European Commission

Evaluation of the Modernisation Fund

Final Report

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December 2025

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EUROPEAN COMMISSION

Directorate-General for Climate Action
Directorate C — Innovation for Clean Growth and Low Carbon Economy
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Evaluation of the operating rules of the Modernisation Fund

Final Report

Directorate-General for Climate Action
Modernisation Fund

Manuscript completed in February 2026

First edition

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PDF ISBN 978-92-68-40867-4 doi:10.2834/5072291 ML-01-26-052-EN-N

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List of abbreviations

APVA	Environmental Project Management Agency (Lithuania)
BAT	Best available techniques
BG	Bulgaria
BMS	Beneficiary Member State(s)
CBA	Cost-benefit analysis
CCGT	Combined-cycle gas turbine
CCUS	Carbon capture, utilisation and storage
CHP	Combined heat and power
CLIMA	DG Climate Action (European Commission)
COMP	DG Competition (European Commission)
COVID-19	Coronavirus disease 2019
CRMA	Critical Raw Materials Act
CZ	Czechia
DE	Germany
DG	Directorate-General (European Commission)
DNSH	Do No Significant Harm (principle)
EC	European Commission
EED	Energy Efficiency Directive
EIB	European Investment Bank
EL	Greece (country code used by the European Commission)
ENERG	DG ENER (Energy) – shorthand appears in text
EPBD	Energy Performance of Buildings Directive
ERDF/CF/ESF	European Regional Development Fund / Cohesion Fund / European Social Fund
EREF	European Renewable Energies Federation
ESCO	Energy service company
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ETS	Emissions Trading System
ETS2	Emissions Trading System for buildings and road transport (ETS 2)
EU	European Union
EUR	Euro (currency)
GBER	General Block Exemption Regulation
GDP	Gross domestic product
GHG	Greenhouse gas
GW	Gigawatt
HR	Croatia
HU	Hungary
IC	Investment Committee
IF	Innovation Fund
JRC	Joint Research Centre (European Commission)
JTF	Just Transition Fund

KPI	Key performance indicator
LNG	Liquefied natural gas
LV	Latvia
MF	Modernisation Fund
MS	Member State(s)
MW	Megawatt
NBMS	Non-beneficiary Member State(s)
NECP	National Energy and Climate Plan
NGO	Non-governmental organisation
NL	Netherlands
NPI	Non-priority investment
PGE	Polska Grupa Energetyczna (Polish Energy Group)
PI	Priority investment
PL	Poland
PT	Portugal
RED	Renewable Energy Directive
REFORM	DG REFORM – Directorate-General for Structural Reform Support
RES	Renewable Energy Sources
RFNBO	Renewable fuels of non-biological origin
RO	Romania
RRF	Recovery and Resilience Facility
SAF	Sustainable aviation fuels
SCF	Social Climate Fund
SE	Sweden
SI	Slovenia
SK	Slovakia
SSE	Shore-side electricity
TEN-E	Trans-European Networks for Energy
TSI	Technical Support Instrument
VAT	Value-added tax

Glossary of terms

Beneficiary Member State	EU countries eligible for funding from the Modernisation Fund: Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and Slovakia. As of 2024, also Greece, Slovenia and Portugal.
Priority investment	Investments listed in the categories of Article 10d(2) of the EU ETS Directive that directly support decarbonisation, such as renewable energy, energy efficiency, energy storage, and modernisation of energy networks. These investments benefit from a simplified approval process.
Non-priority investments	Investments that do not fall under the category of priority investments but may still receive support if they are consistent with climate and energy goals. They require a recommendation for funding from the Investment Committee as defined in Article 10d(6) of the EU ETS Directive.
Total investment cost	The total amounts that should be invested in investments supported by MF. They include the planned MF support amount and any other financing source.
MF planned amounts (tranche)	The total amount of funding that a MS intends to dedicate to an MF-supported investment. When a MS submits an investment to the Modernisation Fund, it specifies the estimated support from the MF throughout the entire lifetime of the investment. This is a planned allocation and may differ from the actual confirmed/recommended or amount disbursed to the beneficiary Member States, especially in the case of schemes or large projects, which are typically confirmed/recommended in several tranches.
Confirmed / Recommended investments	Confirmed is the terminology used in the context of Priority Investments. Recommended is used for Non-Priority Investments. Throughout the study, approved investments are often used as a synonym to both terms.
Disbursed by EIB to MS	Once an investment is confirmed/recommended, the EIB disburses the corresponding MF amount to the Member State on the basis of a corresponding decision by the European Commission. This is the transfer of funds into the national account.
Disbursed by MS to beneficiaries	The Member State then disburses the funds it has received from the EIB to the final

	beneficiaries (companies, public entities, project developers) at a given stage of the implementation process of the investment. This stage depends on national implementing rules and usually follows the running of a call for proposal, project selection, contracting with the end beneficiary and some degree of project implementation.
Discontinued amounts	MF amount pertaining to a confirmed/recommended investment and that was already disbursed to the BMS but is not actually (fully) used. The amounts not used within a certain time of disbursement to the BMS are discontinued: they remain available to the same BMS but are reallocated to another confirmed/recommended investment.
Returned investments	Investments submitted that were not positively assessed and therefore could not be confirmed/recommended by the EIB or the Investment Committee.

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Abstract

This evaluation assesses the functioning, implementation and early results of the Modernisation Fund, established in 2021 to support lower-income Member States in modernising their energy systems and improving energy efficiency using revenues from the EU Emissions Trading System. Conducted in line with the Better Regulation Guidelines, the evaluation draws on a mixed-methods approach including extensive document review, a dedicated investment database, 43 interviews, surveys conducted with three different stakeholder groups, a call for evidence and three thematic case studies. The MF is effectively directing investment towards EU climate priorities: between 2021 and mid-2025, 194 investments were approved across 12 Member States, with 94% of funding allocated to energy efficiency, renewable energy, storage and network modernisation. While impacts remain limited due to the early stage of implementation, investment pipelines strongly support the achievement of 2030 climate and energy targets. National implementation is operational but uneven; by end-2024, 72% of EIB-disbursed funding was contracted yet only 12% had reached end beneficiaries, reflecting administrative capacity constraints, permitting delays and varying pipeline maturity. The approval process is broadly efficient and streamlined, with non-priority investments requiring a more demanding process justified by the nature of the investments. Administrative costs are moderate at national and EU levels, and end-beneficiary burdens are generally manageable. The MF is seen as highly relevant, coherent with EU policy and offering strong EU added value, enabling projects that would be unlikely to proceed otherwise. Key lessons highlight the need for stronger data collection, monitoring, enhanced administrative capacity and greater flexibility to address emerging technologies and evolving market conditions.

Executive summary

Context of the evaluation and methodology

The evaluation focussed on assessing the functioning and implementation of the Modernisation Fund implementing rules and identifying lessons learned. The Modernisation Fund (MF) was established in 2021 and is financed by revenues from the auctioning of emissions allowances under the EU Emissions Trading System (EU ETS). The MF has not been subject to an evaluation thus far. This evaluation aims to analyse the MF implementing rules and the Fund's contribution to supporting lower-income Member States in their transition to a low-carbon economy. The evaluation is done in accordance with Article 10d (11) of the EU Emissions Trading Directive ([1]) and Article 15 of the Implementing Act ([2]). The evaluation is conducted in line with the Better Regulation Guidelines ([3]), covering the effectiveness, efficiency, relevance, coherence, EU added value of the fund, and forms part of the wider evaluation of the EU ETS.

The evaluation is based on a mixed-methods, triangulation-driven approach built around a clear intervention logic of the MF and evaluation matrix. Evidence was gathered from an extensive literature and document review (EU legal framework, Investment Committee decisions and guidance, national annual reports, National Energy and Climate Plans, and relevant analytical and stakeholder reports), a comprehensive portfolio analysis based on a purpose-built Modernisation Fund database, and 43 semi-structured interviews with the European Commission, European Investment Bank, all beneficiary and non-beneficiary Member States, civil society, trade organisations and end beneficiaries. It is complemented by targeted surveys of beneficiary Member States (15 responses), end beneficiaries (165 responses across 9 Member States) and other organisations (19 responses), a call for evidence via the 'Have your say' portal (44 responses), and three in-depth thematic case studies covering energy efficiency, renewable energy and non-priority investments. This multi-layered evidence base allows robust triangulation of quantitative and qualitative findings across all evaluation criteria.

Key findings

The MF is successfully steering investments towards modernising energy systems and improving energy efficiency in beneficiary Member States. Between 2021 and mid-2025, 194 individual investments were confirmed or recommended in 12 Member States, corresponding to EUR 18.9 billion in MF support disbursed by the EIB (around 33% of the total Fund envelope), EUR 42.6 billion in planned MF support and EUR 71.7 billion in estimated total investment costs. 94% of resources are directed to priority areas such as energy efficiency, renewable energy generation and use, and network modernisation. Fossil fuel–related investments are limited and declining in the investments proposed by Member States. Investment lifetime projections indicate

([1]) Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system, OJ L 130. See: link.

([2]) 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, OJ L 221. See: link.

([3]) European Commission (2021), Better Regulation guidelines and toolbox. See: link.

transformative potential (1.17 billion MWh of energy savings, 848 million tonnes of avoided emissions, and 25 GW of new renewable capacity), though early results and impacts are still modest given long project lead times and the still relatively early stage in MF implementation. By mid-2025, 75% of the MF envelope were earmarked to already confirmed / recommended investments (through schemes and large-scale projects which are disbursed in more than one tranche), and the pipeline of future investments (dominated by schemes in priority areas and aligned with NECPs) suggests that beneficiary Member States are relying on the MF and plan for further support to meet 2030 climate and energy objectives.

Implementation at national level is operational and ramping up, but it is uneven across Member States. By end 2024, national authorities had contracted around 72% (EUR 11.9 billion) of the amounts disbursed by the EIB to final beneficiaries, but only around 11% (EUR 2 billion) had been further disbursed to end beneficiaries. This gap reflects contracting and permitting timelines, administrative capacity constraints, integration with national budget and regulatory cycles, varying levels of pipeline maturity and, in some cases, political factors. Nonetheless, both contracted volumes and disbursements to end beneficiaries have grown steeply year-on-year. National implementation structures are largely in place, with most countries having established monitoring systems and gradually developing audit practices, though the maturity of these systems varies significantly. Performance differs markedly between Member States: some have already contracted a high share of received funds, while others (including more recent entrants) are still at an early stage of implementation.

The MF has mobilised some uneven levels of private and limited additional public co-financing. However, cross-country comparison is limited by non-harmonised methodologies and reporting gaps. Importantly, the MF has no explicit leverage target and does not require additional private or public co-financing beyond what is implied by State aid rules; mobilisation therefore largely reflects sector choices, project types, and national implementation models rather than MF-specific design features. Where private and public co-financing is higher, this may be driven by State aid maximum aid intensities relating to NPIS (at least 30% private financing), as well as the large scale of investment portfolios (this is the case of Romania, Poland and Czechia). Other cases are considered as outliers (Lithuania).

A range of factors support and / or hinder the achievement of MF objectives. Notably, these include constructive cooperation between Member States, the European Commission and the EIB, strong national governance structures, and close alignment of MF investments with national policy priorities. High aid intensities, transparent eligibility rules and reliance on proven technologies have enhanced project viability and beneficiary uptake, while external developments (including energy price shocks and heightened energy security concerns) have, in some cases, increased political and market demand for renewable energy and energy efficiency investments. In a limited number of cases, implementation has been hindered by factors including post-2022 cost inflation, supply-chain disruptions, labour shortages and permitting delays. Among final beneficiaries, complex application and documentation procedures at national level that particularly affect smaller beneficiaries, were the most frequently cited causes of delay. Political instability has been noted as a factor in Bulgaria.

At both EU and Member States level, the MF is assessed as efficient and relatively streamlined but with opportunities for improvements. Member States report that the EU-level approval processes under the Modernisation Fund function effectively, with strong cooperation and generally high satisfaction despite some administrative

differences between investment types. Member States view the process for confirming priority investments (PIs) as streamlined and relatively light, with 92% of beneficiary countries rating it adequate or very adequate and many highlighting the value of extensive pre-submission dialogue with the EIB, which helps avoid proposal rejections. While five Member States would welcome more frequent disbursement cycles, overall satisfaction remains high. The process for recommending non-priority investments (NPIs) requires more administrative effort and is also perceived as such (10-30% higher than for PIs), but the process is positively assessed. Both beneficiary and non-beneficiary Member States generally view the Investment Committee's governance as efficient, collaborative and functional, with constructive discussions helping to resolve issues. There is broad satisfaction with MF processes both at the MS and end beneficiary levels. Suggestions on improving efficiency were on clearer guidance, digitalisation and more standardised templates and processes, however, they were not raised by the majority of stakeholders.

Administrative costs for implementing the Modernisation Fund vary widely across Member States, reflecting differences in staffing, investment volumes and administrative capacity, while end beneficiaries also incur notable but generally manageable costs for applications, implementation and monitoring. On average, Member States employ 24 FTEs (EUR 566,000 annually), with Lithuania, as well as larger beneficiaries such as Romania, Czechia and Poland staffing more extensively and newer entrants like Greece and Portugal still ramping up. Several countries report capacity constraints. End beneficiaries typically spend more than 10 working days involving several staff members to prepare applications. EU-level costs are low, with 19 EIB and 1.75 Commission FTEs supporting the Fund. While overall satisfaction with efficiency is high, a small number of stakeholders suggested improvements such as greater flexibility to amend approved schemes, a formal platform for sharing best practices, the option to finance administrative costs, and further digitalisation and simplification of national processes.

The Modernisation Fund is widely viewed as indispensable for helping lower-income Member States close investment gaps and meet EU climate and energy targets. Its strong focus on renewable energy, energy efficiency, grid modernisation and storage align closely with national needs identified in National Energy and Climate Plans and with broader EU policy frameworks, including the Green Deal, REPowerEU and the 2030 climate and energy objectives. However, stakeholders note that eligibility criteria only partially reflect emerging technology needs, with limited eligibility or uncertainty surrounding areas such as CCUS, RFNBOs, SAFs/Advanced Biofuels, industrial electrification, clean technology manufacturing, and comparatively modest support for energy communities, just transition and energy poverty measures.

The Modernisation Fund complements other EU and national funding streams by addressing distinct dimensions of shared policy objectives, with coordination mechanisms (mostly informal) helping to prevent overlaps. While synergies with Cohesion Policy and the RRF are strongest, Just Transition aspects remain largely implicit, and alignment with the Social Climate Fund is expected only after it start operating in 2026.

The MF is considered to have important added value. The MF enables and accelerates investments that in many cases would not have been realised, or would have been delayed or scaled down, in the absence of EU-level support. It complements national and EU funding instruments by focusing on a defined group of lower-income Member States and by providing a stable, predictable source of climate-related investment finance. While in some countries MF support is combined with national resources or other EU funds, in many cases it is used as a stand-alone instrument tailored to national

financing strategies and project needs. Stakeholder feedback confirms that the MF has been a critical lever for modernising energy systems and advancing progress towards EU climate and energy goals, while also pointing to clear opportunities to enhance its impact through more flexible eligibility rules for emerging low-carbon technologies, further simplification and digitalisation of procedures, strengthened communication and outreach, and more harmonised monitoring and reporting – particularly on impacts, co-financing and leverage.

Key lessons learned

A few key lessons emerge concerning the implementation of the Modernisation Fund.

- **Disbursement of Funds to beneficiary Member States is not equivalent to results**. High disbursement rates to beneficiary Member States create a perception of rapid progress, but actual results and impact will depend on accelerating implementation on the ground, which will be reflected in increased contracting rate disbursement to end beneficiaries and completion of individual projects.
- **Strengthen monitoring systems to improve data quality and capture updated outcomes**. Many metrics which are subject to compulsory reporting suffer low-quality and comparability due to the absence of a harmonised reporting methodology (e.g. amounts contracted and disbursed to end beneficiaries, GHG emission reduction, abatement cost). In addition, the current monitoring system does not track a number of metrics such as private and additional public co-financing or updated estimates of outcomes (such as total investment costs, Green Deal - related indicators such as GHG emissions reduction) after implementation of investments.). Such monitoring and harmonisation of methodologies could strengthen the understanding of the performance of the fund.
- **Capacity and governance are essential**. Beneficiary Member States with strong strategies, governance, and administrative efficiency, on average, appear to achieve better results. Strengthening capacity in lagging Member States would support even implementation.
- **Visibility and awareness are uneven**. While compliance with EU visibility rules is strong, broader awareness and transparency and stakeholder involvement can be improved; proactive communication and outreach should be enhanced, in particular Member State level.
- **Future-proofing the MF is essential.** While the MF has proven strategically relevant and operational, its long-term impact depends on adapting to evolving needs and increasing ambition of the EU climate framework. A more ambitious definition of eligible investments which would further restrict support to natural gas but also open up priority labelling for needed technologies such as CCS or direct electrification of industry would help ensure that the Fund remains fit for purpose and capable of scaling up to meet 2030 and 2050 climate targets. Deliberate design to crowd in private co-financing could also be explored to increase the impact of the Fund.
- **Strengthen complementarity with other funding sources and capacity to attract co-financing**. The MF alone cannot meet the scale of investment needed for EU climate targets. Its impact depends on its ability to attract private co-financing, which is currently not incentivised by the Fund design beyond the obligations stemming from State aid rules, and also weakly tracked. More systematic coordination with national budgets and other EU instruments (RRF, Cohesion Policy, InvestEU) including

joint planning of pipelines, coordination across ministries and agencies to avoid overlaps and close financing gaps as well as clearer guidance on blending could maximise synergies.

- **Flexibility and resilience are emerging strengths**. The MF has shown capacity to adapt under stress, with collaborative governance helping to manage crises such as post-2022 cost inflation and supply-chain shocks. However, these mechanisms remain ad hoc rather than systematic. Embedding adaptive features, e.g. contingency measures, streamlined amendments, and faster approval adjustments, may make the Fund more resilient to future disruptions.

1. Introduction

1.1. Objective and scope

The objective of this evaluation is to evaluate the functioning and implementation of the Modernisation Fund and identify lessons learnt. The Modernisation Fund (MF) was established in 2021 and is financed by revenue from the auctioning of emissions allowances under the EU Emissions Trading System (EU ETS). The Fund has not been subject to an evaluation thus far. This evaluation aims to analyse the implementation of the Fund and its contribution to supporting lower-income Member States in their transition to a low-carbon economy. The evaluation is carried out in accordance with Article 10d (11) of the EU Emissions Trading Directive ([4]) and Article 15 of the Implementing Act ([5]). The evaluation is conducted in line with the Better Regulation Guidelines ([6]), covering the effectiveness, efficiency, relevance, coherence, and EU added value of the Fund, and forms part of the wider evaluation of the EU ETS.

The evaluation has both a backward-looking and forward-looking character. First, it has a strong institutional focus on assessing the effectiveness and efficiency of processes at EU and Member State level, including investment approval, implementation and associated administrative burdens, and on identifying opportunities for improvement. The evaluation also intends to assess the MF's support for priority (PI) and non-priority investments (NPI) in the period 2021–2025 and its effectiveness in selecting and implementing investments, achieving its objectives, ensuring visibility, and mobilising complementary public and private finance. The evaluation also investigates the relevance of the MF in relation to contributing to broader EU climate and energy objectives, including the European Green Deal ([7]) and the EU's 2030 targets. Second, the evaluation seeks to identify lessons learned and opportunities for improvement in the implementation of the Fund.

The evaluation has a strong focus on Fund governance. The institutional dimension and governance structure of the MF are key points for investigation in the evaluation to understand whether the regulatory and institutional framework supports the achievement of the MF objectives. The evaluation examines whether the tripartite governance model (with the Member States, European Commission and European Investment Bank) functions in practice and ensures transparency and accountability. Particular attention is paid to the administrative capacity of national authorities, the effectiveness of coordination

([4]) Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system, OJ L 130. See: link.
([5]) 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, OJ L 221. See: link.
([6]) European Commission (2021), Better Regulation guidelines and toolbox. See: link.
([7]) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions 'The European Green Deal', COM (2019) 640 final. See: link.

between EU and national institutions, and the adequacy of monitoring, reporting, and audit systems.

The evaluation covers the period 2021 to mid-2025 and all beneficiary Member States. Geographically, the evaluation covers all 13 beneficiary Member States (Bulgaria, Czechia, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Romania, Slovenia and Slovakia) including the three Member States that have joined as new beneficiaries in January 2024 (Portugal, Greece and Slovenia). Temporally, the evaluation covers the period from 2021 (when the Fund started operating) to mid-2025 (including the first investment cycle of 2025), focusing on the first wave of confirmed and implemented investments (nine investment cycles in total). It also considers the pipeline of upcoming projects and schemes to assess their alignment with the Fund's objectives.

1.2. Outline of the report

This final report presents the findings of the evaluation of the Modernisation Fund. The structure of the report is as follows:

- **Chapter 2** presents the particularities of the Modernisation Fund and expectations when it comes to its implementation.
- **Chapter 3** presents the methodological approach to the evaluation, as well as limitations and mitigation measures taken.
- **Chapter 4** presents a summary of the investments supported between 2021-2025 by the Modernisation Fund.
- **Chapter 5** presents the evaluation findings against the Better Regulation criteria:
    - Section 5.1 covers effectiveness, including progress towards Fund objectives, supporting and hindering factors, and the effectiveness of implementation mechanisms at national level.
    - Section 5.2 examines efficiency, focusing on administrative processes and resource use.
    - Section 5.3 considers the relevance of the Fund in the context of evolving needs and policy priorities.
    - Section 5.4 assesses coherence with other EU and national funding instruments.
    - Section 5.5 analyses the EU added value of the Fund.
- **Chapter 6** draws conclusions and identifies lessons learned, highlighting key implications for the future implementation and design of the Modernisation Fund.

The report is accompanied by annexes with methodological details, data sources and additional supporting material.

2. Context of the Modernisation Fund

The Modernisation Fund was created with the core objective of supporting lower-income Member States in modernising their energy systems and improving energy efficiency, thereby contributing to the EU's climate and energy goals. Beyond delivering concrete CO_2 emission reductions, the Fund also aims to foster solidarity within the Union by targeting resources to countries with lower GDP per capita, mobilising complementary public and private financing, and ensuring a fair, cost-effective, and equitable contribution to the EU's 2030 targets and long-term climate neutrality by 2050. As per Article 10d(2) of Directive 2003/87/EC, the largest share of financial resources from the MF is to be allocated to priority investments. Priority investments include investments in renewable energy, energy efficiency, energy storage, modernisation of energy networks, as well as just transition and support to low-income households. The legal basis also allows for non-priority investments which may cover more transitional investments, which however still reduce GHG emissions (e.g. natural gas infrastructure, district heating upgrades using gas except for high efficiency Combined Heat and Power). These investments are allowed under stricter conditions. The intervention logic is presented in Figure 2.

