bank or through grants contributing to the implementation of a national programme serving specific objectives in line with the</p>	<p>and a 50% share of GDP criteria, leading to the distribution set out in Annex IIb.</p> <p>4. The fund shall be governed by an investment board and a management committee, which shall be composed of representatives from the beneficiary Member States and the EIB.</p> <p>The investment board shall be responsible to determine an Union-level investment policy, appropriate financing instruments and investment selection criteria, which should take into account national circumstances. The management committee shall be responsible for the day-to-day management of the fund.</p> <p>The chairmanship of the investment board shall be held by the beneficiary Member States and be based on a one-year-term rotation model. The investment board shall strive to take decisions by consensus. If the investment board is not able to decide by consensus within a deadline set by the chairman, the investment board shall take a decision by simple majority.</p> <p>The management committee shall be composed of representatives appointed by the investment board and its composition should ensure the balanced participation of beneficiary Member States, EIB and Commission. Decisions of the management committee shall be taken by simple majority.</p> <p>If the EIB recommends not financing an investment and provides reasons for this recommendation, a decision shall only be adopted if a majority of two-thirds of all members vote in favour. The Member State in which the investment will take place and the EIB shall not be entitled to cast a vote in this case. For small projects funded through loans provided by a national promotional bank or through grants contributing to the implementation of a national programme serving specific objectives in line with the objectives of the Modernisation Fund, provided that not more than 50% of the Member States'</p>
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<p>objectives of the Modernisation Fund, provided that not more than 10% of the Member States' share set out in Annex IIb is used under the programme, the two preceding sentences shall not apply.</p> <p>5. The beneficiary Member States shall report annually to the management committee on investments financed by the fund. The report shall be made public and include:</p> <p>(a) information on the investments financed per beneficiary Member State;</p> <p>(b) an assessment of the added value in terms of energy efficiency or modernisation of the energy system achieved through the investment;</p> <p>6. Each year, the management committee shall report to the Commission on experience with the evaluation and selection of investments. The Commission shall review the basis on which projects are selected by 31 December 2024 and, where appropriate, make proposals to the management committee.</p> <p>7. The Commission shall be empowered to adopt a delegated act in accordance with Article 23 to implement this Article."</p>	<p>share set out in Annex IIb is used under the programme, the two preceding sentences shall not apply.</p> <p>5. The beneficiary Member States shall report annually to the management committee on investments financed by the fund. The report shall be made public and include:</p> <p>(a) information on the investments financed per beneficiary Member State;</p> <p>(b) an assessment of the added value in terms of energy efficiency or modernisation of the energy system achieved through the investment;</p> <p>6. Each year, the management committee shall report to the Commission on experience with the evaluation and selection of investments. The Commission shall review the basis on which projects are selected by 31 December 2024 and, where appropriate, make proposals to the management committee.</p> <p>7. The Commission shall be empowered to adopt a delegated act in accordance with Article 23 to implement this Article."</p>
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Justification:

Modernisation fund

In the Council Conclusions from October 2014 it is stated that (Modernisation) fund will be managed by the beneficiary Member States, with the involvement of the EIB in the selection of projects." However, this is not reflected in the EC' s proposal, as it proposed more complicated structure with the significant involvement of the EC and moreover three more and non-beneficiary member states. We think that the European Council conclusions should be fully respected. There is no reason to limit beneficiary member states role in the project selection by making the system more complicated, with possibility of political interference. Lisbon Treaty gives clearly sovereignty over the energy mix to the member states and they know the best the situation in their respective territory, what investments are needed there, which technologies should be most appropriate to achieve their plans, while respecting EU rules and being fully transparent towards other partners. Moreover, the balance between small projects and the other projects shall be kept and thus the limit of 10% shall be increased up to 50% of the Member States' share set used under the programme.