

To: Members of the Investment Committee of the Modernisation Fund

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Cc:

Frans Timmermans, Executive Vice-President of the European Commission

Kadri Simson, Commissioner for Energy, European Commission

Virginijus Sinkevičius, Commissioner for Environment, Oceans and Fisheries, European Commission

Brussels, 25.10.2021

**Re: Modernisation Fund: first round of non-priority projects**

Dear Members,

On the 26<sup>th</sup> of October<sup>1</sup> you will hold a meeting issuing your recommendations concerning the first round of non-priority projects to be funded by the Modernisation Fund. To inform your decision, we are writing to express our concerns about several projects proposed by the eligible Member States that are not aligned with the European Green Deal, nor with the EU's commitment under the Paris Agreement.

Namely, we are highlighting projects involving the use of fossil gas that, inevitably, will lock the beneficiary Member States in fossil fuels for decades to come if they are funded - particularly the Czech Republic, Poland, Romania and Slovakia.

The objective of the Modernisation Fund is to help the lower-income Member States accelerate the just transition towards climate neutrality by modernising their energy systems. In that sense, we believe that the Modernisation Fund has a huge potential to support a coal to clean energy transition. Understandably, the legislation provides a process with a higher level of scrutiny for "non-priority projects", which include those involving fossil fuels.

It should be noted that since the establishment of the Modernisation Fund in 2018, the bigger picture has dramatically changed, paving the way for the Fund to support entirely sustainable projects. The Green Deal is pushing Member States to leave fossil fuels behind and to become climate-neutral by 2050, the European Investment Bank has adopted an Energy Lending Policy that calls for no new financing of fossil fuel projects - including fossil gas - as of end 2021, while the events of last summer illustrate how climate change and environmental degradation are impacting European communities at an increasingly alarming rate.

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<sup>1</sup> According to information provided on the website of Polish Ministry of Climate on the 11 August 2021 <https://www.gov.pl/web/klimat/polska-glownym-beneficjentem-funduszu-modernizacyjnego>

Moreover, there is no doubt that the heavy fossil-based EU energy mix and its dependency on fossil fuel imports is the main cause of the present energy prices spike. Allowing the Modernisation Fund to support more fossil fuel projects would not only make the energy transition of the beneficiary Member States towards climate neutrality more difficult, but also put even more people at the mercy of rising energy prices, speculation and volatility.

At a time when the European Union has decided to increase its climate and environmental targets and is in a process of strengthening its policy measures to deliver, and even exceed, the level of at least 55% net greenhouse gas emission reductions by 2030, it is not conceivable to waste precious resources to fund new fossil fuel infrastructures.

Member States eligible to the Modernisation Fund are in dire need of modernising their energy systems to drastically increase their share of renewable sources and improve energy savings rates to meet their environmental and climate targets. Therefore, all financial measures should be focused to support this goal.

For these reasons, we call on you to:

- Reject all the proposals including the use of fossil fuels and focus the Modernisation Fund only towards sustainable projects compatible with the 1.5C Paris Agreement scenario, and European Green Deal objectives.
- Increase the level of transparency to allow civil society to have a say during investment submission and approval processes.

Beyond any doubt, the climate and environmental crisis we are all experiencing is not something we want worsening, and decision-makers must do whatever it takes to slow the current trend. You are in the driving seat and have a major responsibility to contribute to the change we need to safeguard our future.

Thanks in advance for your consideration.

The European Environmental Bureau together with:



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