The Modernisation Fund combines a strong focus on solidarity with a unique governance and implementation structure. First, the Fund was established through the 2018 revision of the EU ETS Directive to support lower-income Member States in the context of higher ETS ambition, following the European Council conclusions of October 2014 ([8]). Unlike most EU funding instruments, the MF is financed directly through the EU ETS (rather than the EU budget) and its operating rules are embedded in the ETS Directive. Second, implementation is largely decentralised. Member States play a key role in determining which investments to support. This means that the MF functions more as a strategic financing envelope for each beneficiary Member State than as a centrally steered EU programme. Third, voluntary transfers [(9)] by the MF enhance the MF's impact by increasing its financial resources, giving Member States greater flexibility to scale up priority investments and improving predictability for energy and climate projects. Voluntary transfers account for around 43% of the MF total resources, with particularly high shares in countries such as Romania and Czechia. Finally, the MF occupies a specific place in the EU funding landscape for clean energy. While innovative technologies are formally eligible for support, in practice most Member States have prioritised mature technologies that can be deployed quickly and at scale. This pattern reinforces the MF's role as a complementary instrument to other EU programmes that focus more strongly

([8]) It should be noted that a new reserve of 2% of the EU ETS allowances will be set aside to address particularly high additional investment needs in low-income Member States (GDP per capita below 60% of the EU average). It will have the following characteristics: the proceeds from the reserve will be used to improve energy efficiency and to modernise the energy systems of these Member States, so as to provide their citizens with cleaner, secure and affordable energy; the use of the funds will be fully transparent; allowances from the reserve will be auctioned according to the same principles and modalities as for other allowances; the reserve will serve to establish a fund which will be managed by the beneficiary Member States, with the involvement of the EIB in the selection of projects. Simplified arrangements for small-scale projects will be ensured. Until 31 December 2030 the distribution of funds will be based on the combination of a 50% share of verified emissions and a 50% share of GDP criteria, but the basis on which projects are selected will be reviewed by the end of 2024.

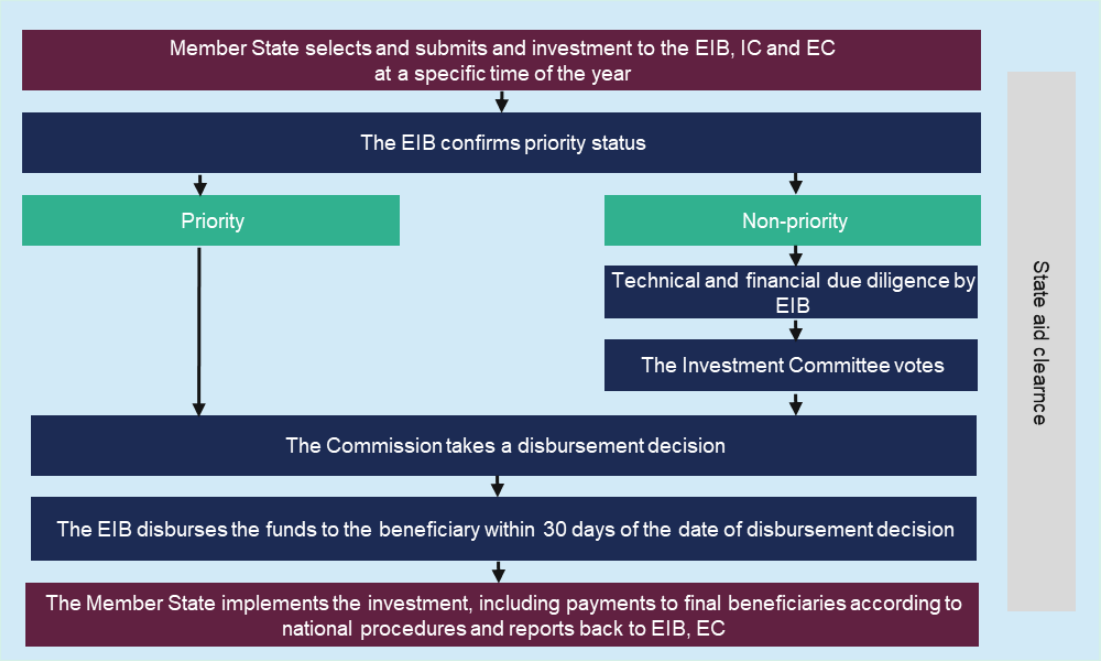
([9]) Voluntary transfers for the MF are additional emission allowances that some EU Member States choose to contribute from their own national allocations (under Article 10c of the ETS Directive).

on innovation, such as the Innovation Fund or Horizon Europe. The evaluation, therefore, takes into account this distinctive character of the Fund.

The MF has evolved over time. With the 2023 revision of the EU ETS Directive, the Modernisation Fund was both expanded and refocused to better align with the EU climate neutrality objectives. The number of allowances dedicated to the MF was increased, boosting its expected size and reinforcing its role as a key solidarity mechanism for lower-income Member States. The scope of beneficiary countries was widened, while at the same time the rules on eligible investments were tightened: the maximum share of non-priority projects was reduced to 20% and provisions were introduced to exclude liquid fossil fuel investments from support, while alignment with DNSH rules was introduced. This revision sharpened the orientation towards priority areas such as renewables, energy efficiency, storage, and grid modernisation. Together, these changes mark a significant evolution in the Fund, ensuring that it is both larger in scale and more closely focused on supporting the EU's 2030 climate and energy targets and long-term climate neutrality by 2050.

The governance of the MF is shared between the European Commission, Member States and the European Investment Bank. The MF involves a collaborative decision-making process that includes the Commission, the European Investment Bank (EIB) and Member States (MSs). The EIB plays a key role in implementing the MF including auctioning the allowances, confirming whether an investment is priority or non-priority, conducting financial and technical due diligence of non-priority investments (including an assessment of the expected emission reductions), managing the assets, transferring the resources to the beneficiary Member States following the disbursement decisions and providing the secretariat for the Investment Committee. The MSs are key in deciding on the allocation of the funds based on national priorities. The MSs submit investment proposals that are confirmed by the EIB or recommended by the Investment Committee (depending on their priority or non-priority status). The Commission is responsible for chairing the Investment Committee, adopting the disbursement decisions and communicating them, making a proposal for the establishment of the rules of procedure of the Investment Committee, reviewing and evaluating the performance of the Fund and performing information, communication and promotion actions. The institutional dimension and governance structure of the MF will be a key point for investigation in the evaluation to understand whether the regulatory and institutional framework supports the achievement of the MF objectives.

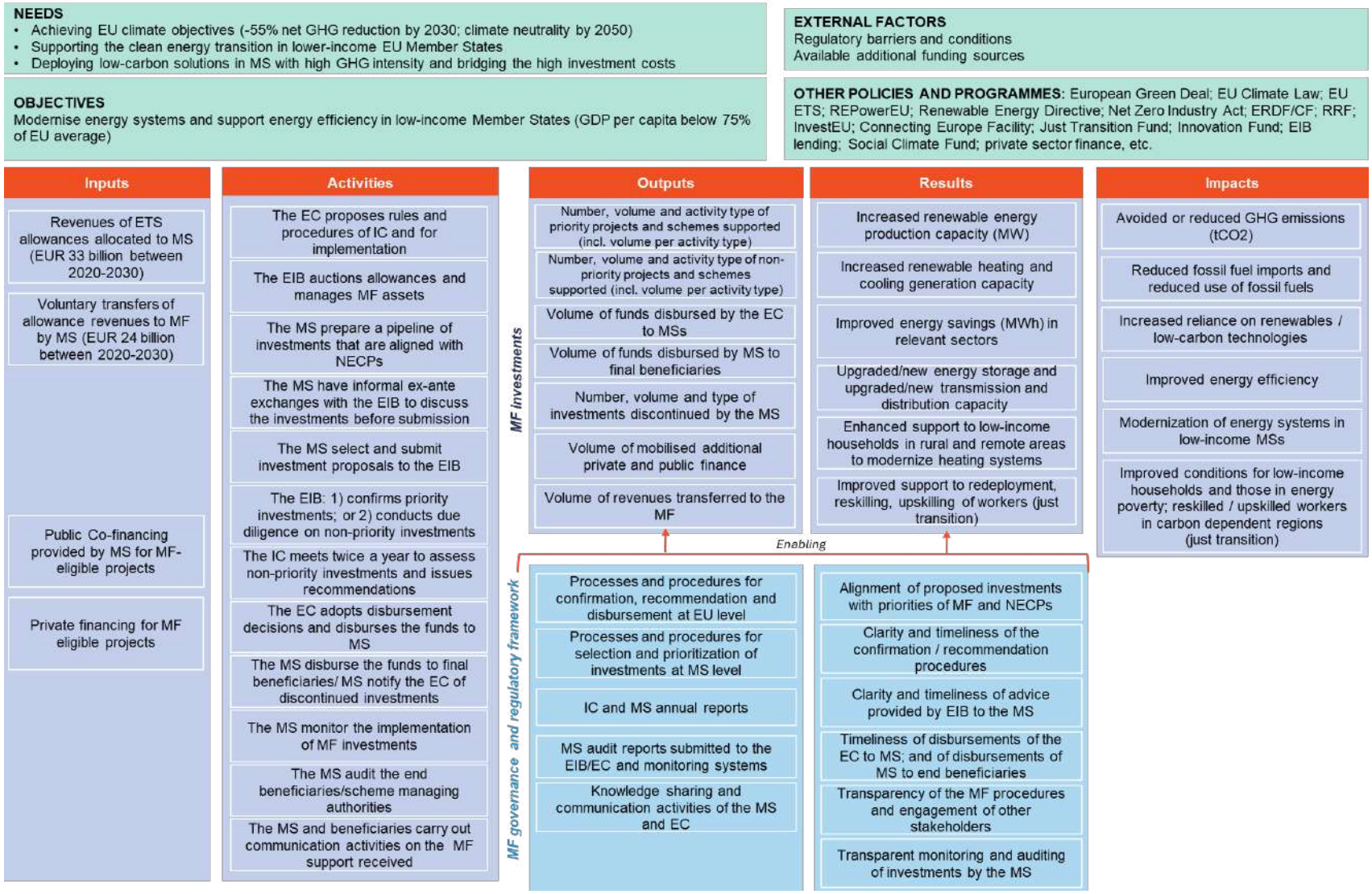
Figure 1 Process of financing under the Modernisation Fund



Source: based on Governance of the Modernisation Fund

The Modernisation Fund is ultimately designed to reduce greenhouse gas emissions, decrease reliance on fossil fuels, and accelerate the deployment of low-carbon technologies in lower-income EU Member States. The intervention logic presented below outlines the MF's causal chain and has been applied throughout this evaluation to assess both the operating rules and the early implementation results. Because the evaluation covers both the governance framework and the initial stages of implementation, the intervention logic is structured in two dimensions. The bottom part describes the expected implementation pathways of the MF's governance and regulatory framework, while the top part illustrates the actual MF intervention. In essence, the MF provides support to Member States through **inputs** such as ETS revenues and voluntary transfers, which are complemented by national public and private co-financing. Member States, the European Commission, and the EIB carry out key **activities** intended to ensure the selection and implementation of investments (**outputs**) aligned with the eligibility criteria for PIs and NPIs. The enabling governance and implementation framework (covering processes, procedures, and cooperation arrangements) is expected to facilitate the smooth delivery of the MF. The investments aim to generate key **results**, such as increased renewable energy capacity, enhanced energy savings, and improved energy networks, ultimately contributing to overarching **impacts** including avoided CO_2 emissions, reduced fossil fuel imports, expanded renewable energy use, and modernised energy systems. The causal pathways have been analysed and tested to understand how the MF functions in practice and where improvements are possible. As MF investments are still in the early stages of implementation, the assessment of impacts was limited to ex-ante estimates.

Figure 2 Intervention logic of the Modernisation Fund



3. Methodology and limitations

The evaluation is guided by the Better Regulation Guidelines. It examines the Fund's operating rules' effectiveness, efficiency, relevance, coherence, and EU added value in supporting the clean energy transition of lower-income Member States. It assesses whether the Fund is on track in selecting investments that are in line with the EU climate and energy targets, providing finance to these investments, and delivering measurable outcomes on the ground. At Member State level, it reviews implementation, monitoring, audits, and management of low-performing investments, as well as factors hindering or supporting progress, communication efforts, and mobilisation of complementary finance. On efficiency, it considers EU-level confirmation and disbursement procedures, national processes, and costs for all actors. Finally, it explores the ongoing relevance of the Fund's objectives, the coherence of its rules with EU policy, its synergies with other instruments, and the added value of EU-level support. The list of evaluation questions is presented in Appendix A: Evaluation questions.

3.1. Mixed-methods analytical approach

Mixed methods and triangulation of data sources were used to perform the analysis of the findings. The mixed methods and data sources include:

- **An extensive literature review** was conducted of relevant EU and national-level documents. This included the legal framework documentation of the Modernisation Fund to set out the key expectations and preconditions. In addition, the review covered the annual reports from the Investment Committee and Member States, Investment Committee decisions, Investment Committee recommendations, confirmations of priority investments, disbursement decisions and assessment guidance document. Furthermore, minutes of meetings and presentations of Investment Committee were also reviewed. The review also covered the National Energy and Climate Plans (NECPs) of the beneficiary Member States. The review also covered relevant reports (e.g. the Impact Assessment of the EU ETS Directive, Commission reports on technological needs and developments), as well as industry and civil society position papers on the MF.

- **A comprehensive portfolio analysis** was performed. A comprehensive database (the Modernisation Fund database) was prepared based on several sources of information including: 1) financial data provided by the European Investment Bank on investments; 2) data extracted from the annual reports submitted by each beneficiary Member State, available up to end 2024; 3) data from Member States on private and public co-financing. The process of constructing the database involved consolidating disparate formats, ensuring alignment in terminology, and resolving overlaps between submissions and internal entries. While every effort was made to achieve a coherent, accurate and exhaustive dataset, the level of granularity and availability of information varies significantly across Member States and years.

  The evaluation dataset was constructed by systematically integrating and enriching multiple sources of information. First, the EIB's main database was merged with its

detailed tabular records to create a consolidated foundation. An additional indicator was added to flag investments involving fossil fuels. The dataset was then supplemented with information from the most recent annual reports (up to 2024), allowing coverage of all confirmed investments. Subsequent disbursements and discontinued investments were mapped and linked to their parent investments, with dedicated fields retained to track flows over time. Finally, missing fields on priority areas were completed through a combination of documentation review and investment descriptions, with weights assigned per investment to capture contributions across multiple priority areas. This structured process resulted in a comprehensive and broadly reliable dataset for the evaluation. However, some data limitations persist (see section 3.2).

- **44 semi-structured interviews** were conducted with selected stakeholders to provide granular information on all evaluation criteria, and to cover gaps that have been identified in the desk review. The interviews covered European Commission representatives (CLIMA, REFORM, COMP); European Investment Bank representatives from the Investment Committee and the team engaged in the implementation of the MF; all beneficiary Member States and all non-beneficiary IC members (Germany, the Netherlands, Sweden); five civil society organisations; five trade organisations, and ten representatives with scheme coordinators/end beneficiaries associated with implemented investments to inform the case studies.

Table 1 Overview of interviews conducted

Stakeholder Category	Stakeholders	Number of Interviews
European Commission	DG CLIMA, DG REFORM, DG COMP	3
European Investment Bank	IC representative, MF secretariat, investment review team	3
Beneficiary Member States	Bulgaria, Croatia , Czechia, Estonia, Greece, Hungary, Lativa, Lithuania, Poland, Portugal, Romania, Slovakia, Slovenia	14
Non-beneficiary Member States in the IC	Germany, the Netherlands, Sweden	3
Civil society organisations	WWF, Bankwatch, AMO Klima, REScoop, Friends of the Earth Slovakia	5
Trade organisations	Eurelectric, International Association of Public Transport (UITP), Renewable Energy Sources of Croatia (RES Croatia), European Renewable Energies Federation (EREF), Romanian Energy Center (CRE)	5
Coordinators (for schemes) or end beneficiaries (for individual projects or projects under schemes)	Ministry of Environment Lithuania, State Environmental Fund Czechia (2), Ministry of Environment Slovakia, Ministry of Economy and Sustainable Development Croatia, National Fund for Environmental Protection and Water Management Poland, CEMEX Croatia, Transgaz Romania, Slovnaft Slovakia, PGE Poland	10
Total		**44**

- **A targeted survey of all beneficiary Member States.** The targeted survey gathered information (e.g. on administrative burden and costs) as well as views of Member

States on the implementation of the Fund. 15 responses, covering all beneficiary Member States; in Estonia (Ministry of Finance and Ministry of Climate) and Romania (Ministry of Transport and Ministry of Energy), replies were provided by two ministries involved in managing the MF. When quantifying the replies from the Member States to the survey, only the opinion of the public authority who is represented in the Fund's IC was taken into consideration. However, qualitative comments from all public authorities were considered.

- **A targeted survey of end beneficiaries.** The targeted survey received 165 responses, from nine beneficiary Member States, namely Bulgaria (4), Croatia (26), Czechia (56), Estonia (2), Hungary (6), Lithuania (5), Poland (23), Romania (37), and Slovakia (6). This variation is partly a reflection of the size of national MF portfolios and the number of targeted beneficiaries (e.g. fewer large industry installations vs. many private households), but may also reflect different levels of outreach, availability of contact data, or willingness to participate.

- **A targeted questionnaire of other organisations.** The targeted survey gathered feedback from civil society organisations, trade organisations and other relevant stakeholders concerning, amongst others, the relevance and transparency of the Fund. 19 responses from eight beneficiary Member States were received, namely Belgium (7), Bulgaria (2), Czechia (1), Greece (1), Hungary (1), Latvia (1), Poland (1), Romania (4), and Slovakia (1). The concentration of respondents in Belgium is a result of the presence of several trade organisations, NGOs and civil society organisations with their European headquarters in Brussels. The respondents included trade organisations (5), and NGOs/civil society organisations (11).

- **A call for evidence** without further public consultation, was published on the 'Have your say' portal in all 24 official EU languages and remained open for feedback for 6 weeks (14 April 2025 - 26 May 2025). 44 respondents replied. Most responses (19) came from companies, predominantly (13) in the energy sector and heavy industry (5). 14 responses came from non-governmental organisations (NGOs) and seven from business associations (seven in energy sector, one in heavy industry). There were three responses from individual citizens (two EU and one non-EU), and one response from a public authority (Ministry of Environment of the Czechia).

- **Three thematic case studies** were prepared on investments comprising 1) energy efficiency, 2) renewable energy, and 3) non-priority investments. Each case study encompasses two to three selected investments that were sampled for further analysis. The selected investments were chosen to ensure balanced representation of Member States, types of investments / sectors, and volume of financing. The case study analysis is based on desk review, the Member State and beneficiary survey, the investment database, and interviews with end beneficiaries (or project coordinators for schemes).

    - The case study on **energy efficiency** covers three schemes, namely an energy efficiency support scheme for households (Czechia), a scheme supporting energy efficiency in emission-intensive industries (Slovakia), and a direct support scheme for the purchase of electric vehicles (Lithuania).
    - The case study on **renewable energy** covers two schemes, namely a scheme to produce electricity for the manufacturing industry (Croatia), and a support scheme for residential heat pumps (Poland).

- The case study on **non-priority investments** covers a project involving the development of a gas transmission pipeline (Romania) and a scheme supporting the modernisation of energy sources in thermal energy supply systems (Czechia).

3.2. Robustness, limitations and mitigation measures

The methodological design has several noteworthy strengths:

- **Robustness of evaluation analysis.** The evaluation relies on a well-defined intervention logic that lays out the causal relations between the different expected outputs, results and impacts of the MF, both in terms of its actual objectives and in terms of the functioning, governance and processes. The intervention logic provided the basis for defining the key sub-questions, judgement criteria / hypotheses, and indicators, in line with the evaluation questions set out in the Tender Specifications. A comprehensive evaluation matrix was then developed to guide and structure the systematic analysis undertaken in this evaluation.
- **Comprehensive evidence base established through a systematic approach to data collection.** A comprehensive evidence base was established through a systematic and multi-layered approach to data collection. Evidence was gathered continuously throughout the evaluation by combining literature and desk reviews, statistical analysis, and stakeholder consultations at both EU and Member State level. This mixed-method design enabled the evaluation team to draw on a wide range of quantitative and qualitative inputs and perform robust triangulation, ensuring that findings could be cross-validated, inconsistencies identified, and conclusions grounded in strong evidence.

However, some limitations remain:

- **The analysis of impacts and outcomes is constrained by the early implementation phase of most supported investments.** There is a time lag between when investments are approved and when they deliver measurable results. Many investments supported by the MF are still in the early stages of implementation, meaning that completion of projects and corresponding actual effects on emissions reductions, energy savings, or capacity deployment cannot yet be fully captured. While mitigation measures were taken, including dedicated case studies with deep dives into specific measures, the actual full effect of the MF is still to be ascertained once the investments are completed. The evaluation focuses on the MF's direct outputs and outcomes, but broader systemic impacts (e.g. actual GHG emission reductions) are difficult to capture within the available timeframe and evidence base.

- **The financial and monitoring data are impacted by reporting inconsistencies.** The analysis is constrained by variations and inconsistencies in the way financial flows and monitoring data are reported across beneficiary Member States and sources. These differences limit comparability and reduce the reliability of aggregated figures. Corrections were made through continuous dialogue between the evaluation team, the EIB and the European Commission. Noteworthy limitations include:

    - Uncertain total investment costs, private and public co-financing – investments projects are still ongoing or not yet started, meaning reported total costs remain

provisional. In addition, data on private and public co-financing are not subject to specific reporting requirements for the MF and were requested from beneficiary Member States specifically for the purpose of this evaluation, but the data provided lacks comparability.

- Inconsistent and variable annual-report data – figures reported by beneficiary Member States in annual reports vary from year to year and are not fully consistent.
- Estimation of investment breakdown where investments are spread across different priority areas. Because beneficiary Member States rarely provided their own approximations (per priority area) for investments spanning multiple priority areas, most estimates were derived by the evaluation team and the EIB based on the investment submission forms, follow-up clarification questions, and informed professional judgement. This process also evidenced data discrepancies, where differences between disbursement figures in annual reports from the beneficiary Member States and EIB data were observed.
- Lack of harmonised definitions serving as a basis for reporting – this is the case in particular for amounts contracted to end beneficiaries and impact data (GHG emissions, energy savings, abatement costs). Such discrepancies were, when possible, manually corrected by the evaluation team in dialogue with the EIB and based on direct feedback from the Member States.

4. The investments supported

Number and volume of investments

By mid-2025, 194 investments (confirmed priority investments and approved non-priority investments) were supported through the Modernisation Fund across 12 beneficiary Member States ([10]). The EIB had transferred EUR 18.9 billion to support these investments ([11]). The investments supported through the MF represented EUR 42.6 billion in planned MF support (i.e. taking into account the beneficiary Member States' declared intention to submit subsequent disbursements under schemes or large projects) and a total investment cost of approximately EUR 71.7 billion (excluding VAT). The number of supported investments and the associated financial volumes broadly reflected the respective size of MF envelopes across beneficiary Member States, with the largest volumes in Romania, Czechia and Poland. At the other end of the spectrum, the BMSs that joined the MF under the 2023 ETS revision showed the lowest levels of investment activity. Greece and Slovenia reported only limited investments and volumes, while Portugal had not yet confirmed any investments.

Table 2 Total cost, planned support from MF and disbursed amounts by BMS (2021- mid-2025)

BMS	MF envelope* (EUR)	Number of approved investments	Total investment cost of approved investment (EUR)	Total planned support from MF (EUR)	Disbursed by EIB to MS (EUR)
BG	1.7 bn	5	0.83 bn	0.76 bn	0.20 bn
CZ	14.3 bn	62	32.68 bn	14.43 bn	5.82 bn
EE	0.8 bn	3	0.7 bn	0.55 bn	0.24 bn
EL	1.4 bn	4	0.38 bn	0.21 bn	0.11 bn
HR	1.3 bn	9	0.65 bn	0.43 bn	0.43 bn
HU	2.4 bn	12	1.71 bn	1.17 bn	0.45 bn
LT	1.3 bn	17	2.75 bn	0.78 bn	0.34 bn
LV	0.4 bn	3	0.1 bn	0.07 bn	0.07 bn
PL	12.9 bn	27	15.18 bn	10.86 bn	4.28 bn
RO	14.3 bn	43	12.22 bn	10.27 bn	6.25 bn
SI	0.3 bn	2	0.47 bn	0.18 bn	0.05 bn
SK	4 bn	7	4.06 bn	2.92 bn	0.71 bn
Total	**56.8 bn**	**194**	**71.73 bn**	**42.63 bn**	**18.95 bn**

Source: Modernisation Fund database – EIB data. Note (*): The MF envelope is estimated based on a price of carbon of EUR 75 per ton

([10]) This number includes only distinct investments. In addition, 60 subsequent disbursement requests, pertaining to 42 already confirmed or recommended schemes, were confirmed or recommended.
([11]) Including EUR 9.45 billion disbursed by the EIB corresponding to subsequent disbursements for previously confirmed or recommended schemes.

A total number of 116 proposals were returned by the EIB during assessment over the four-and-a-half-year period under review. The trend over time reveals an initial learning curve during the first three years of implementation, as beneficiary Member States adjusted to the new funding instrument, and an improvement in 2024 and the first investment cycle of 2025, when the number of returned proposals dropped. 17 investment proposals were either deemed inadmissible or voluntarily withdrawn by the BMSs prior to final assessment over these three investment cycles. Compared to 2021 levels, the proportion of returned proposals dropped around 40% in the first cycle of 2025.

Utilisation of the MF relative to total available envelope

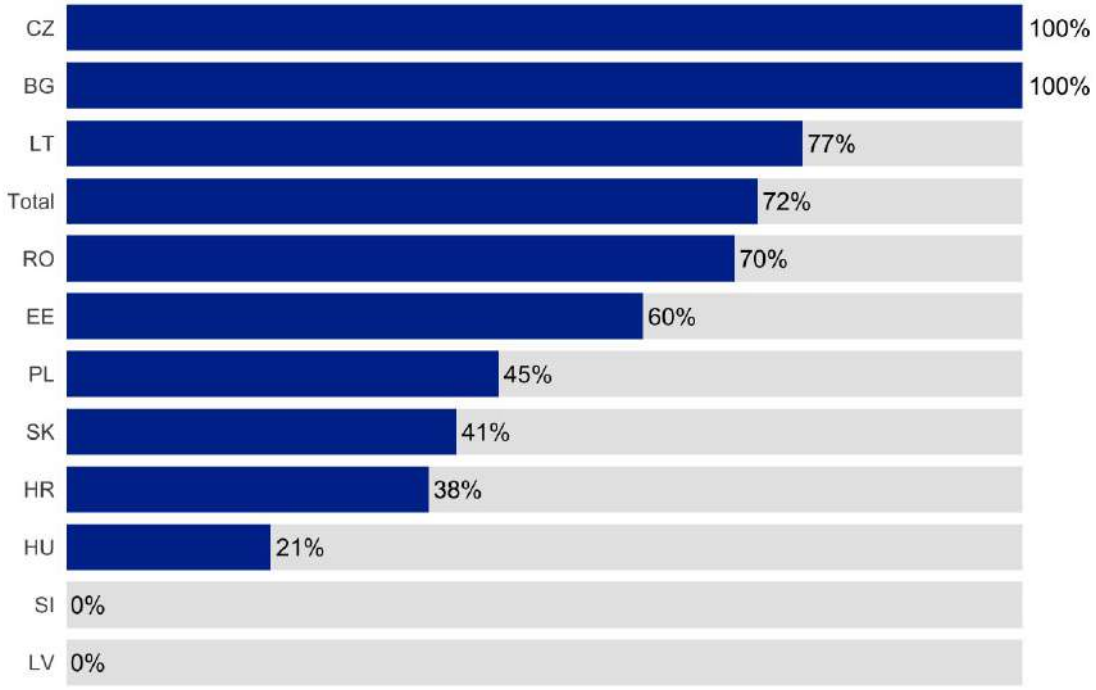
33% of total MF envelope has been disbursed to BMSs and 75% earmarked to 3. Using an assumed EUR 75/tCO_2 price, the total MF envelope (758 million of EU ETS allowances) represents about EUR 57 billion, out of which EUR 18.9 billion (33%) have been disbursed to BMS by mid-2025. Czechia and Romania have received the highest shares of their MS envelopes: 40% (EUR 5.8 billion) and 43% (EUR 6.3 billion), respectively. It should be noted that allowances are auctioned on a regular basis and that the total MF envelope is not available for the BMSs from the beginning of the implementation period. An additional EUR 23.7 billion, while not yet disbursed to the BMSs, have already been earmarked for support, bringing the total amount that beneficiary Member States are planning to attribute to already confirmed investments to EUR 42.6 billion (75% of the total envelope). Country patterns differ: Czechia (100%), Poland (84%); Romania (71.4%), and Slovakia (71.4%) have already indicated how they plan to use most of their envelope , while Latvia (17.5%), Greece (14.3%) and Portugal (0%)are still in the early stages of planning how to use available funds.

Implementation of Funds at national level

As of end of 2024, a total of EUR 11.9 billion ([12]) was contracted to end beneficiaries and EUR 2 billion was disbursed by eight beneficiary Member States to final beneficiaries. These figures represent respectively 72% and about 12% of the EUR 16.4 billion disbursed by the EIB to BMS, with significant variations across BMS.

([12]) The legally committed amount allocated to Bulgaria has been capped to 100% of the disbursed amount by the EIB to Bulgaria as of end 2024 (EUR 166.1 million) and the one of Czechia was capped to 100% at EUR 519 million.

Figure 3 Share of contracted amounts over disbursed amounts by the EIB, per BMS (2021 – 2024)



Source: Modernisation Fund database – 2024 Annual reports and EIB data.

Projects and schemes

The Modernisation Fund portfolio consists of two main categories of investments: projects (including large-scale projects) and schemes (including large-scale schemes) ([13]). These two investment types differ in structure, size, and execution logic.

Out of 194 investments supported by the MF, 71 are classified as projects (including 16 large-scale projects), and 123 as schemes (including 51 large-scale schemes). Schemes account for 123 investments, representing the majority of Modernisation Fund investments in both number and financial volume: the planned MF support linked to these investments amounts to about EUR 35.2 billion, whereas EUR 14.8 billion has been disbursed to date by the EIB to the beneficiary Member States. Projects account for a total planned support from the Modernisation Fund of about EUR 7.5 billion of which EUR 4.1 billion have been disbursed to beneficiary Member States. The average size of projects (and large-scale projects) in terms of total cost of the investment is EUR 1.5 billion and an average of EUR 57 million disbursed to BMSs (EUR 105 million on average in total support), whereas the average total investment costs for schemes is EUR 5.4 billion and an average of EUR 120 million disbursed (EUR 257 million on average in total support) to BMSs (encompassing many different projects).

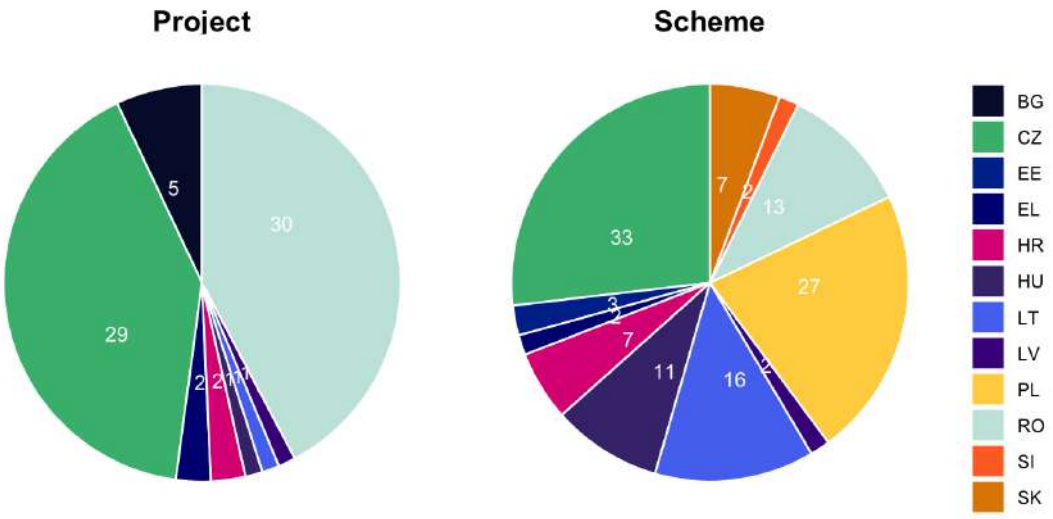
([13]) According to Implementing Regulation 2023/2606, projects refer to individual standalone investments eligible for Modernisation Fund support. When a project requests more than EUR 70 million in Modernisation Fund support, it qualifies as a large-scale project and must comply with additional procedural rules (e.g. staged disbursement, progress reporting, stakeholder consultation). Schemes are investment frameworks under which multiple projects can receive support. A scheme must span more than one year, have national or regional scope, and serve multiple recipients. If the total support requested for a scheme exceeds EUR 100 million, it is classified as a large-scale scheme, triggering enhanced oversight and consultation requirements.

Individual projects are heavily concentrated in Romania (30) and Czechia (29). Together, they account for 83% of the total number of projects, whereas five countries do not have any projects. For schemes, the picture is more diverse with Czechia, Poland, Lithuania, Romania, Croatia all having more than ten schemes. Bulgaria stands out as having only individual projects and no schemes.

Table 3 Total investment cost, planned MF support and amounts disbursed by the EIB, and number of investments, by type of proposal and by BMS (2021- mid-2025)

Amounts of	Projects	Schemes
Total investment cost (EUR bn)	12.1	59.6
Planned MF (EUR bn)	7.5	35.2
Disbursed by EIB to MS (EUR bn)	4.1	14.8

Number of investments by BMS



Source: Modernisation Fund database – EIB data

Priority and non-priority

Priority investments (PIs) are those that fall under at least one of the categories of investments set out in Article 10d(2) of the EU ETS Directive. These investments must make up a minimum of 80% of each BMS's MF envelope. They benefit from a light review by the EIB and are confirmed for support mostly based on verification of their State aid compliance and priority status as defined by the EU ETS Directive. In contrast, non-priority investments (NPIs) cannot represent more than 20% of each BMS's MF envelope (this share is as low as 10% for part of the allowances making up each BMS's envelope). Their nature is not explicitly defined but they must support the overall objectives of the MF and demonstrate GHG-reductions. Approval of investments falling under non-priority areas is subject to stricter conditions, including more in-depth assessment by the EIB (including due diligence) and vetting by the Fund's Investment Committee, on which three non-beneficiary Member States sit with voting rights.

179 priority investments have been supported across 12 beneficiary Member States, representing EUR 17.8 billion already disbursed and EUR 39.7 billion in planned support. The largest volumes of priority investments have been concentrated in Czechia, Romania, and Poland which are also the three largest beneficiaries of the Fund.

Table 4 Total cost, planned support from MF and disbursed amounts from the EIB for priority investments by BMS (2021- mid-2025)

BMS	Number of investments	Total investment cost (EUR bn)	Planned amounts (EUR bn)	Disbursed by EIB to MS (EUR bn)
BG	**5**	**0.83**	**0.76**	**0.17**
CZ	56	29.58	12.92	5.40
EE	3	0.7	0.55	0.24
EL	4	0.38	0.21	0.11
HR	9	0.65	0.43	0.43
HU	12	1.71	1.17	0.45
LT	16	2.73	0.77	0.33
LV	3	0.1	0.07	0.07
PL	25	14.1	10.28	4.12
RO	37	10.75	9.45	5.72
SI	2	0.47	0.18	0.05
SK	7	4.06	2.92	0.71
Total	179	66.06	39.71	17.8

Source: Modernisation Fund database – EIB data.

By mid-2025, 15 non-priority investments (NPIs) (7.7% of total number of investments) have been supported across four beneficiary Member States representing a combined amount of approximately EUR 1.1 billion (6% of the total volume disbursed to BMSs) disbursed by the EIB to BMSs. This is well below the regulatory ceiling of no more than 20% of national allocations to NPIs. The NPIs amounted to EUR 2.9 billion of planned MF support. Only Czechia, Romania, Poland, and Lithuania had NPIs. Disbursements to NPIs have been declining over the 2021– mid-2025 period.

Table 5 Total costs, planned support from MF and disbursed amounts by the EIB for non-priority projects by BMS (2021- mid-2025)

BMS	Number of investments	Total investment cost (EUR)	Planned amounts (EUR)	Disbursed by EIB to MS (EUR)
CZ	6	3.1 bn	1.5 bn	0.42 bn
LT	1	0.02 bn	0.06 bn	0.06 bn
PL	2	1.08 bn	0.58 bn	0.16 bn
RO	6	1.47 bn	0.81 bn	0.53 bn
Total	15	5.67 bn	2.9 bn	1.1 bn

Source: Modernisation Fund database – EIB data.

Pipeline of investments

In their 2024 annual reports, beneficiary Member States reported 84 investments in the forward pipeline for Modernisation Fund support, with a total investment cost of EUR 26.05 billion and EUR 13.18 billion in planned Fund support (average co-financing rate of 50.6%). If implemented, these planned investments would bring the cumulative use of the Fund close to 98% of the EU-wide envelope of about EUR 57 billion by 2030.

Priority investments clearly dominate this forward pipeline. Across beneficiary Member States, annual reports indicate 74 priority investments versus 10 non-priority investments, with priority projects accounting for about EUR 11.31 billion (around 86%) of planned MF support compared to EUR 1.87 billion (around 14%) for non-priority investments. This confirms that future use of the Fund is expected to remain strongly concentrated in priority areas.

Romania accounts for the largest share, with 24 investments and approximately EUR 5.88 billion in plans for future MF support. Czechia follows with 10 investments (about EUR 1.72 billion). Slovenia and Hungary each plan nine investments (both between EUR 1.1 and 1.3 billion), while Poland reports a smaller forward pipeline of four investments, amounting to roughly EUR 352 million in planned support.

For Member States with a very high share of planned investments in their national envelopes, there are some tensions between the size of the pipeline and the envelope already earmarked for confirmed or recommended operations. As discussed above, Czechia has already earmarked virtually its entire national envelope, while Romania has earmarked around 71% of its envelope. If all pipeline projects in these two countries were implemented as reported, the earmarking of their envelopes would rise to around 112%, indicating that part of the current pipeline will necessarily be adjusted, sequenced or reshaped over time. Interviews with national authorities and the EIB confirm that pipelines are used as the basis for forthcoming proposals and are aligned with MF priority areas, but individual projects may need to be revised, split, merged or re-routed to other instruments to comply with MF and State aid rules.

5. Evaluation findings

The key findings of the study are presented in the following chapter.

5.1. Effectiveness

The findings concerning the effectiveness of the MF are presented in this chapter. Effectiveness is assessed on the basis of five evaluation questions (EQs), as follows: **EQ 1.** How successful has the Modernisation Fund been in selecting investments that are conducive to modernise energy systems and to improve energy efficiency? Are the objectives of the MF likely to be achieved on time? **EQ 2.** How effectively is the MF implemented at Member State level? **EQ 3.** Which factors are hindering (or supporting) the achievement of the MF objectives? **EQ 4.** How effective has the MF been in implementing communication and publicity? **EQ 5.** How effective has the MF been in mobilizing other national and private funding?

Summary of key findings:

- **EQ1. How successful has the Modernisation Fund been in selecting investments that are conducive to the modernisation of energy systems and the improvement of energy efficiency? Are the objectives of the MF likely to be achieved on time?** Overall, the Modernisation Fund has been successful in steering investments towards modernising energy systems and improving energy efficiency, with 194 investments confirmed/recommended across 12 Member States between 2021 and mid-2025. These investments correspond to EUR 18.9 billion of MF support disbursed by the EIB to Member States (33% of the total Fund envelope), EUR 42.6 billion in planned MF support and EUR 71.7 billion in estimated total investment costs. The Fund's portfolio is strongly aligned with EU priorities, with 94% of resources disbursed to BMSs falling under priority areas such as energy efficiency, renewable energy generation and use, storage and network modernisation, while investments labelled as non-priority represent only 6% of the total. Fossil fuel-related projects remain limited (23% of the spent amount by mid-2025) and are declining. However, progress has been uneven, albeit broadly commensurate with Member States' total envelopes: Czechia, Romania, and Poland alone represent 86% (EUR 16.3 billion, 29% of the total Fund envelope) of all disbursements to beneficiary Member States by the EIB, while some Member States are much less advanced due to political, institutional, or regulatory barriers, and their overall ratio of EIB disbursement to the total envelope remains modest. Investment lifetime projections indicate transformative potential (1.17 billion MWh of energy savings, 848 million tonnes of avoided emissions, and 25 GW of new renewable capacity), although early results and impacts remain modest, given long project lead times and the relatively early stage in MF implementation. By mid-2025, 75% of the MF envelope has been earmarked for already confirmed / recommended investments (through schemes and large-scale projects disbursed in more than one tranche), and the pipeline of future investments (dominated by schemes in priority areas and aligned with NECPs) suggests that beneficiary Member States have developed strategies for spending the rest of their MF envelopes. The Modernisation Fund is deploying resources on a scale that vastly exceeds recent private investment trends in beneficiary Member States in climate mitigation. The Fund provides resources to BMSs (EUR 5.68 billion per year) that far exceed recent yearly private investment averages in these key mitigation sectors across beneficiary Member States. In relation to private climate-related investment in electricity, gas, steam and air conditioning in the period 2021-2023 (EUR 2.8 billion per year – compared with a yearly average of EUR 12.2 billion in the period 2018-2020 and EUR 11.1 billion in the period 2021-2023), the MF makes available roughly twice as much funding annually, whereas in construction (around EUR 1.6 billion per year) the MF envelope is more than three times larger.

- **EQ2. How effectively is the MF implemented at Member State level?** The Modernisation Fund is operational and ramping up at beneficiary Member State level, despite a slow start. This can be explained by the fact that the fund was recently established, and Member States have been building the necessary capacities to use it. By end 2024, national authorities had contracted EUR 11.9 billion to final

beneficiaries (72% of the total EUR 16.4 billion disbursed by the EIB to Member States), indicating a relatively robust implementation pace. However, beneficiary Member States disbursed about EUR 2 billion to final beneficiaries (just 12% of the EUR 16.4 billion received from the EIB). Slowing factors included contracting and permitting timelines, administrative capacity gaps, integration with wider regulatory and budget cycles, uneven pipeline maturity and political factors. Disbursements to end beneficiaries and contracted amounts are increasing steeply over time. In total, between 2023 and 2024, contracted amounts increased by EUR 5.1 billion (+96%) and disbursements to end beneficiaries increased by EUR 1.3 billion (+185% compared with 2023 annual report figures). National performance diverges markedly among beneficiary Member States (Bulgaria or Czechia report 100% of the amount disbursed by the EIB already contracted to final beneficiaries, whereas Latvia reports 0%), partly reflecting different levels of implementation maturity, but also differences in reporting methodology across the group. Monitoring systems exist in most countries, whereas audit practices are advancing but uneven: Hungary, Czechia, Estonia, Poland, Romania have initiated audits (although only Estonia declared that publication on the ministry's website is already foreseen), with Czechia and Hungary the most mature and others still formalising internal processes.

- **EQ3**. **Which factors are hindering (or supporting) the achievement of the MF objectives?** A range of supporting factors have been widely echoed across Member States as critical to the successful implementation of the Modernisation Fund. These include constructive collaboration with the EU institutions, which has helped streamline approval processes. Strong national governance structures and, in many cases, close alignment of MF priorities with national policy objectives have further reinforced effective implementation. Favourable financial and technical conditions, including high aid intensity, transparent eligibility requirements, and the use of proven technologies, have made projects more viable and attractive to beneficiaries. Finally, external factors have, in some countries, accelerated political will and demand for renewable energy and energy-efficiency investments. Relatively few hindering factors were identified across Member States. These included market shocks and supply-chain disruptions, most notably post-2022 cost inflation, labour shortages, and delays in the delivery of key materials. National-level bottlenecks were mentioned by a limited share of end beneficiaries in the survey (5%), particularly the complexity or heaviness of application and documentation requirements, while procurement and permitting procedures were cited by another 5% as sources of delay. In isolated cases, political instability has also slowed implementation efforts (reported by one BMS).

- **EQ4. How effective has the MF been in implementing communication and publicity?** Visibility of the Fund's EU origin is generally ensured, with most beneficiaries complying and using a range of communication tools; however, awareness remains uneven across countries, and while national guidance is widespread, challenges persist in reaching broader audiences and ensuring transparency beyond formal requirements.

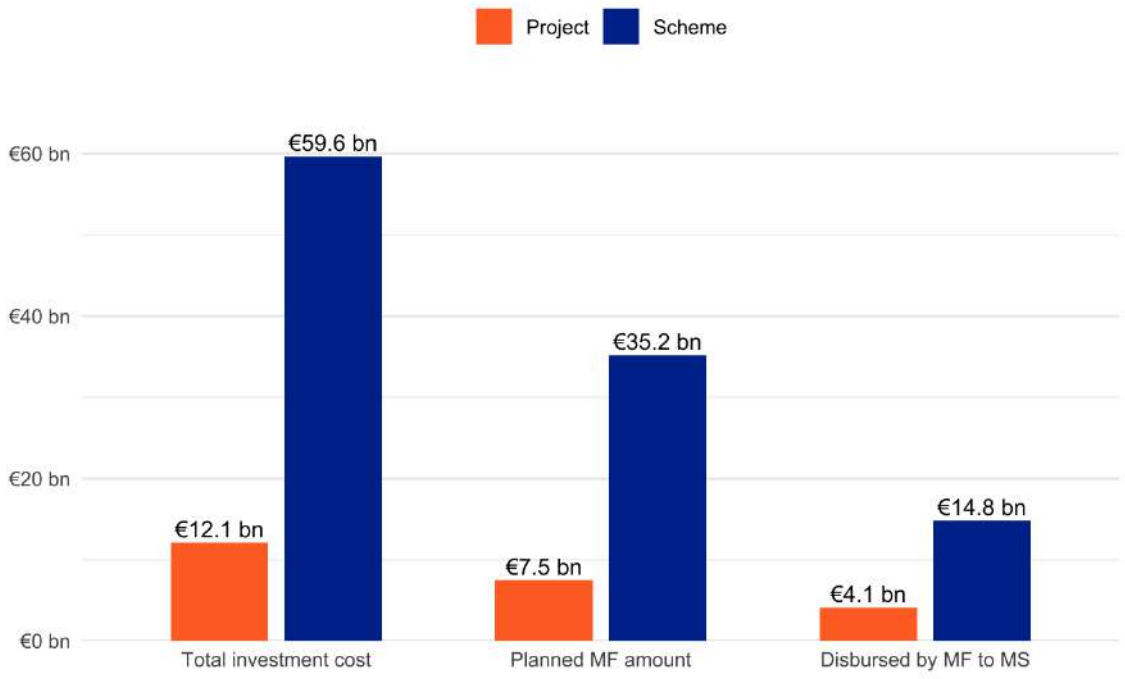
- **EQ5. How effective has the MF been in mobilizing other national and private funding?** The Modernisation Fund has mobilised some private co-financing, unevenly distributed across Member States, although cross-country comparisons are constrained by non-standardised reporting and varying calculation methods. The MF does not have an explicit leverage objective, and its design does not require mobilisation of private or additional public financing beyond what is required by State aid rules, which define maximum aid intensities according to the nature of the activities supported. These rules inherently create a minimum level of required co-financing and, therefore, provide the default leverage effect of investments supported with by the Fund (as all investments confirmed under the MF must be state-aid compliant) irrespective of MF-specific design. Using Member State data, the highest private contributions were recorded in Romania (EUR 2.23 billion), Slovakia (EUR 1.29 billion) and Lithuania (EUR 1.13 billion), followed by Poland, Czechia and Bulgaria, while countries whose MF implementation deliberately targets public beneficiaries (e.g. Estonia) or is still at an early stage (Hungary, Slovenia) report little or none. The MF has generated limited additional public co-financing, consistent with the absence of any formal objective to crowd in additional public funds. While Romania stands out (approx. EUR 1 billion), most Member States report little or no additional public financing. Finally, blending with other EU funds, although legally permissible, is administratively challenging.

5.1.1. Effectiveness in achieving Modernisation Fund objectives

Modernisation Fund implementation is progressing with significant commitments of MF resources and disbursement performance varying across Member States (EQ 1.1, EQ 1.2)

The Modernisation Fund has demonstrated steady progress in selecting and financing investments, with 194 individual investments approved across 12 beneficiary Member States between 2021 and mid-2025 and EUR 18.9 billion disbursed to beneficiary Member States by the EIB. These investments correspond to a total estimated cost of EUR 71.7 billion. Czechia, Romania, and Poland account for over 86% (EUR 16.3 billion) of all disbursements to beneficiary Member States by the EIB. Romania alone accounts for approximately EUR 6.25 billion disbursed by the EIB (33% of all disbursements to beneficiary Member States by the EIB) across 43 investments, followed by Czechia with EUR 5.8 billion (31%) across 62 investments, and Poland with EUR 4.27 billion (23%) across 27 investments. This can be explained by the fact that these three countries are by far the largest MF beneficiaries, representing 70% of the total MF envelope (EUR 56.8 billion). In addition to the amounts disbursed to the BMSs, EUR 42.6 billion in MF contribution have been signalled by the BMSs to the EIB as earmarked for already confirmed or recommended schemes or large-scale projects (planned MF amount).

Figure 4 Total estimated costs of investments to be supported by the MF, MF amounts planned and disbursed by the EIB to BMSs (2021- mid-2025)

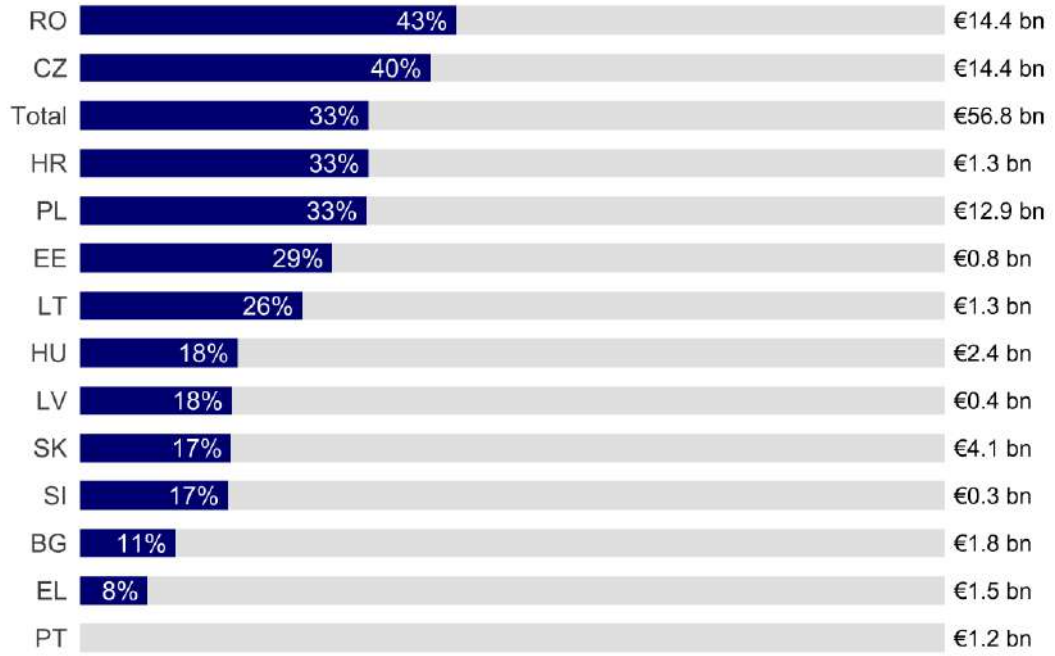


Note: Total investment costs are estimated by the BMSs at the time of submitting investments to the EIB.

Source: Modernisation Fund database - EIB data.

At mid-2025, 33% of the total MF envelope ([14]) of EUR 56.8 billion had been disbursed to BMSs by the EIB. Czechia (40%), Romania (43%), Croatia (33%) and Poland (33%) had the highest disbursement rates. In contrast, Bulgaria (11%), Greece (8%) and Portugal (0%) received limited or no transfers from the EIB, reflecting the low number of investments confirmed in these countries. These patterns reflect both differences in institutional preparedness and the number of years of effective engagement with the Fund – with Greece, Slovenia and Portugal having only joined the Fund in 2024. It should be noted that the EU ETS allowances, which provide the resources of the Modernisation Fund, are auctioned in equal annual volumes from 2021 to 2030 in accordance with the Auctioning Regulation. Therefore, the Member States can only request amounts available on their accounts.

Figure 5 Share of disbursed amount by the EIB relative to Member State total MF envelope (total EU-wide envelope = EUR 56.8 billion) (2021-mid-2025)



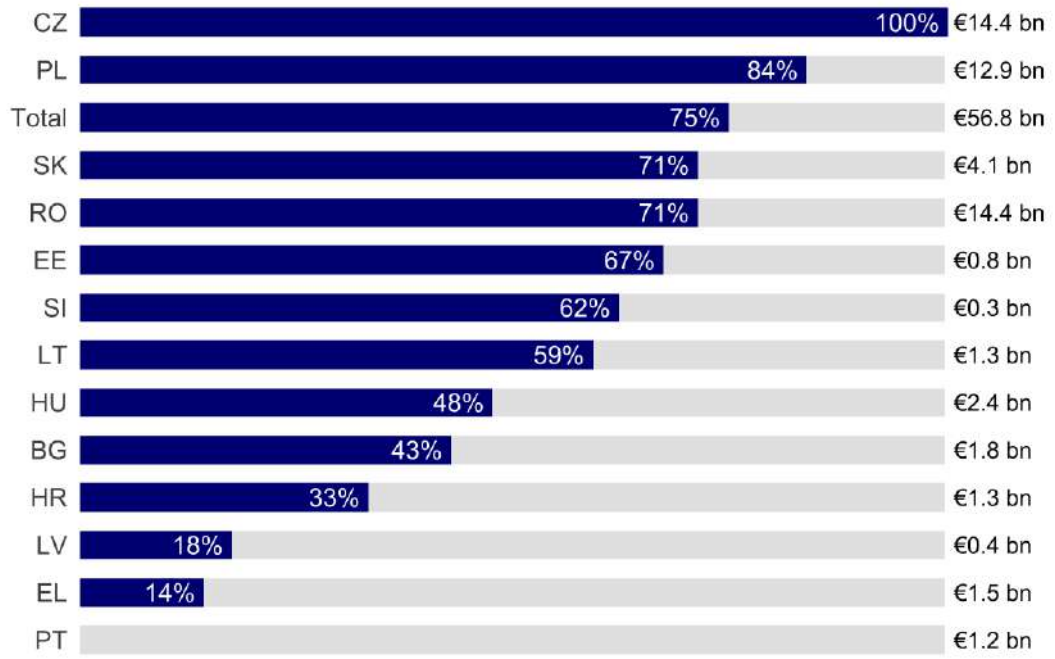
Note: Total envelope displayed at the end of each bar.
Source: Modernisation Fund database – EIB data.

By mid-2025, 75% of the total MF envelope had been earmarked for already approved schemes or large projects ('planned' MF support), again with a large disparity across BMSs. Czechia had fully earmarked its envelope, and Poland had earmarked 84% of its envelope, indicating a long-standing strategy for how to use their MF envelopes. At the other end of the spectrum, Greece and Latvia had earmarked 14% and 18% of their respective envelope. Member States may, however, still decide to redirect the earmarked (planned) amounts to other investments and use them for other purposes than initially intended, subject to approval of the corresponding investment proposals. In that respect, the Modernisation Fund offers a very flexible governance framework, allowing Member States to manage their MF envelopes dynamically and to adapt

([14]) The auctioned EU ETS allowances that form the national Modernisation Fund envelopes (a percentage of the EU ETS cap allocated among BMSs according to a fixed key specified in Annex to the EU ETS Directive) complemented by voluntary transfers of EU ETS allowances to the Modernisation Fund in six beneficiary Member States (Czechia, Croatia, Lithuania, Hungary, Romania, Slovakia).

future MF implementation depending on the success of already approved investments and evolving needs. Such redirection of funds previously indicated as earmarked does not require any specific process, including no requirement to inform the EIB ([15]). The Member State only needs to submit a new investment proposal aimed at an activity different from that previously indicated.

Figure 6 Share of planned support from the MF relative to Member State total MF envelope (total EU-wide envelope = EUR 56.8 billion) (2021- mid-2025)



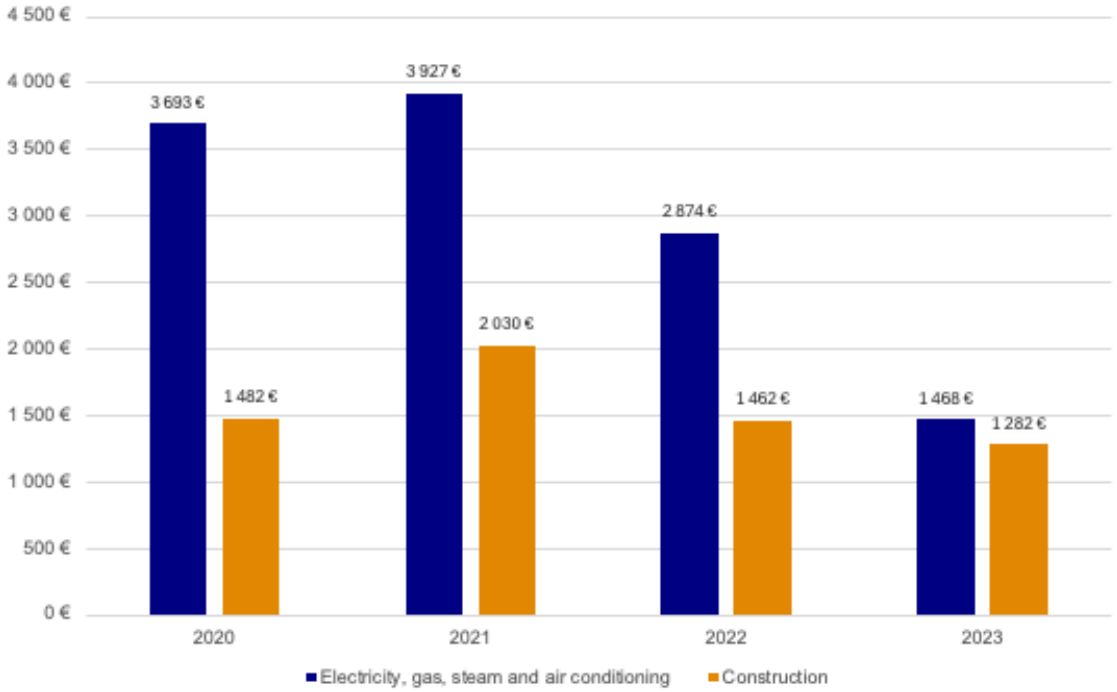
Note: Total envelope displayed at the end of each bar.
Source: Modernisation Fund database - EIB data.

The Modernisation Fund has mobilised resources at a scale far above recent private investment trends in beneficiary Member States. By comparison, total private investment in climate change mitigation across beneficiary Member States amounted to only EUR 12.6 billion in 2020 (a yearly average of EUR 12.2 billion in the period 2018-2020), declining to EUR 10 billion by 2023 (a yearly average of EUR 11.1 billion in the period 2021-2023) (Eurostat). In electricity, gas, steam and air conditioning, investment volumes dedicated to climate change mitigation declined sharply from EUR 3.7 billion in 2020 to EUR 1.5 billion in 2023 (-60%), with a yearly average of EUR 3.4 billion in the period 2018-2020 and nearly EUR 2.8 billion in the period 2021-2023. In the construction sector, investments in climate change mitigation across the BMS declined from EUR 1.5 billion in 2020 to EUR 1.3 billion in 2023 – with a yearly average of EUR 1.7 billion in the period 2018-2020 and EUR 1.6 billion in the period 2021-2023. Against this backdrop, the Fund provides resources to BMSs (EUR 5.68 billion per year) that far exceed recent yearly private investment averages in these key mitigation sectors across beneficiary Member States. In relation to private climate-related investment in electricity, gas, steam

([15]) The process differs when a Member State wishes to redirect part of an investment that has already been disbursed to it by the EIB: in that case, the Member State needs to declare the investment (partially) discontinued to the Commission so that it can reuse the liberated funds for another MF-supported investment. This however does not require any approval by the Commission or EIB (beyond confirmation of the investment that the Member States wishes to use the liberated funds for).

and air conditioning in the period 2021-2023 (EUR 2.8 billion per year), the MF makes available roughly twice as much funding annually, whereas in construction (around EUR 1.6 billion per year), the MF envelope is more than three times larger.

Figure 7 Baseline figures: total amount of annual private investment in climate change mitigation in electricity, gas, steam, air conditioning and construction in million EUR (2020-2023)



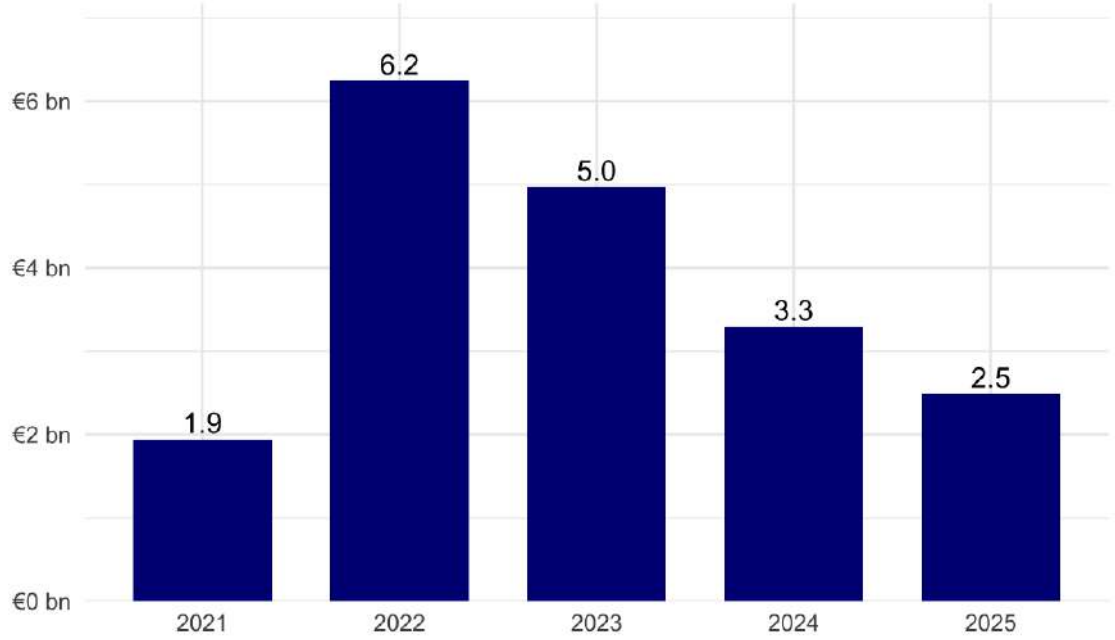
Source: Eurostat.

The year-on-year evolution of approved investments and disbursed volumes shows that the Fund is maturing and expanding geographically, though growth has not been linear. Activity started in 2021, with 25 confirmed or recommended investments in eight beneficiary Member States ([16]) and EUR 1.9 billion disbursed to beneficiary Member States that year ([17]). The number of confirmed or recommended investments doubled to 52 in 2022 in seven beneficiary Member States ([18]), with about EUR 6.2 billion disbursed to beneficiary Member States. In 2023, the pace slowed to 39 confirmed or recommended investments across seven beneficiary Member States ([19]) and EUR 5.0 billion disbursed to beneficiary Member States, suggesting a consolidation phase as countries focused on implementing earlier commitments. The year 2023 also saw the first investments of Latvia and Bulgaria which had been lagging until then. As a consequence, by the end of 2023, all ten historical beneficiary Member States had at least some investments confirmed or recommended under the Fund. Activity peaked in 2024 in terms of confirmed/recommended investments (55), with EUR 3.3 billion of disbursed support and the widest geographical participation to date, including Slovenia, a beneficiary Member State having joined the Fund that year as a consequence of the 2023 revision of the EU ETS Directive. By mid-2025, 23 investments had already been confirmed/recommended, including for Greece for the first time, with a total disbursed

([16]) Czechia, Estonia, Croatia, Hungary, Lithuania, Poland, Romania and Slovakia.
([17]) Subsequent disbursements are computed in the year when the investment they pertain to was originally approved.
([18]) Czechia, Croatia, Hungary, Lithuania, Poland, Romania and Slovakia.
([19]) Bulgaria, Czechia, Croatia, Lithuania, Latvia, Poland and Romania.

amount for all investments of EUR 2.5 billion in the first investment cycle of that year. This progressive widening of participation suggests that more recent beneficiary Member States are also starting to be active.

Figure 8 Evolution of disbursed amounts by the EIB, per year (2021 - mid-2025)



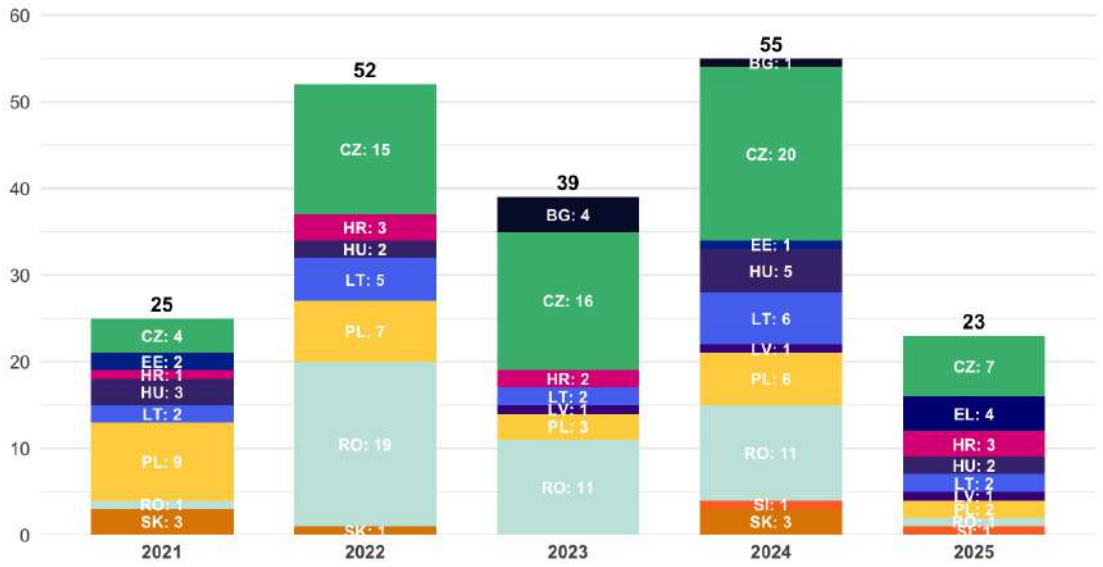
Note: Subsequent disbursements are computed in the year when the original investment they pertain to was approved.

Source: Modernisation Fund database – EIB data.

Romania and Czechia alone accounted for over 73% of disbursed support in 2022, reflecting their early readiness to utilise MF funds. This is consistent with the fact that Czechia and Romania have the largest voluntary transfers to the Modernisation Fund ([20]), accounting for EUR 9.7 billion and EUR 10.8 billion respectively and representing 67% and 75% of their total MF envelopes. Because of these considerable transfers, Czechia and Romania are the largest MF beneficiaries, which differs from the allocation keys of the MF as set out in Annex IIb to the ETS Directive. According to interviews with the national authorities, Romania's readiness for early implementation of the MF is linked to strategic planning and coordination, while Czechia's is due to the institutionalisation and integration of the MF into existing investment structures.

([20]) Voluntary transfers refer to the fact that the Modernisation Fund is financed by revenues from the auctioning of EU ETS allowances, including 2% (2021–2030), 2.5% (2024–2030), and additional allowances voluntarily transferred by Member States from solidarity, growth, interconnection, or free electricity allocations.

Figure 9 Number of confirmed/recommended investments by Member State, per year (2021- mid-2025)



Note: The figure does not include subsequent disbursements. Figures for 2025 are related to only one investment cycle.
Source: Modernisation fund database – EIB data

National disparities in timely utilisation of the Fund can be explained by differences in governance stability, administrative capacity, and reliance on other EU instruments. Interviews reveal that differences in national contexts help explain the varying levels of engagement and absorption across Member States. Countries such as Czechia, Poland, and Romania reported that they entered the Fund with mature project pipelines and clear strategic priorities, allowing them to confirm and disburse large volumes at an early stage. In Bulgaria, national authorities linked delays to prolonged political instability, including repeated elections and caretaker governments, which slowed the establishment of priorities and postponed engagement with the Fund. Latvia similarly reported regulatory and institutional delays, with key national regulations adopted only in 2023; investment planning was paused until alignment with other EU instruments was ensured. Greece, Slovenia and Portugal joined the Fund in 2024 following the 2023 revision of the EU ETS Directive and are, therefore, structurally less advanced than most 'historical' beneficiary Member States. Slovenia stands out as a fast implementer, having managed to reach disbursement levels amounting to 10% of its envelope after only one year and a half of MF implementation. At the time of the interview, representatives of Portugal mentioned that the integration of the MF into the national system was still in the process of being finalised. Portuguese authorities explained that no investment had been submitted yet, but awareness-raising activities, including a national 'road trip' and workshops were planned to encourage stakeholder engagement.

Multi-annual schemes are central to Member States' strategies, and volume of subsequent disbursements indicates progressive implementation. Of the 194 confirmed or recommended investments, 123 were schemes (including large-scale schemes), corresponding to EUR 14.8 billion of MF support disbursed by the EIB to beneficiary Member States, compared to 71 individual projects (including large-scale projects), corresponding to EUR 4.1 billion of MF support disbursed by the EIB to beneficiary

Member States). Among these schemes, 42 (34% of the total number of schemes and large-scale schemes) had already benefitted from subsequent disbursements by mid-2025, for a total amount of EUR 6.25 billion subsequently disbursed by the EIB. Of these, 32 schemes had benefitted from one subsequent disbursement, seven from two, one from three, two from four. Overall, 42% of the total planned amount for schemes had been disbursed to BMSs and 55% for projects. In addition, 37 schemes (EUR 7.4 billion disbursed by the EIB) had benefitted from disbursements from the EIB corresponding to 100% of their planned amount and could, therefore, be considered as fully spent at EU level (although implementation on the ground is still ongoing). This finding underlines the effective implementation of schemes: the fact that Member States are requesting subsequent disbursement indicates that initial calls for proposals have been successful, triggering the release of the next tranche of support to enable the selection of additional projects.

Table 6 Number of investments, total disbursed amount, number and amount of subsequent disbursements for projects and schemes (2021- mid-2025)

Item	Projects & Large-scale projects	Schemes & Large-scale schemes
Number of Investments	71	123
Total disbursed amount (EUR bn)	4.1	14.8
Number of investments with subsequent disbursements	0	42
Number of subsequent disbursements	0	57 (32 *1, 7 * 2, 1 * 3, 2 * 4)
Amount of subsequent disbursements (EUR bn)	0	6.25
Disbursed amount / Total support from MF (in %)	55%	42%

Source: Modernisation Fund database - EIB data

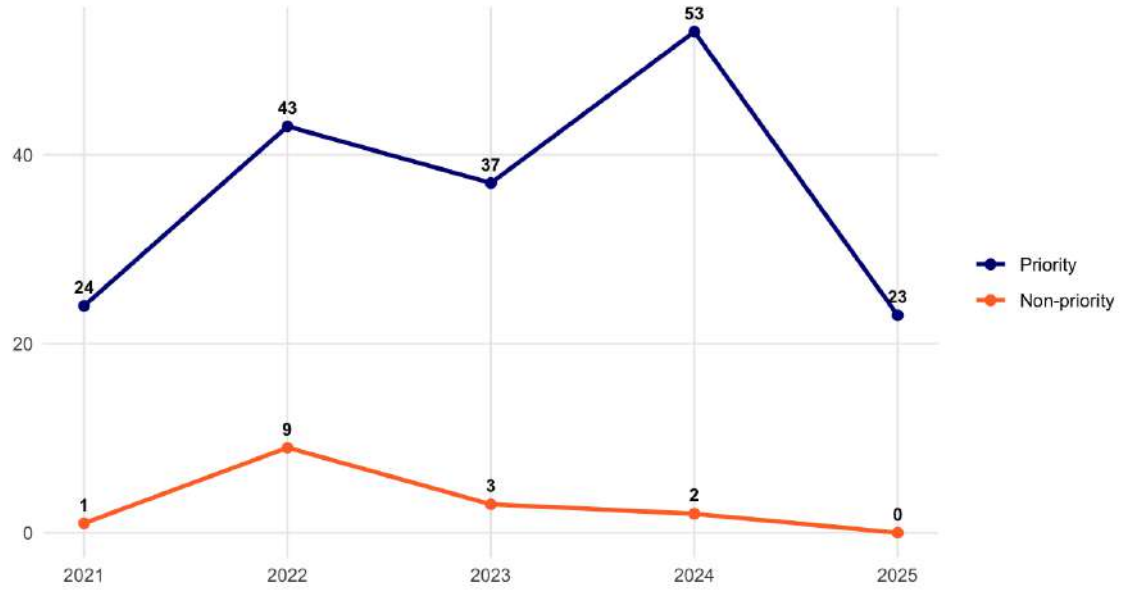
The Modernisation Fund strongly promotes investments in priority areas, whereas non-priority investments remain limited geographically and in volume and follow a decreasing trend (EQ 1.3).

The Modernisation Fund directs investments predominantly toward priority areas, which accounted for 94% of funds disbursed to Member States by mid-2025, well above the regulatory minimum. By mid-2025, 179 individual PIs had been confirmed across 12 Member States (including 39 subsequent disbursements), compared to only 15 individual NPIs recommended (including three subsequent disbursements). The EIB had disbursed EUR 17.8 billion to Member States for priority investments (94% of all disbursements to beneficiary Member States). By contrast, NPIs accounted for just EUR 1.1 billion in disbursed amounts from the EIB to beneficiary Member States, or 6% of all disbursements to beneficiary Member States, well within the regulatory ceiling of less than 20% of the budget allowed for non-priority investments. Furthermore, it should be noted that all NPIs approved in Poland (two schemes and one subsequent disbursement) and one in Czechia concern renewable heating (in buildings and district heating), which would have qualified as PIs had they been adopted after the 2023 revision of the EU ETS Directive. Excluding these highly climate-friendly investments (totalling EUR 456 million disbursed by the EIB), the number of ‘real’ NPIs drops to 12, and to a total disbursed amount by the EIB of EUR 665 million, or 4% of the total amount disbursed by the EIB by mid-2025.

NPIs are concentrated in four BMSs. All 12 BMSs that were implementing MF-supported investments as at mid-2025 were implementing PIs. NPIs, by contrast, were limited to four countries: Czechia (six investments recommended, EUR 420 million disbursed by the EIB), Romania (six investments, EUR 529.5 million disbursed by the EIB), Poland (two individual investments and one subsequent disbursement, EUR 155.5 million disbursed by the EIB), and Lithuania (one investment, EUR 6 million disbursed by the EIB).

Over time, the balance has shifted even further towards priority areas, confirming the Fund's alignment with EU climate policy objectives. Following approval of one NPI in 2021 (in Poland, EUR 22.2 million disbursed by the EIB ([21])), the approval of NPIs peaked in 2022, with nine new recommended investments (six in Czechia, one in Poland, two in Romania) and one subsequent disbursement in Poland, for a total amount disbursed by the EIB of EUR 973 million), but declined steadily to three in 2023 (all in Romania, EUR 100.4 million disbursed by the EIB), two in 2024 (one in Romania and one in Lithuania, EUR 14.46 million disbursed by the EIB), and none in the first investment cycle of 2025. In contrast, PIs continued to grow in both number of confirmed investments and financial volume, reflecting a deliberate strategic orientation of Member States towards priority investment areas. Romania stood out as an exception, having had NPIs recommended in 2022, 2023 and 2024 but with an overall long-term tilt towards PIs.

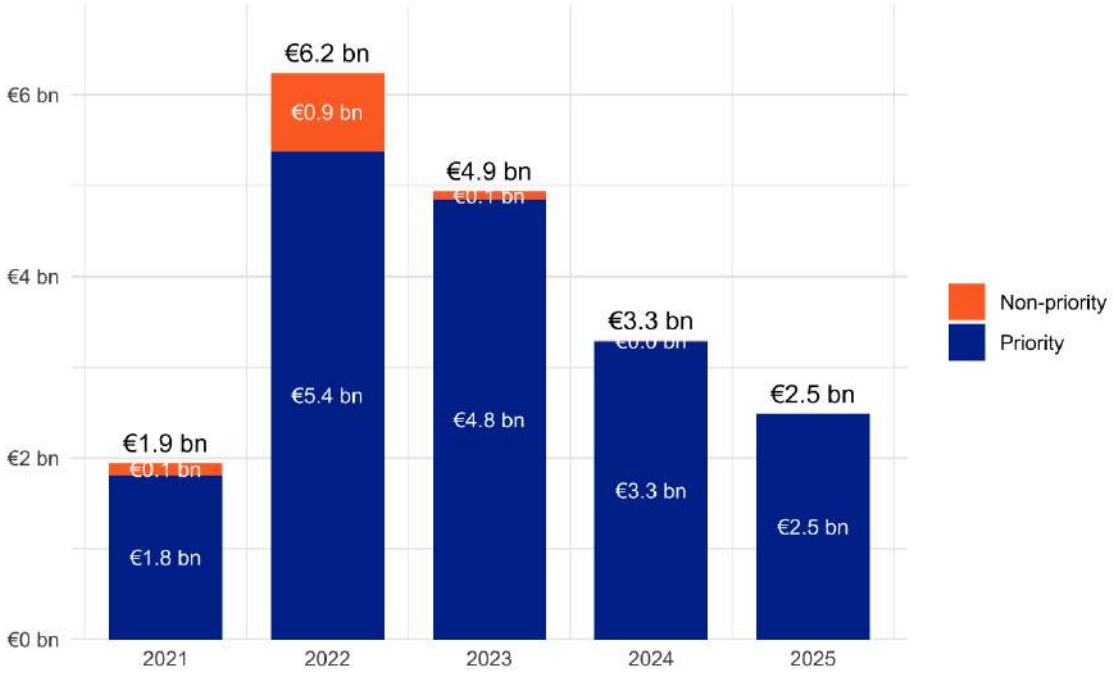
Figure 10 Evolution of the number of confirmed/approved investments (top) and disbursed amounts by the EIB by type of proposal (bottom) (2021 - mid-2025)



Note: The figure does not include subsequent disbursements.
Source: Modernisation Fund database - EIB data.

([21]) This amount includes the subsequent disbursement that took place in 2022 within the context of this investment initially recommended in 2021.

Figure 11 Evolution of the number of confirmed/approved investments (top) and disbursed amounts by the EIB by type of proposal (bottom) (2021 - mid-2025)



Note: In 2022, a subsequent disbursement was recommended for an investment initially recommended in 2021. The corresponding amount is computed in 2021.

Source: Modernisation Fund database - EIB data

Figure 12 Evolution of disbursed amount by the EIB for NPIs by BMS (2021-2024) (EUR)

BMS	2021	2022	2023	2024
CZ		420 M		
LT				6 M
PL	22.2 M	133.3 M		
RO		420.6 M	100.4 M	8.5 M

Note: No NPIs were recommended in the first investment cycle of 2025.

Source: Modernisation Fund database – EIB data.

Priority investments have a significantly higher approval rate than non-priority investments, confirming that it is easier to secure confirmation for PIs under the Modernisation Fund. Out of 283 submitted PI proposals, 179 were confirmed, whereas of the 47 NPIs submitted proposals, 15 were recommended. This corresponds to a 63% confirmation rate for PIs, compared with a 32% rate for NPIs. At the same time, PIs tend to require fewer resubmissions until they get approved: 103 of the 179 confirmed PIs (58%) were returned for revision and subsequently resubmitted, compared with 30 of the 15 recommended NPIs (equivalent to 200%). This higher likelihood of rejection or postponement for revision reflects the more demanding approval process faced by NPIs, which are subject to full technical and financial due diligence by the EIB and are subject to a decision by the Investment Committee, as opposed to a more streamlined

confirmation process for PIs. EU institutions ([22]) confirmed that PIs act as a fast-track mechanism, ensuring rapid approval compared to NPIs. Over the years, the share of returned or withdrawn NPI proposals compared to confirmed or recommended ones has followed a similar trend to that of PIs until 2023. In 2021, 80% of NPIs and 88% of PIs were returned or withdrawn. In 2022, 47% of NPIs and 44% of PIs were returned or withdrawn. In 2023, 77% of NPIs and 72% of PIs were returned or withdrawn. However, in 2024, the share of returned or withdrawn NPIs increased to 82%, while it decreased to 49% for PIs, underlying a possible impact of the 2023 revision of the ETS Directive, which further limits the maximum share of NPIs in BMSs envelopes.

Member States strategically prioritise PIs to secure faster fund absorption and because they are more aligned with national priorities. During interviews, several Member States highlighted that PIs are faster and simpler making them the preferred route. Croatia stressed that PIs enabled quick absorption of funds. Similarly, Slovakia pointed to practical staffing reasons for focusing on PIs, while Poland expressed that the heavy administrative burden of NPIs (complex calculations, strict EIB due diligence) pushed them toward PIs instead. Hungary, Latvia, and Lithuania noted that PIs match domestic energy needs and policy priorities, avoiding the need for NPIs. Estonia and Croatia reported that the classification of projects as priority investments and their alignment with national strategies enabled faster processing and higher aid intensity ([23]).

Rejection of PIs generally stem from issues related to regulatory compliance or compliance with the Modernisation Fund's own rules. As detailed under the efficiency criterion (section 5.2.1), a possible cause of PI rejection is lack of compliance with State aid rules. Because State aid clearance is a prerequisite for eligibility, shortcomings in meeting these requirements can lead to proposals being returned. These shortcomings include situations where the submitted investment does not fit within the State aid regime as approved by the European Commission's DG COMP, or where Member States incorrectly assume that no State aid approval is required when, in fact, it is, or when a measure is under assessment by DG COMP, but no decision has yet been adopted due to incomplete notification. Beyond State aid issues, proposals are also returned when they are not compliant with the Modernisation Fund's own rules, notably where they fail to qualify as priority investments or where insufficient information is provided to demonstrate priority status.

Rejection or withdrawal of NPIs most often stems from insufficiently demonstrated GHG reductions. Interviews indicate that NPIs face a higher evidentiary burden. EU-level stakeholders ([24]) stressed that NPIs are screened out when GHG savings are unsubstantiated or where there is a risk of carbon lock-in (for example, coal-to-gas projects with weak calculations), and the EIB's due diligence requires demonstrable net GHG cuts. This is illustrated by the Romanian case, where two NPIs dedicated to gas transmission infrastructure could not be endorsed because GHG reductions could not be proven ([25]). Czech authorities similarly cited difficulties in demonstrating eligibility for complex or innovative projects, which led to the withdrawal of proposals for schemes where the emissions intensity could not be clearly demonstrated.

([22]) Interviews with DG CLIMA, DG REFORM, the EIB.
([23]) Under Article 10(d)(6) of the EU ETS Directive, MF aid intensity is capped at 70% for NPIs, with the remaining 30% having to be provided by private legal entities. For PIs, the maximum MF aid intensity depends on the applicable state aid rule.
([24]) Interviews with Germany as MFIC Member, DG CLIMA, the EIB.
([25]) Interviews with the EIB and Romania.

Non-priority investments supported under the MF were recommended because they deliver reductions in GHG emissions and energy consumption, while being embedded in national and EU energy strategies. The case study on the NPIs analysed transitional coal-to-gas NPIs that were recommended for funding under the MF. Romania's Black Sea–Podișor gas transmission pipeline ([26]) was accepted as an NPI due to its role in enabling the replacement of coal-fired generation with gas plants. Its recommendation was also justified by its inclusion in Romania's National Gas Transmission System Development Plan, ENTSOG's Ten-Year Development Plan, and classification as an EU Project of Common Interest, as well as its technical readiness to transport a hydrogen-gas blend. In Czechia, the ENERG ETS NPI scheme ([27]) was recommended to support fuel switching in industrial ETS installations (for example steel, chemicals, building materials), combining the decommissioning of coal-fired units with a shift to gas-fired boilers. Importantly, Czechia required all projects under this scheme to demonstrate minimum energy savings and be technologically ready to switch to biomethane or hydrogen when commercially viable. Taken together, these cases illustrate that, while NPIs fall outside the Fund's fast-track priority categories, they are recommended when they provide clear, quantifiable benefits, notably in terms of GHG emissions reductions, function as transitional coal-to-gas measures, and include safeguards to ensure compatibility with longer-term decarbonisation pathways.

The distribution of investments across priority areas shows clear concentration in energy efficiency, renewable electricity generation, energy storage and modernisation of networks. Of the six defined priority areas, four dominate in both financial volumes and activity ([28]):

- **Energy efficiency (priority area c)** attracted 92 investments for EUR 6.8 billion disbursed by the EIB to beneficiary Member States (37.4% of total PI disbursements by the EIB). The investments were primarily dedicated to improving energy efficiency in energy generation (EUR 2.04 billion disbursed by the EIB) and buildings (residential, public or commercial) (EUR 1.7 billion). Transport (EUR 933.1 million disbursed by the EIB) and, waste - despite a limited number of investments (five, EUR 722.4 million) also attracted significant funding volumes. Industry (EUR 322.7 million) and agriculture (EUR 32.5 million) attracted comparatively lower levels of funding.

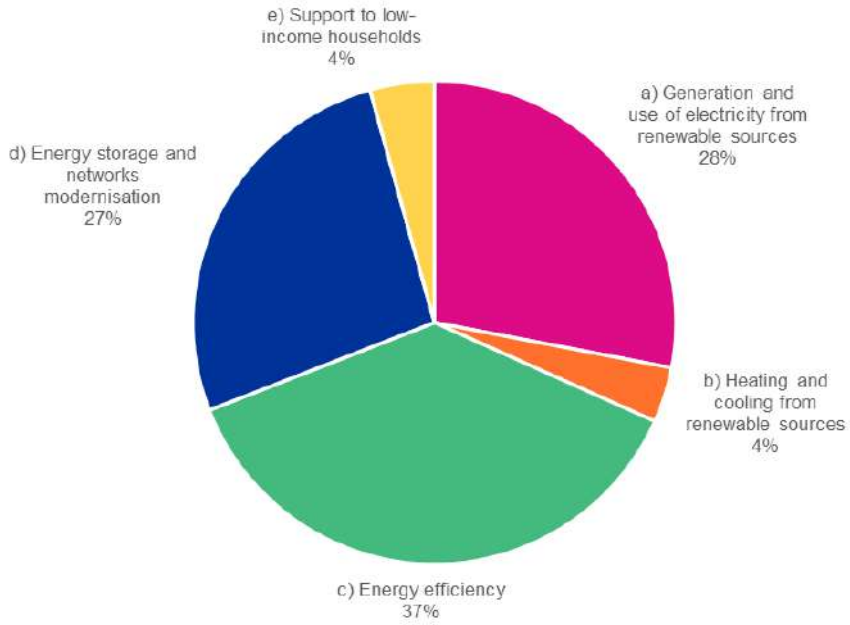
- **Generation and use of energy from renewable sources (priority areas a and b)** involved 60 investments (58 investments for renewable electricity, and 12 for renewable heating), for EUR 5.8 billion disbursed by the EIB (EUR 5.1 billion for electricity, EUR 677.5 million for heating). This represented about 32% of total PI disbursements by the EIB. Czechia and Romania were the main contributors for renewable electricity (about EUR 2 billion disbursed for each), while Poland and Czechia were the main contributors to renewable heating (EUR 393 million and EUR 120 million disbursed by the EIB). In addition, three investments (totalling EUR 456 million disbursed by the EIB) dedicated to renewable heating were approved as NPI before the change of categorisation of this type of investments to

([26]) Commission Decision of 30.05.2023 on disbursement of revenues of the Modernisation Fund under Directive 2003/87/EC of the European Parliament and of the Council.
([27]) Commission Decision of 30.05.2023 on disbursement of revenues of the Modernisation Fund under Directive 2003/87/EC of the European Parliament and of the Council.
([28]) Investments may fall under multiple priority areas, meaning that the number of investments presented can overlap, and should therefore be interpreted with caution.

PI introduced by the 2023 revision of the EU ETS Directive. This brings the total amount spent on renewable heating to EUR 1.1 billion and total investments dedicated to renewable energy to EUR 6.3 billion.

- **Energy storage and modernisation of energy networks (priority area d)** comprised 76 investments with EUR 7.4 billion disbursed by the EIB (about 27% of total PI disbursements. Within this category, modernisation of networks dominated, with EUR 5.6 billion in disbursements by the EIB to beneficiary Member States (27 investments), underlining Member States' focus on backbone infrastructure. Grid modernisation investments typically upgrade transmission and distribution networks through digitalisation, smart-metering, new substations, high-voltage lines, and smart-grid systems to support electrification, EV charging, and decentralised generation. Energy storage followed with EUR 1.35 billion disbursed by the EIB (33 investments) ([29]). Energy storage investments focus on deploying grid-scale and distributed batteries, hydrogen storage and other stabilisation technologies to enhance grid flexibility, security, and integration of renewables.

Figure 13 Amounts disbursed by the EIB by priority area (2021- mid-2025)



Source: Modernisation Fund database - EIB ([30]) data

Note: some investments are split across several priority areas; priority area f) transition in carbon dependent regions is not covered by investments so far.

Other priority areas remain underrepresented, suggesting possible complementarity with other EU funds rather than lack of willingness to invest in these activities. This is the case of investments supporting low-income households (priority area e), with four investments of about EUR 782.6 million disbursed by the EIB, all implemented across multiple priority areas. A similar situation applies to priority area f 'just transition

([29]) The rest of investments under this priority area fall within grids for electricity transmission (5), district heating pipeline (3), infrastructure for zero emission mobility (2) and demand side management (1).

in carbon-dependent regions', to which no investment was formally allocated. This imbalance reflects strategic use of complementary instruments: for example, energy poverty measures and just transition initiatives are more extensively supported through the Just Transition Fund (JTF) and ESF+, as confirmed during interviews with EU institutions ([31]). The MF portfolio is therefore concentrated in areas where it adds distinct value.

Support for low-income households is addressed through schemes dedicated to energy efficiency of buildings. The Slovak scheme 'Increasing energy efficiency and reducing greenhouse gas emissions in households of low-income groups', the Polish schemes 'Renovation with a guarantee of savings' and 'Clear Air', the Czech 'HouseEnerg Programme', prioritise low-income and vulnerable households through higher support rates or dedicated targeting, directly addressing energy poverty and improving living conditions. The Slovak scheme covers partial renovation of households facing energy poverty with the aim to increase energy efficiency and reduce greenhouse gas emissions with an expected positive impact on air quality. Improving energy efficiency of family buildings is also the target of both Polish schemes: 'Renovation with a guarantee of savings' targets energy efficiency of multi-family residential budlings and 'Clear Air' aims at replacing inefficiency solid fossil fuels heating sources in existing single-family buildings to reduce energy use, thereby improving energy efficiency and reducing air pollution. The Czech scheme features a clear social component, focusing on energy efficiency and energy savings in households/apartment buildings and support for small-scale renovations for elderly and disabled people.

Many investments, although not formally classified under this priority area, are likely to contribution to just transition in carbon-dependent regions. All nationwide schemes dedicated to energy efficiency, the deployment and use of renewable energy and grid modernisation and storage are by definition eligible for projects located in carbon-dependent regions. Such schemes stimulate labour demand in construction, engineering and energy sectors, with social and co-benefits to just transition such as economic diversification. In Poland, an EPC ([32])-based renovation scheme goes further by strengthening the ESCO ([33]) market, fostering SMEs and innovative service models, and contributing to economic diversification. However, the contribution of nationwide MF-supported investments to just transition in carbon-dependent regions ultimately depends on the capacity of these regions to succeed in national calls for proposals. There is currently no data to establish the extent to which this is the case.

The nature of investments supported by the MF is in line with the Fund's objectives, while those involving fossil fuels remain limited (EQ 1.4)

Investments involving gaseous fossil fuels remain limited in scale. Between 2021 and mid-2025, 49 proposals with fossil-related components were confirmed (25% of all confirmed proposals), corresponding to planned support of EUR 9.6 billion (23% of total planned MF support) and EUR 4.37 billion disbursed by the EIB (24% of total disbursed amounts by the EIB to beneficiary Member States). These were highly concentrated in a few Member States, with Czechia (30 proposals, EUR 1.4 billion disbursed by the EIB), Poland (8 proposals, EUR 1.5 billion disbursed by the EIB), and Romania (7 proposals,

([31]) Interview with DG REFORM.
([32]) Energy Performance Contracting is a means to deliver infrastructure improvements to facilities that lack energy engineering skills, manpower or management time, capital funding, understanding of risk, or technology information.
([33]) An ESCO, or Energy Service Company, is a company that designs, implements and finances integrated solutions aimed at improving energy performance and decarbonising its clients' industrial facilities and/or real estate assets.

EUR 891 million disbursed by the EIB) accounting for almost all cases. Of the fossil-involving confirmed investments, most were PIs (38 investment, with EUR 8.3 billion of planned MF support and EUR 3.7 billion disbursed by the EIB), and11 were NPIs (EUR 1.3 billion of planned support and EUR 649 million disbursed by the EIB). Over time, the number of investments involving fossil fuels has fluctuated. In 2021, six investments were approved, rising to 16 in 2022. The trend then plateaued in 2023 and 2024, with 13 and 14 investments approved, respectively. Notably, in the first half of 2025, no such investments were approved. The revision of the ETS Directive, which restricts the conditions under which investments involving gas can be supported and which entered into force in 2024, may have contributed to this recent decline.

Almost all PIs involving natural gas supported energy efficiency improvements and a fuel switch from coal or lignite. The portfolio analysis shows that 37 PIs fall under the energy efficiency priority area (priority area c) and involve fossil fuels, with about EUR 3 billion in disbursement from the EIB to the BMSs. Within this priority area, most investments concern energy efficiency improvements through high efficiency combined heat and power. The sectors targeted are primarily energy generation (20 PI, for EUR 1.4 billion disbursed by the EIB), followed by industry (five PIs, for EUR 150.2 million disbursed by the EIB), buildings (two PIs, for EUR 23.6 million disbursed by the EIB) and waste (two PIs, for EUR 661.2 million disbursed by the EIB). Seven PIs involving fossil fuels fall under the generation and use of electricity from renewable sources, including renewable hydrogen area (priority area a), with EUR 5 million disbursed by the EIB. These investments concern the substitution of fossil fuel sources with renewable sources to produce electricity (for example biomass).

NPIs involving natural gas (11 investments, representing EUR 649 million disbursed by the EIB) are located in both Czechia (5, for EUR 120 million disbursed by the EIB) and Romania (6, for EUR 529.5 million disbursed by the EIB). Support involves deployment of gas-fired power generation in Romania, with the construction of two fossil-fuel-based electricity generation facilities (Combined Cycle Gas Turbine plants, hereafter CCGT), which was recommended by the Investment Committee as part of the phase out of the Oltenia coal power plant. These include *the 850 MW CCGT at Ișalnița* (EUR 253 million disbursed by the EIB) and 475 MW CCGT at Turceni (EUR 167.5 million disbursed by the EIB). Support was also granted to four gas transmission pipelines needed to supply gas to the CCGTs in question: Black Sea–Podisor (EUR 85.5 million disbursed by the EIB), Ghercești–Jitaru (EUR 8.04 million disbursed by the EIB), Mintia connection (EUR 6.8 million disbursed by the EIB), Hurezani–Turburea (EUR 8.46 disbursed by the EIB). In Czechia, support was mainly directed to the modernisation of energy sources and the decommissioning of coal-fired plants, with investments in natural gas (3 NPIs corresponding to EUR 70 million disbursed by the EIB) and biomass (2 NPIs corresponding to EUR 50 million disbursed by the EIB). Further details are available in the case study dedicated to NPIs.

Figure 14 Evolution of confirmed investments involving fossil fuel by BMS, per year (2021 – mid-2025)

Note: The figure does not include subsequent disbursements.

Source: Modernisation Fund database - EIB data.

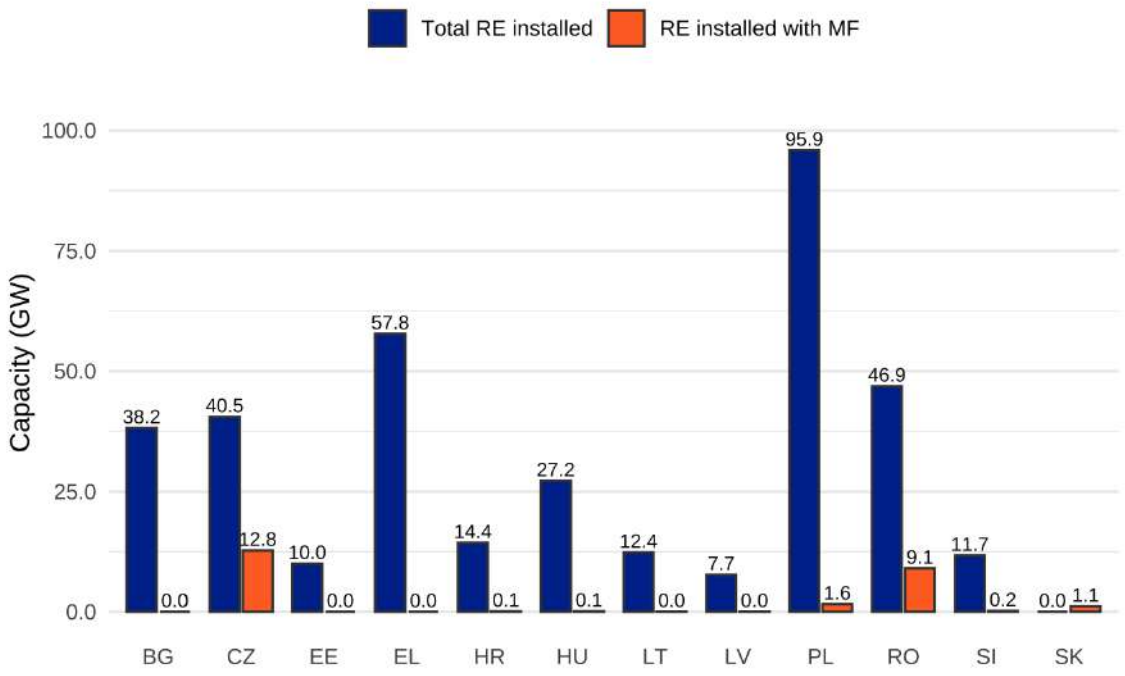
Modernisation Fund's investments promise large long-term climate gains, but early results are still modest and uneven across Member States, while lack of reporting harmonisation hampers comparability (EQ 1.5)

The Modernisation Fund has the potential to deliver substantial GHG reductions, energy savings, and renewable energy deployment, though early results remain modest given implementation timelines. According to annual reports, which rely on declarations by the beneficiary Member States, by the end of 2024, investments supported by the Fund had already achieved 5.15 million MWh of energy savings and 2.55 $MtCO_2eq$ abated, alongside the installation of 778 MW of renewable capacity. These results, while meaningful, represent only a fraction of the expected long-term outcomes, underscoring the time lag between disbursement and operational impact.

The relatively low level of achieved GHG emissions reductions, energy savings and installed renewables capacity to date compared to the scale of disbursements reflect normal investment cycle dynamics. As of the latest reporting (end 2024), only 33% of MF envelope had been disbursed to BMSs and, this represents only a small fraction of the total costs of investments supported by the Fund. Only two supported investments have been reported by MSs as completed and projects are predominantly still under construction, while many schemes are still in the process of selecting projects. The modest early impacts may also stem from long lead times typical for energy infrastructure and scheme-based disbursement models.

Over their lifetime, MF-supported investments are expected to generate substantial transformative climate benefits compared to the baseline. The annual reports indicate estimated 1.17 billion MWh of cumulative energy savings, 847.6 $MtCO_2eq$ of avoided GHG emissions, and the addition of 25 GW of renewable capacity across beneficiary Member States. In relative terms, this would correspond to around 34% of the total installed renewable capacity baseline of all beneficiary Member States in 2020 (73.7 GW[34]), and a yearly average representing 28% of the installed renewable capacity in the same group between 2020 and 2024 (118.3 GW) ([35]), as well as more than 25 times the capacity already added under the Fund by 2024 (778 MW[36]). On GHG emission reductions, the MF would generate an annual average of approximately 84.8 $MtCO_2eq$ ([37]), over its lifetime, which corresponds to about 32% of total emissions of the BMS electricity, gas, steam and air-conditioning sector in 2020 (264.7 million tonnes[38]) and 31% of the annual average GHG emissions reduction in the electricity, gas, steam and air conditioning sector over 2020-2023 (270 MtCO2eq) ([39]). These figures highlight the potential of MF investments to meaningfully shift decarbonisation pathways if delivery follows expectations. Czechia, Romania, and Poland alone account for the majority of these gains ([40]), reflecting their large portfolios. For example, Czechia is expected to contribute over 12.8 GW of new renewable capacity, followed by Romania (9.1 GW) and Poland (1.6 GW). This concentration differs from baseline dynamics, where Poland, Portugal, and Hungary were the main contributors to RES growth between 2020 and 2024.

Figure 15 Installed renewable energy capacity by MF and by BMS (2021-2024)

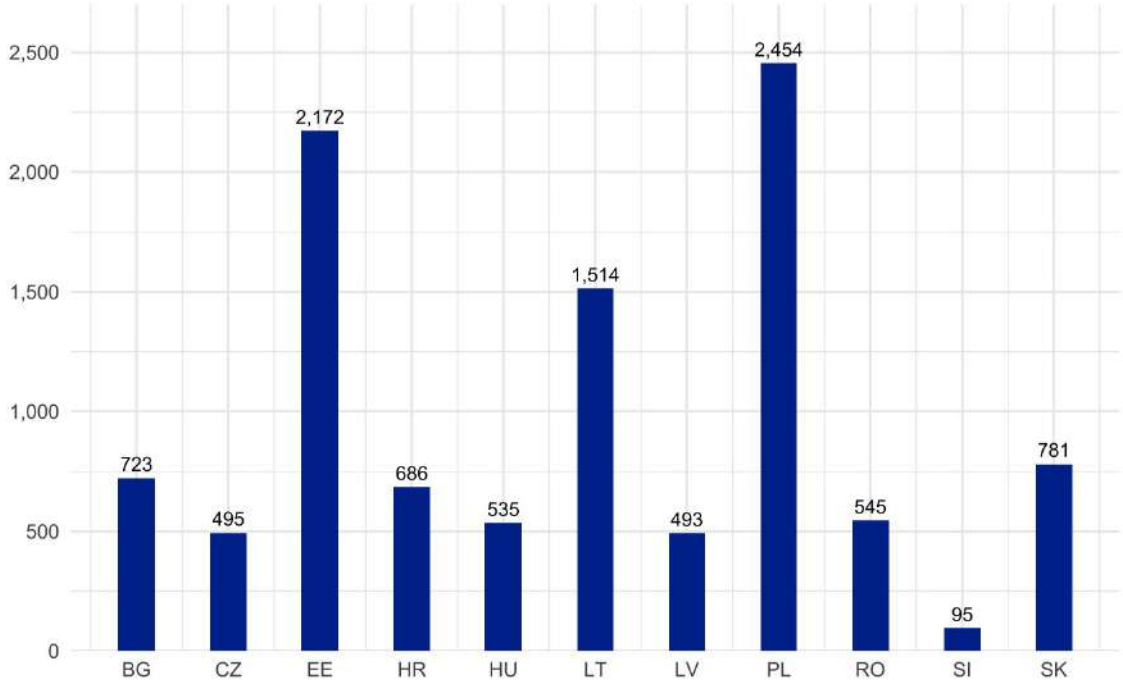


([34]) Eurostat, Air emissions accounts by NACE Rev. 2 activity
([35]) Eurostat, Air emissions accounts by NACE Rev. 2 activity
([36]) Modernisation Fund Member States Annual reports.
([37]) Modernisation Fund Member States Annual reports.
([38]) Eurostat, Air emissions accounts by NACE Rev. 2 activity
([39]) Eurostat, Air emissions accounts by NACE Rev. 2 activity
([40]) Modernisation Fund Member States Annual reports.

Note: Total RE installed: 352.7 GW, installed with MF: 25.5 GW. Thus, MF contributed to 7.2% of the total installed capacity. Source: Eurostat - Modernisation Fund database - 2024 Annual reports.

The reported cost of abating GHG with the MF varies significantly across Member States, reflecting the absence of a harmonised methodology for calculating GHG emissions reductions and associated costs. The annual reports indicate average lifetime abatement costs ranging from EUR 95/tCO_2 in Slovenia (most efficient) to EUR 2,172/tCO_2 in Estonia and EUR 2,454/tCO_2 in Poland (least efficient). Other countries fall between these extremes, such as Czechia (EUR 495/tCO_2), Croatia (EUR 686/tCO_2), Lithuania (EUR 1514/tCO_2), and Romania (EUR 545/tCO_2). In the absence of a harmonised methodology, it is not possible to explain the substantial variation in abatement costs across BMSs. Moreover, abatement costs are also not fully comparable given the different nature of investments supported by different Member States: some invest more in renewables, other in energy efficiency, others in grid modernisation. Technology costs also differ from a country to another, further contributing to the observed variation.

Figure 16 Lifetime abatement cost of saving one ton of CO2 (EUR/tCO2)



Note: 9 (4 in PL, 4 in LT, 1 in RO) outliers were removed for having an abatement cost above 10,000 €/tCO_2. Source: Modernisation Fund database – 2024 Annual reports

Data limitations call for interpreting all data from the present sub-section with caution. Importantly, changes were observed between the 2023 and 2024 annual reports in lifetime impact estimates. This demonstrates that Member States face difficulties in consistently assessing and reporting these impacts, which means that the available data should be interpreted with caution.

5.1.2. Supporting and hindering factors for MF investments

Modernisation Fund objectives are mainly supported by constructive collaboration with EU institutions, strong national governance and policy alignment, favourable financial and technical conditions, and external drivers like the energy crisis (EQ 3.2)

Constructive collaboration with the EU institutions is repeatedly cited as a core enabling factor, while the MF is also praised for simplified approval process. Member States including Bulgaria, Croatia, Hungary, Latvia, Romania, Portugal, and Slovakia reported positive and responsive engagement with the EIB and the European Commission and Poland cited effective coordination between the government and the EIB as an enabling factor. Bulgaria emphasised constructive dialogue with the EIB and timely coordination mechanisms, while Croatia, Hungary, Latvia, and Romania all highlighted the importance of early informal consultations with the EIB and EC to clarify eligibility and resolve issues before IC meetings. Czechia and Romania specifically stressed that these informal exchanges mitigate potential delays linked to the biannual IC schedule, helping investments obtain approval more smoothly. Poland described the MF as one of the most accessible EU funding sources, citing simplified documentation as a key factor. At EU level, DG REFORM and the EIB confirmed that the MF's flexible structure and clear submission deadlines are valued by national authorities, while peer-learning opportunities in IC meetings and seminars have contributed to steady improvements in proposal quality. In that same vein, Slovakia noted that clear and predictable submission deadlines are supportive of good internal communication and coordination between the different national bodies in charge of Fund implementation.

National governance arrangements and alignment with policy priorities have also been critical in supporting fund implementation in some BMSs. Croatia pointed to its co-governance model, where ministries and Environmental Protection and Energy Efficiency Fund jointly oversee execution, ensuring alignment with State aid rules and enabling strong private-sector co-financing. Hungary reported that strong institutional cooperation and a clear national strategy linked to MF goals have been major enablers. In Bulgaria and Croatia, authorities stressed that strategic alignment of MF priorities with national energy and climate strategies ensured high beneficiary commitment and policy coherence.

Governance, financial and technical enabling conditions have reinforced project viability and accelerated implementation. Survey responses from end beneficiaries show that the governance structure of the MF (27%) and financial factors (24%) were the most frequently cited enablers, followed by technical project factors (19%). In Poland, Czechia, and Romania, beneficiaries praised the clarity of the application process, transparent eligibility criteria, and compliance requirements. In Bulgaria and Lithuania, high support intensity and favourable financing conditions were seen as decisive in enabling projects that would otherwise have been delayed or scaled down. In Slovakia, Hungary, and Poland, eligibility of suitable infrastructure and proven technologies were highlighted as important technical enablers. End beneficiaries also stressed that without MF support, many projects – particularly capital-intensive grid modernisation and renewable investments – would have been postponed or not implemented at all.

External conditions and geopolitical context have, in some cases, accelerated uptake. 8 end beneficiaries noted in their survey responses that the energy crisis triggered by the Russian invasion of Ukraine created urgency and political will to advance

renewable and efficiency investments more quickly. Geopolitical pressures, technological advances, and evolving regulatory frameworks were described as facilitating conditions that made projects both more urgent and more viable.

Relatively few hindering factors were identified across Member States. These include supply-chain disruption resulting from the 2022 energy crisis. Some cases of national-level bottlenecks were observed as creating some delays (EQ 3.1)

Market shocks and cost inflation have impaired project viability, forcing redesigns or reallocation of funds in some cases ([41])**.** During interviews, Estonia reported that post-2022 energy-price spikes and construction/material cost increases made 2021 cost forecasts obsolete. Investments required design reviews after tenders came in higher than budgets; some municipalities could not meet additional co-financing and returned funds. Lithuania and Romania echoed construction and supply-chain delays, especially for large-scale projects and hydrogen-related investments. The EIB added that permitting delays, labour shortages, and supply-chain disruptions further slow realisation once projects are approved.

Administrative capacity and documentation demand at national level are the most common obstacles across Member States, especially for smaller authorities and first-time applicants. Survey evidence shows that among final beneficiaries, the most frequently cited causes of delays in receiving disbursements were administrative procedures and extensive documentation (35 cases), followed by public procurement (15) and permitting/grid/technical hurdles (12); 5 pointed to political/institutional factors (e.g., staff changes). When looking at challenges during implementation, final beneficiaries mentioned administrative hurdles (verification of payment requests, heavy reporting) as the top issue (40% of respondents); procurement and licensing/grid barriers were next (10 respondents); co-financing challenges were rare but present (6 cases).

A combination of capacity, regulatory, and governance barriers sometimes complexify the achievement of MF objectives. Latvia underlined limited technical expertise, particularly for impact calculations, and the late operationalisation of national rules, while Slovakia reported understaffing and the absence of a technical assistance envelope to manage a multi-billion allocation. Croatia similarly pointed to human resource shortages and the technical complexity of preparing proposals, and Portugal stressed that low awareness among companies and civil society limited the pipeline of potential applicants. Political instability was cited by Bulgaria as a slowing factor. DG REFORM emphasised structural also governance issues, notably weak inter-ministerial coordination, complex permitting procedures involving Environmental Impact Assessments, and insufficient alignment between national and regional levels, which slow progress down especially in renewables and efficiency. Together, these factors show that some national administrations face intertwined challenges of capacity, stability, and governance that may constrain their ability to implement Modernisation Fund resources. All these factors may cause delays in entering into legal commitments with end beneficiaries within two years of EIB transfers, the condition for investments not being declared discontinued. However, in practice there are very few cases of discontinued investments (see EQ 2.3).

EU-level approval procedures generally function as intended within the timelines set out in the MF legal framework, though their fixed twice-yearly rhythm can limit

([41]) Interviews with Member States.

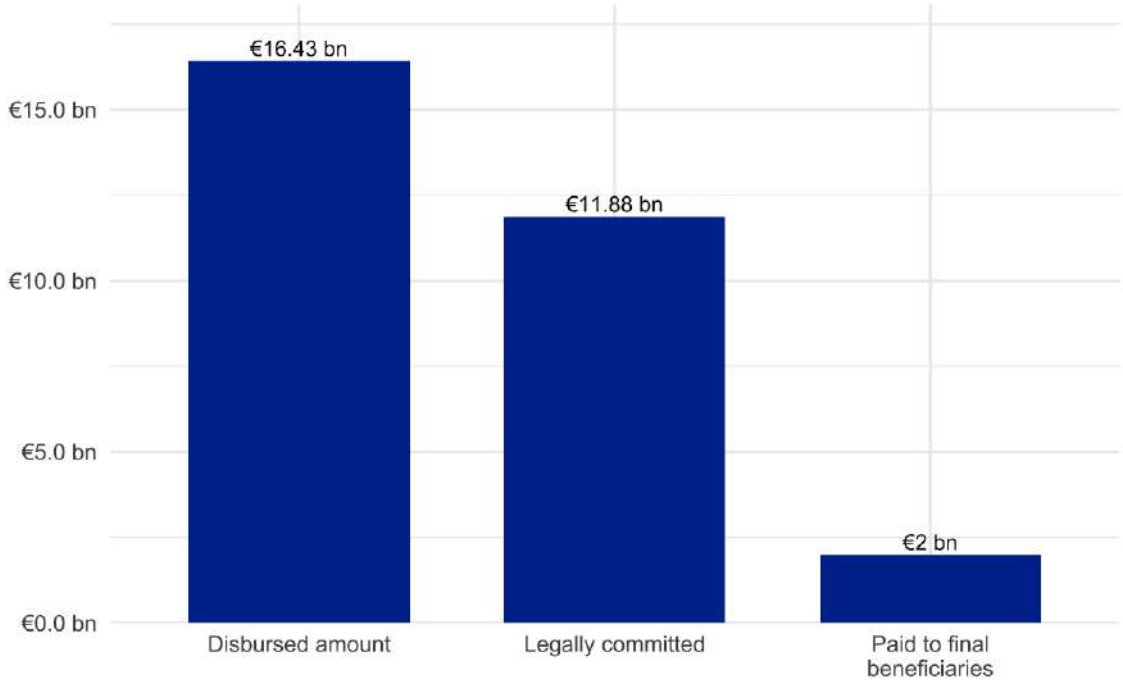
flexibility according to a few Member States. Representatives of Czechia, Romania and Poland noted that missing an IC round may extend approval timelines and suggested that additional rounds could accelerate Fund implementation. Estonia referred to the need for detailed justification for certain eligibility criteria. Only one trade organisation ([42]) called for lighter reporting and greater flexibility. Overall, these points indicate opportunities for refinement rather than significant obstacles to implementation.

5.1.3. Effectiveness of implementation mechanisms at national level

Implementation is well underway with 45% of approved investments completed or under construction as at end 2024. Amounts contracted and paid out to final beneficiaries showed a steep increase in 2024 over 2023 (+96% and +185% respectively). The pace of implementation is uneven across Member States. (EQ 2.1).

Implementation of investments on the ground is taking place, with more than half of amounts transferred to BMSs already contracted to end beneficiaries, while payments are backloaded. By end 2024, 72% of the amount disbursed by the EIB to BMSs had been pledged through a legal commitment to end beneficiaries (EUR 11.9 billion[43]), but only 12% (EUR 2 billion) paid out to them. This shows that Member States have taken concrete steps to implement investments on the ground, but, in line with the normal implementation cycle of projects, the completion of projects takes more time to materialise.

Figure 17 Total amounts disbursed by the EIB, contracted and paid amounts to end beneficiaries (2021- end-2024)

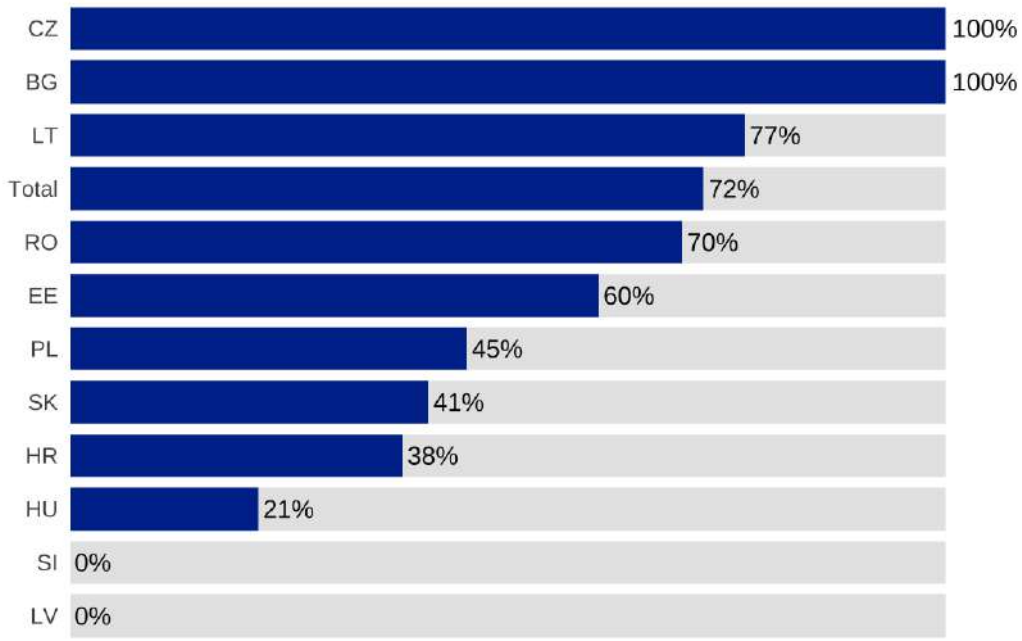


Source: Modernisation Fund database - 2024 Annual reports.

([42]) Interview with Eurelectric.
([43]) Bulgaria's reported contracted amount has been capped to EUR 196.57 million, corresponding to the disbursed amount by the EIB to Bulgaria.

The pace of implementation at national level is uneven. Czechia, Bulgaria and Lithuania are the most advanced in implementing their approved investment, having contracted respectively 100% (EUR 196.57 million), 100% (EUR 5.2 billion) and 77% (EUR 2.5 billion) of the amount disbursed to them by the EIB to final beneficiaries. Romania and Estonia also demonstrate advanced implementation, having contracted respectively 70% (EUR 4.3 billion) and 60% (EUR 143 million) of the amounts disbursed to them by the EIB to final beneficiaries. By contrast, Hungary, Croatia and Poland had contracted relatively small amounts to final beneficiaries (respectively 15%, 23% and 31% of the amount disbursed to them by the EIB). Portugal, Latvia, Slovenia and Greece had not contracted any amount. As regards disbursement to end beneficiaries, Czechia, Lithuania and Estonia are the countries that paid out the most to end beneficiaries by end-2024 – respectively 30% (EUR 1.5 billion), 14% (EUR 44.6 million) and 11% (EUR 26 million) of the amounts disbursed to them by the EIB. By contrast, Romania (2% of disbursed amounts by the EIB) and Slovakia (4%) had paid relatively lower amounts to final beneficiaries, followed by Poland (7%) and Croatia (9%). These differences may be partly explained by differing performance across Member States, but also by different rules governing implementation. Regarding payments, some Member States apply pre-financing while others only pay out upon completion of the investment.

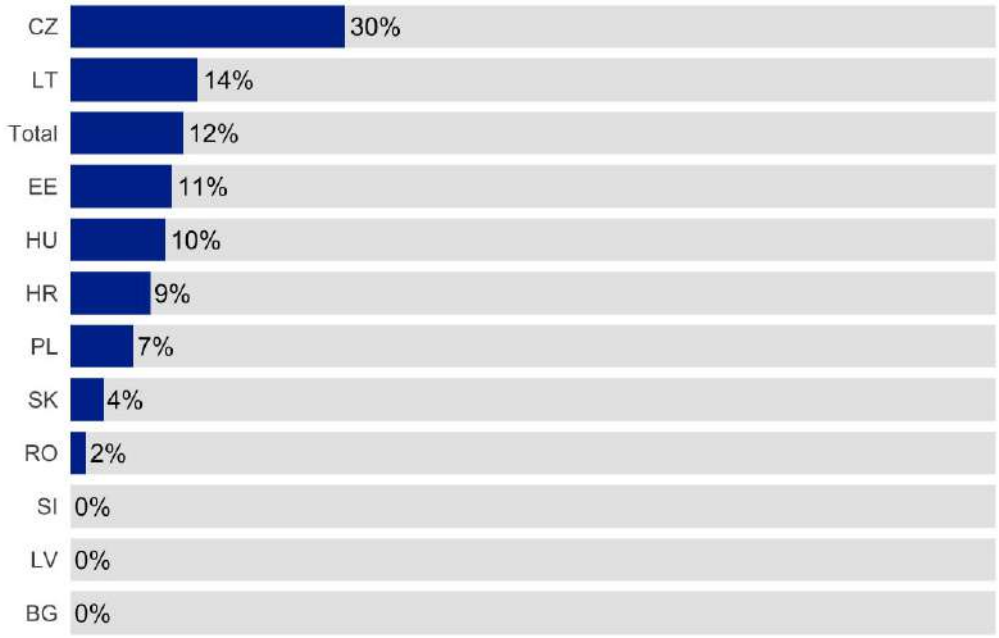
Figure 18 Contracted amounts to final beneficiaries over disbursed amount by the EIB, per BMS (2021-2024)



Note: Contracted amounts were capped for BG and CZ at 100% of disbursed amount

Source: Modernisation Fund database - 2024 Annual reports.

Figure 19 Disbursement amounts to final beneficiaries over disbursed amount by the EIB, per BMS (2021-2024)



Source: Modernisation Fund database - 2024 Annual reports

Implementation at national level of approved investments requires a number of steps, explaining the multiannual delivery of investments on the ground. There is a natural time lag between disbursements from the EIB to start of investment implementation on the ground: once investments are confirmed, Member States have to first select final beneficiaries (a process that can be time consuming especially for schemes where calls for proposals are systematically run) and enter into contractual arrangements with them, and only afterwards start disbursing money to them, according to national implementation rules. When delays occur, they are explained according to stakeholders by (i) weak capacity and complex procedures (red tape, staffing shortages, and weak prioritisation of the MF ([44]), inefficient allocation of allocated funds, delays in permitting and procurement, late calls for proposals ([45]), delayed permitting and coordination([46]) , (ii) the integration with broader regulatory or EU process (e.g., regulatory consultation cycles, approval of investments, streamlining with the state budget) causing long lead times before projects break ground ([47]), (iii) uneven pipeline maturity ([48]), (iv) political and context-related factors (e.g., government instability, economic disruptions) ([49]).

Both contracted amounts and disbursements to final beneficiaries follow a clear intensification trend over time. Between the 2023 and 2024 reporting exercises, Member States have contracted an additional EUR 5 billion (+ 96%) and disbursed about EUR 1.3 billion (+185%) to end beneficiaries. All beneficiary Member States are on an

([44]) Interview with RES Croatia.
([45]) Interviews with Slovak Association of Renewable Energy (SAPI) and FoE Slovakia.
([46]) Interviews with Romania.
([47]) Interviews with Latvia, Croatia, Estonia.
([48]) Interviews with Slovenia, Bankwatch, EREF, Hungary.
([49]) Interviews with Bulgaria, Estonia, Slovakia.

increasing trend. The increase is clearly driven by the three largest MF beneficiaries: Czechia, Romania and Poland, who registered higher increases on average of EUR 1.6 billion in contracted amounts and EUR 418.2 million in disbursements to end beneficiaries. On the lower end, Hungary registered a much smaller increase of EUR 3 million in contracted amounts and EUR 0.34 million in payments to end beneficiaries between the two reporting periods (2023-2024). Croatia represents the only case where payments to final beneficiaries decreased. The reduction of approximately EUR 22 million may reflect corrections or adjustments to past reporting. The steep increasing trend of payments to end beneficiaries shows that investments are progressively entering construction and delivery phases.

45% of investments confirmed/recommended by end-2024 are under construction or completed, and 55% are in early implementation phases. According to data from 2024 annual reports, out of 172 confirmed/recommended investments, only 2 (1%) have been completed, while 76 (44%) are under construction and 50 (29%) are in tendering. A further 44 investments (26%) have not yet started. For 23 investments approved in the first investment cycle of 2025, information is not yet available. This shows that while physical implementation is clearly underway, a majority of investments are still in an early implementation phase, explaining that the impact of the Fund on the ground is only beginning to materialise. Czechia stands out with more than 25 investments at advanced or final stages, with Croatia and Hungary also showing strong progress. By contrast, Poland and Romania have fewer projects near completion, and Lithuania and Bulgaria remain largely in early phases.

Time to disbursement to final beneficiaries is longer for NPIs than for PIs. Survey data shows that for priority investments, the full cycle from disbursement by the EIB to final payment to beneficiaries takes on average around 19 months (594 days). This includes 134 days from EIB disbursement to the launch of national calls, 165 days from call launch to beneficiary selection, and 295 days from beneficiary selection to final disbursement. For non-priority investment, on average, the sequence from disbursement to final payment spans around 22 months (659 days) The survey points to 42.5 days between EIB disbursement and the launch of calls, 194 days between call launch and beneficiary selection, and 423 days between selection and final disbursement.

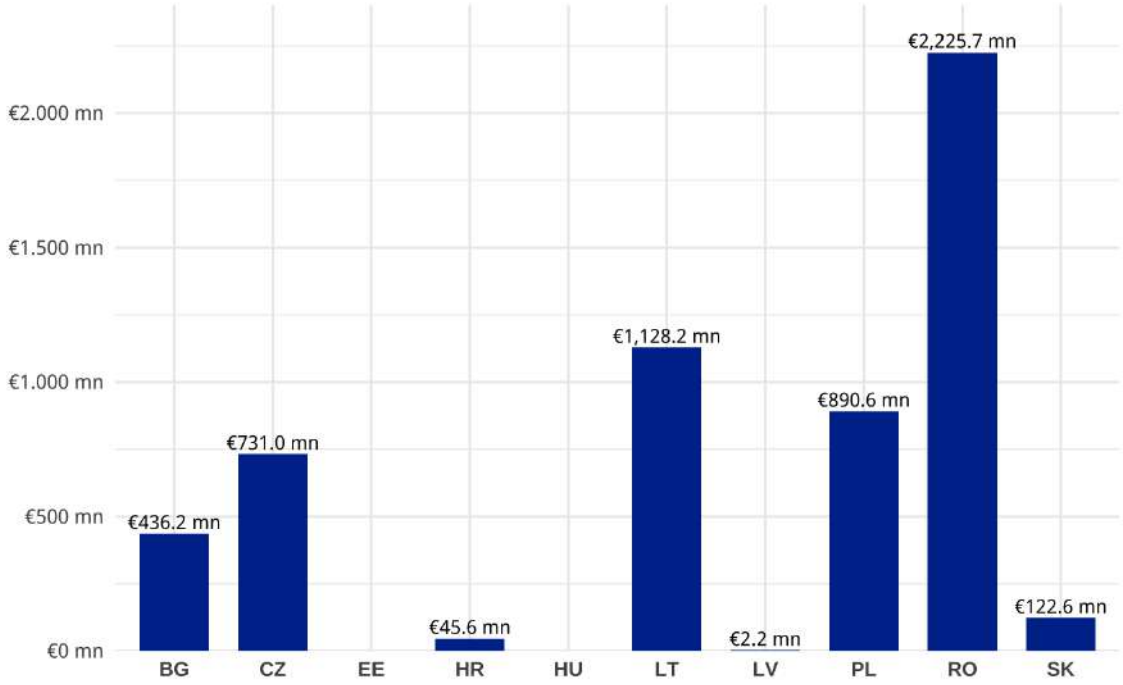
The leverage effect of the Modernisation Fund on the mobilisation of additional funds from the private sector has been limited (EQ 5.1)

The assessment of private co-financing is subject to significant data limitations and concerns regarding data comparability and quality. Reporting practices differ markedly across countries. Some Member States provided only secured private financing actually pledged through a legal commitment to date (Czechia, Slovakia). These figures cover the period until the end of the investment lifetime but are only partial as, notably for schemes, more projects get selected, more matching private funding will need to be secured to respect State aid rules. The private investment cost is therefore likely to be importantly underestimated in these countries. Hungary reported only actual private co-financing where applicable, with many schemes having zero private co-financing due to 100% aid intensity. Others reported ex-ante estimates of total private co-financing needs based on beneficiary assumptions rather than legal commitments (Poland, Bulgaria, Croatia, Latvia, Lithuania, Romania). Calculation methods also vary widely: several Member States follow a basic formula (private financing = total investment cost –

public support) (Poland, Croatia, Latvia), while others rely solely on beneficiary-provided estimates without a harmonised methodology (Bulgaria, Romania).These methodological inconsistencies – combined with gaps in monitoring, differences in aid intensity rules, and incomplete or non-standardised reporting – limit the reliability of cross-country comparisons and suggest that current figures should be interpreted with caution.

Using the figures supplied by national authorities, the total amount of private co-financing corresponds to EUR 5.58 billion and the largest reported volumes of private co-financing are found in Romania and Lithuania. Respectively reporting EUR 2.23 billion and EUR 1.13 billion of private co-financing, these countries are followed by Poland (EUR 890 million), Czechia (EUR 731 million), and Bulgaria (EUR 436 million). Smaller but still significant contributions were reported in Slovakia (EUR 122.6 million), Croatia (EUR 45.6 million) and Latvia (EUR 2.2 million). The higher volumes reported by Romania, Poland and Czechia partly reflect the large scale of their investment portfolios. Also, in Romania, Poland and Czechia they may relate to the presence of NPIs, which require at least 30% private financing ([50]). Lithuania is an outlier, reporting a relatively high level of private co-financing despite a relatively small MF envelope compared to larger beneficiaries.

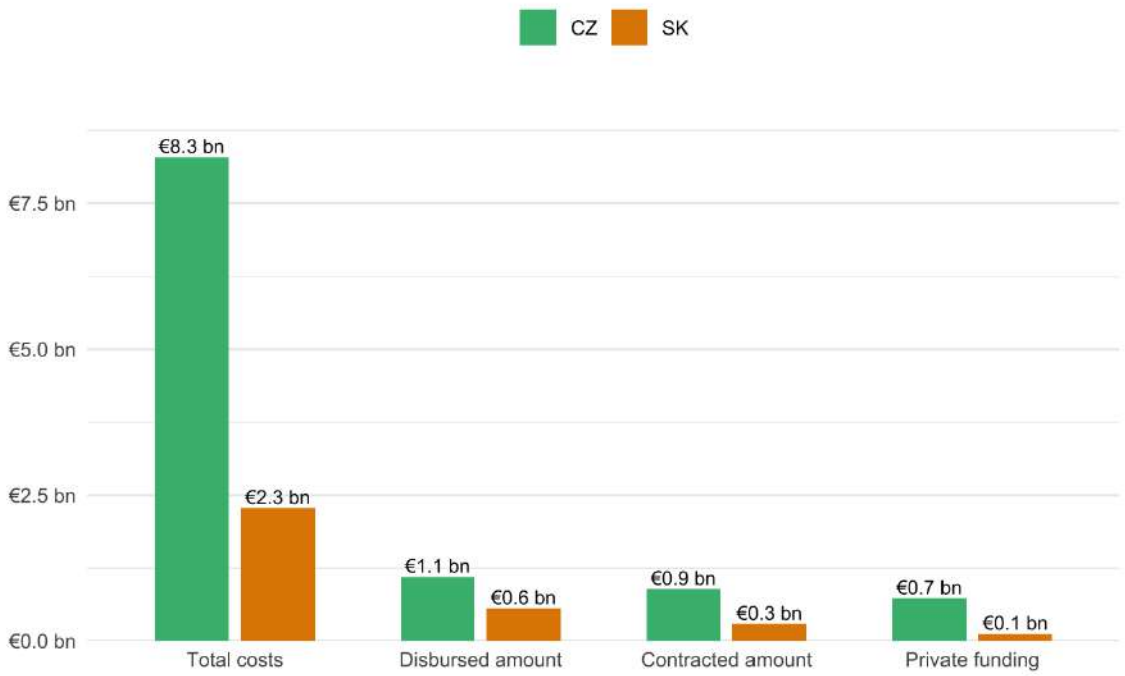
Figure 20 Private co-financing amounts (billion EUR) reported by BMS (2021 - mid-2025)



Note: only BMS reporting private co-financing; Source: Member States' self-reported data on private co-financing.

([50]) EU ETS Directive, Article 10d – 'Up to 70 % of the relevant costs of an investment which does not fall into the areas listed in paragraph 2 may be supported with resources from the Modernisation Fund provided that the remaining costs are financed by private legal entities.'

Figure 21 Private co-financing in Czechia and Slovakia, compared to the total costs, disbursed amounts by the EIB and contracted amounts related to investments complemented by private co-financing



Source: Member States' self-reported data on private co-financing.

Several Member States reported very limited or no private co-financing, as their Modernisation Fund implementation design did not target private entities. Estonia explained that its MF is fully channelled through two long-term public-sector programmes (public buildings and public transport), reflecting government decisions aligned with national climate objectives; as a result, all co-financing comes from state or municipal budgets rather than private actors. Hungary reported that early MF investments were financed at 100% public aid intensity – either through MF or complementary state resources – leaving no scope for private contributions at this stage; private investment is expected to increase only as new calls are launched. Slovenia, having joined the MF only in 2024, has not yet issued disbursement decisions to final beneficiaries and therefore declared it cannot report on private co-financing.

Most MF resources are spent through grants, but some Member States resorted to financial instruments to increase the catalytic potential of the MF. Interviews with national authorities (Hungary, Sweden, Romania) stressed that co-financing is often required to secure project ownership and risk-sharing, but that in practice, the MF is still predominantly used as a grant instrument. Some types of investments supported by the MF (such as electricity grid reinforcement, where the TSO is the end beneficiary and State aid can be up to 100%) are also intrinsically geared mostly, if not exclusively, towards public financing. On the other hand, MF resources are sometimes used as financial instruments for certain types of investments. Interviews with Czechia highlighted cooperation with commercial banks to provide long-term financing for schemes dedicated to energy efficiency in residential buildings, with MF covering 50% and private loans covering the remaining 50%. This generated significant leverage and allowed for sustainable financing models. Poland also reported experimenting with diverse financial

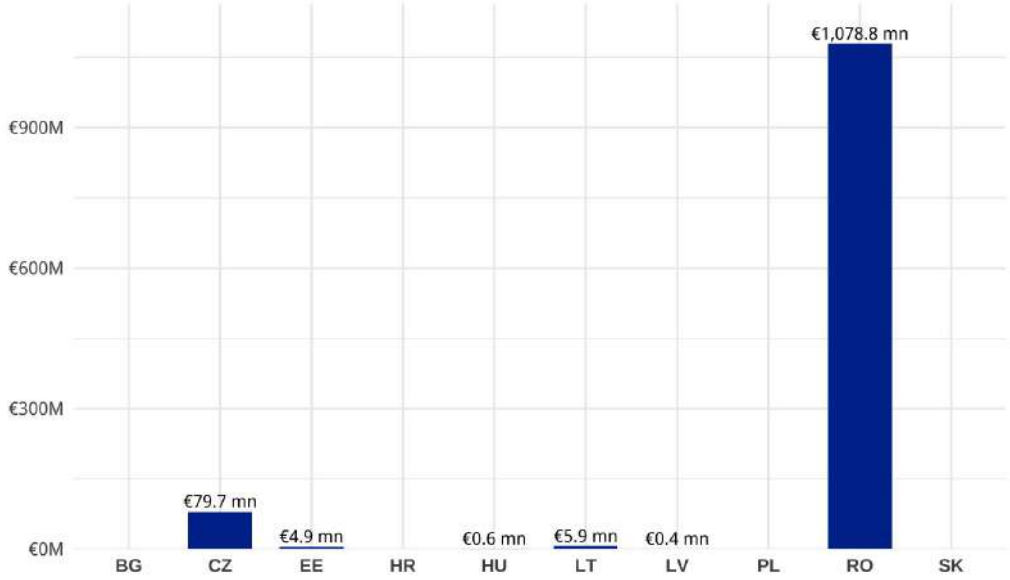
instruments such as loans, equity, and ESCO financing ([51]), rather than relying solely on grants. Polish representatives pointed to limited maturity of national financial markets, for example in Poland where the ESCO market remains underdeveloped. These practices suggest that the MF can trigger innovative financing mechanisms when national authorities design schemes to attract private capital.

End-beneficiaries report a limited impact of private funding. End-beneficiary survey results indicate that about one-third of respondents mobilised some private funding, with one in five projects reporting private contributions of 30% or more. High levels of private co-financing were reported in Lithuania, Croatia, and Czechia, while in other countries the majority of projects did not rely on private sources. Moreover, 32 survey respondents stated that the MF played no catalytic role in attracting private capital, while only 24 reported a large or very large effect. In addition, 37% of survey respondents were unable to assess whether private funding was mobilised.

The leverage effect of the Modernisation Fund on the mobilisation of additional (EU or national) public sector funds has been limited (EQ 5.2)

The Modernisation Fund has mobilised limited additional public sector contributions, with notable exceptions such as Romania. Portfolio data indicates that Romania recorded the highest amount of additional public co-financing, at approximately EUR 1 billion, while Czechia (EUR 79.7 million), Estonia (EUR 4.9 million), Hungary (EUR 0.6 million), and Latvia (EUR 0.4 million) reported smaller volumes. By contrast, most other Member States did not report measurable public co-financing.

Figure 22 Public co-financing amounts (excluding MF) (million EUR) reported by BMS (2021 - mid-2025)



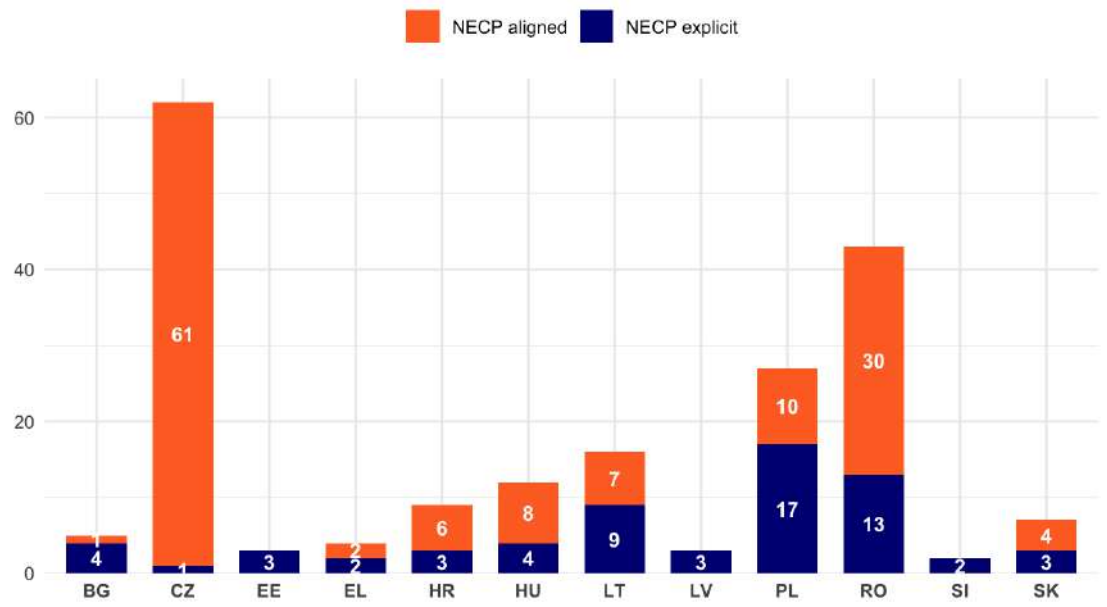
Note: only BMS reporting some public co-financing are represented.
Source: Member States' self-reported data on public co-financing.

([51]) ESCO financing refers to an Energy Service Company model in which energy-efficiency or decarbonisation investments are financed and implemented by an ESCO and repaid through the verified energy savings. In Poland, this instrument is still nascent, but its inclusion alongside grants, loans, and equity illustrates the authorities' effort to diversify funding tools and mobilise private investment beyond traditional grants.

Investments supported under the Modernisation Fund are mentioned in NECPs or generally consistent with NECP objectives (EQ 1.7)

The Modernisation Fund investments are overall well aligned with Member States' NECPs, with one third explicitly referenced and the remainder generally consistent with NECP objectives. Out of 194 confirmed/recommended investments, 64 (33%) were found by the authors of this study to be explicitly mentioned in NECPs, including cases where project names differed slightly but clearly corresponded to NECP measures (e.g. Poland's 'Energy for rural areas' reflects NECP Action 71 'Energy for villages'). The authors of this study estimated a further 130 investments (67%) to be generally aligned, meaning that the project description mirrored NECP measures at a broader level or contributed directly to NECP objectives. Importantly, no investments were identified as misaligned.

Figure 23 NECP aligned/explicitly mentioned investments by BMS (2021-mid-2025)



Source: Member States' NECPs, author assessment (for NECP explicit and aligned).

In most countries, interview evidence confirms that project pipelines were intentionally structured around NECP objectives. Ministries in Croatia, Greece, Hungary, Latvia, and Slovenia all reported that MF investments are either fully aligned or directly integrated into NECPs. Where explicit references are less frequent, alignment is ensured through shared strategic frameworks and governance mechanisms. Estonia and Latvia, for example, noted that both the NECP and MF projects are rooted in the same strategic planning documents, ensuring coherence even when projects are not individually named. Lithuania has institutionalised this process through an inter-ministerial committee chaired by the Vice-Minister of Environment, which vets MF project proposals against NECP priorities. This is confirmed by Member States' survey responses, which show that investments are seen as well aligned with NECPs, with many Member States integrating the Fund into national planning and budgeting frameworks.

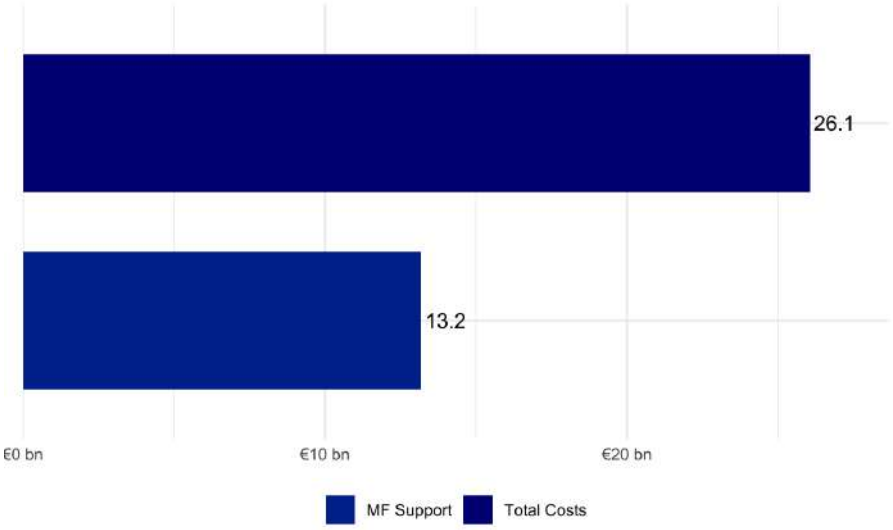
No investments were found to be inconsistent with NECPs, though some gas-related projects in Romania may raise questions of conditional alignment. Out of 43

Romanian projects, 13 are explicitly referenced and 30 generally aligned. Four investments – two gas-fired power plants (Isalnița 850 MW and Turceni 475 MW, EUR 420 million) and three gas transmission pipelines (EUR 100 million disbursed by the EIB) – may raise questions about their alignment with the NECP. While Romania's NECP includes multiple measures on gas transmission and security of supply, it does not explicitly call for new CCGT plants. However, these investments represent a coal-to-gas transition (replacing 1,620 MW of coal capacity), an option that is mentioned in the NECP. In addition, the Black-Sea Podișor gas transmission pipeline is included in Romania's National Gas Transmission System Development Plan, ENTSOG's Ten-Year Development Plan, and also classified as an EU Project of Common Interest,

The pipeline of investments is set to further contribute to the Fund's objectives and priority areas (EQ 1.6)

The planned future investments indicated in beneficiary Member States' annual reports show a robust pipeline of relevant activities for the next years of implementation of the MF. Data from the portfolio analysis indicate 84 planned investments (as per 2024 annual reports) with a total investment cost of EUR 26.05 billion and planned MF support of EUR 13.18 billion. If the pipeline is implemented, this would lead to reaching about 98% of the total EU-wide envelope of about EUR 57 billion set for 2030.

Figure 24 Planned future investments to be supported with MF (planned MF support and planned investment total cost)

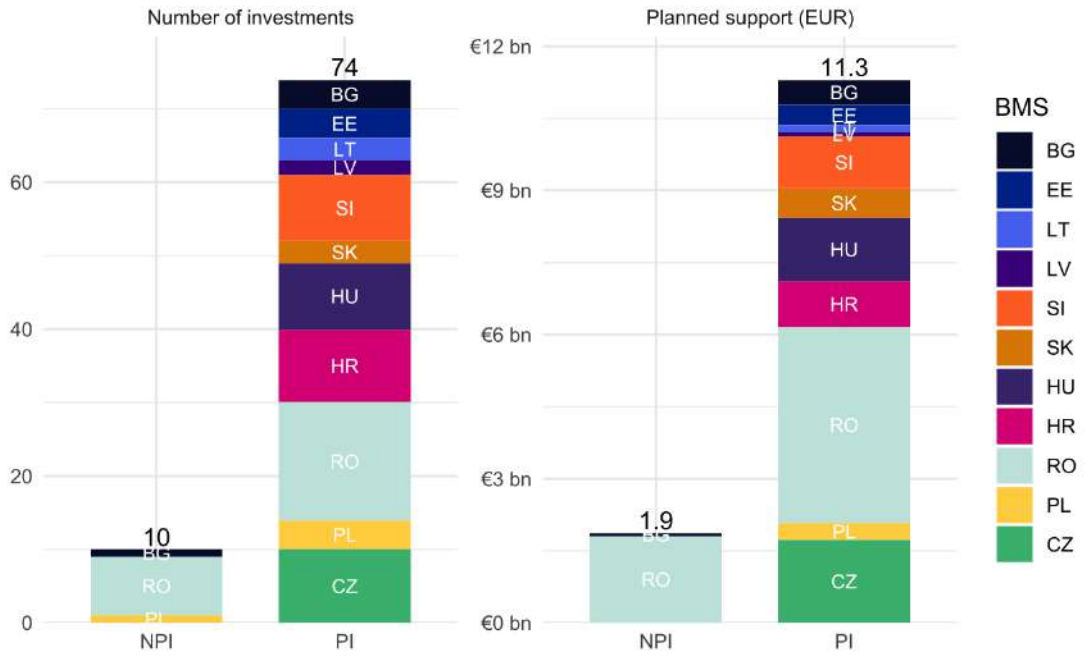


Source: Member States Annual Reports for 2024.

Priority investments dominate the pipeline, confirming the Fund's success in concentrating investments where benefits are highest for decarbonisation. Beneficiary Member States' 2024 annual reports indicate intention to submit 74 priority investments versus 10 non-priority investments. By planned MF support volume, PIs would amount to EUR 11.31 billion compared to EUR 1.87 billion for NPIs – about 86% versus 14% of the total planned MF support in the pipeline. This composition confirms the already identified trend that the MF is strongly geared towards priority areas. Stakeholder views also

confirm this: the EIB noted a declining use of NPIs relative to overall MF activity ([52]), and several national authorities – notably Bulgaria, Greece and Hungary – described pipelines centred on areas such as renewable energy deployment or grid reinforcement. Other Member States including Czechia, Croatia, Estonia, Latvia and Lithuania, confirmed in interviews that their pipelines are aligned with MF priority areas, even if without detailing specific sectors.

Figure 25 Planned MF support of investments in the pipeline by type of investment and BMS (2024)



Source: Member States Annual Reports for 2024.

Romania and Czechia account for more than half (EUR 7.6 billion, 58%) of the future planned MF support which is consistent with them being the largest MF recipients. Romania plans 24 investments totalling EUR 12.47 billion with planned MF support of EUR 5.88 billion, while Czechia's 10-investment pipeline totals EUR 4.15 billion with EUR 1.72 billion in MF support. This, however, may not be compatible with the large amounts of support already earmarked for already confirmed/recommended investments. As explained above, Czechia has already earmarked its total envelope, in terms of planned MF support, whereas Romania has earmarked 71% of it. The pipeline of future investments would bring the rate of earmarking of their envelopes to 112% respectively.

Member States indicate following the pipeline when submitting proposals, though the need to comply with MF and State-aid rules can reshape or delay pipeline items. In interviews, 9 national authorities (Bulgaria, Czechia, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Slovenia) indicated that their pipelines are explicitly aligned with MF/NECP priorities and used as the basis for forthcoming proposals. Czechia, Estonia and Latvia described structured processes (annual budget strategy embedding in

([52]) Interview with the EIB.

Estonia; regulatory preparation and coordination in Latvia) that carry pipeline items through to calls and submissions. By contrast, Romania reported difficulties reconciling MF compliance rules and state-aid rules – especially for NPIs – while Slovakia's early proposals were returned, prompting redesign into separate streams and, in one case, financing via the RRF due to timing advantages. The EIB confirmed that it returns proposals that are not eligible, or state-aid cleared, which means that some of the investments that appear in national pipelines cannot always be approved in their original form. They sometimes need to be revised, split, merged, before being confirmed/recommended under the MF.

The process for developing pipelines may not always reflect all existing modernisation needs. Bankwatch suggested that some Member States depend heavily on national utilities and face capacity gaps in preparing MF-aligned proposals; REScoop noted the lack of citizen participation, potentially dampening energy community projects; Eurelectric flagged member interest in pumped-hydro storage that may not consistently surface in national pipelines despite eligibility under MF areas. These perceptions imply that the pipeline, although broadly aligned with MF goals, may under-represent the needs of some, sometimes smaller actors.

Monitoring frameworks of investments are in place across almost all beneficiary Member States with varying levels of maturity (EQ 2.2)

Monitoring systems are formally in place across several Member States – notably Bulgaria, Czechia, Croatia, Poland, Lithuania, Latvia, Hungary, Estonia and Romania –, but their maturity and effectiveness vary considerably. Bulgaria, Czechia, and Croatia have put in place structured approaches, with semi-annual progress reports, independent audits, site inspections, and joint tripartite contracts ensuring accountability. In Poland, a specialised monitoring department sets ecological benchmarks in funding agreements and verifies compliance through laboratory testing and targeted audits. Similarly, Lithuania's Environmental Project Management Agency (APVA) provides real-time financial overviews and KPI tracking across ministries, ensuring a high degree of integration. These examples confirm that financial and environmental monitoring is operational in several countries and often builds on pre-existing national systems.

Newer or smaller beneficiaries are still consolidating their monitoring frameworks. In Latvia, the Environmental Investment Fund has created a dedicated monitoring system, supported by external audits every two years, though implementation has only recently begun. Romania applies semi-annual monitoring cycles but has recognised the potential value of increasing frequency to enhance responsiveness. Estonia integrates MF oversight into ministerial structures and annual government reports, supported by internal audits and the National Audit Office, with monitoring somewhat fragmented between different ministries. In contrast, Greece and Portugal are still setting up or formalising their monitoring systems, reflecting the early stage of implementation in those Member States.

Survey results confirm both the widespread existence of monitoring and the uneven visibility of it at project level. According to survey responses, 97 end beneficiaries (59% of respondents) confirmed being subject to monitoring by their Member State. However, 57 beneficiaries (34.5%) did not know whether monitoring applied to them, and 11 (7%) explicitly stated it did not – including 33% of respondents in Hungary and 25% in Bulgaria. This suggests that while formal systems exist, their visibility and communication to final beneficiaries can be limited.

Member States are establishing processes to audit investments financed under the Modernisation Fund with varying levels of readiness (EQ 2.4)

National audits are progressively being established across Member States, but their maturity and transparency vary significantly. Six Member States (Hungary, Czechia, Estonia, Poland, and Romania) reported having conducted or initiated national audits of Modernisation Fund operations according to the Member State survey. However, only Estonia will make its audit results publicly accessible, while others keep reports internal. Estonia has launched its first comprehensive MF audit (2023–2024), led by the internal audit unit of the Ministry of Climate, with results expected in 2025 and foreseen publication on the ministry's website.

According to interviews with Member States, Czechia and Hungary seem to have the most advanced audit practices among beneficiary Member States. In Czechia, national audits are carried out regularly by a dedicated higher control authority, complemented by systematic internal checks and project-level inspections. Authorities reported that the MF has been subject to almost annual audits, with findings feeding back into national oversight mechanisms and parliamentary reporting. In Hungary, national audit bodies have already reviewed MF-funded projects, focusing on legal compliance and financial integrity. While no significant irregularities were identified, the audits resulted in process improvements, particularly in disbursement and reporting procedures.

Other Member States are still in the process of developing formalised audit systems. Slovakia is developing a layered system of controls – ranging from ex-ante checks at application stage to four-eyes verification at different points in the process – but has yet to finalise a fully independent audit framework. Slovenia is similarly preparing to involve external auditors, aligning practices with those used in Cohesion Policy, while Latvia has established rules requiring an external audit at least every two years, with the first planned for 2025. Both Slovenia and Slovakia are developing audit procedures but currently rely on provisional or paper-based controls, with discussions ongoing on how to align with EU requirements.

Some countries have audit requirements embedded in disbursement procedures but no completed audits to date. In Bulgaria, each disbursement request must be accompanied by an independent audit report, though no payments to end beneficiaries have yet been made. In Romania, a systematic external audit framework is still emerging. Greece will put in place audit procedures once implementation progresses.

Discontinuation of investments and project interruption are rare, and Member States are active in adopting solutions to address slow or lack of implementation (EQ 2.3)

Discontinuation of investments under the Modernisation Fund remains a rare occurrence and has had only a marginal impact on the overall portfolio. Between 2021 and mid-2025, eight investments (4% of the 194 supported investments), including seven schemes and one project, were reported as discontinued (partially or entirely) across five Member States, representing EUR 191.4 million in discontinued amounts or around 1% of the EUR 18.9 billion total support disbursed by the EIB to beneficiary Member States in this period. All of these investments were partially discontinued with the funds being reallocated to other investments. Bulgaria (EUR 95.7 million) and Hungary (EUR 45.7 million) registered the largest discontinued amounts, while Czechia, Slovakia and Lithuania reported smaller but still notable cancellations (between EUR 10 and 20 million).

The marginal occurrence of discontinued investments and relatively low volumes involved suggest a high degree of stability in MF implementation so far.

The main reasons for discontinuation relate to delays in legal commitments. Survey responses from Member States highlighted that discontinuations were limited and typically occurred when legal commitments with beneficiaries were not concluded within two years of fund transmission from the EIB. An example was provided by representatives of Czechia during interviews. Accordingly, one discontinued investment scheme ([53]) aiming to support a switch from coal to biomass was terminated after it became clear that no applicants pursued it under the agreed conditions.

Member States generally adopt a case-by-case and flexible approach to addressing slow or lacking implementation. Evidence from surveys with Member States shows that authorities primarily support beneficiaries in overcoming hurdles through direct coordination, targeted assistance, and exploring alternative solutions. Where difficulties persist, investments may be (partially) declared discontinued and corresponding funds reallocated to other investments, ensuring continuity of implementation. Respondents to the survey emphasised that such situations remain rare, as many projects are still in early stages and have not yet faced significant implementation challenges.

End beneficiaries confirm strong implementation dynamics. 134 out of the 166 surveyed beneficiaries expressed confidence that their projects would fully achieve their objectives, and five even expected to exceed them (from Czechia, Croatia, Poland and Romania). Only one respondent (from Lithuania) anticipated partial achievement of objectives.

Visibility of funding from the Modernisation Fund is high across Member States and ensured by beneficiaries (EQ 4.1)

Two-thirds of end beneficiaries report compliance with some MF visibility rules, but the situation is uneven across BMSs. According to the end-beneficiaries' survey, 111 respondents (67% of respondents) confirmed that they display the label *'co-funded by the EU ETS'*, while only 23 (14%) reported not doing so and 31 (19%) stated they did not know. Visibility is particularly strong in Croatia, Czechia, and Slovakia, where over 75% of beneficiaries rated communication obligations as clear to a large or very large extent. By contrast, several respondents in Lithuania (80% of respondents), Poland (47%), and Estonia (50%) could not provide an answer, possibly showing lack of awareness. This suggests that while national guidance is widespread, its reach is somewhat uneven across Member States.

Beneficiaries typically use a broad set of communication tools, going beyond the minimum legal requirements. The most commonly used measures are plaques at project sites and dedicated references on websites, followed by social media activity, press releases, and municipal communication channels. Some beneficiaries also reported more innovative practices, including films, interviews, A2 posters, and street banners.

National authorities actively provide guidance and frameworks to support visibility. According to the Member State survey, most countries have put in place explicit communication requirements, complemented by practical support. This is confirmed by

([53]) Scheme (Part 2A): Modernisation of energy sources to biomass without CHP; non-priority investments of the Programme 'ENERG ETS' (Improvement of energy efficiency and reductions of emissions of greenhouse gases in EU ETS industry).

the end beneficiary survey: 143 respondents declared receiving clear national guidance about visibility obligations, while 22 did not know about them. For example, Romania has adopted a comprehensive visual identity manual and relies on both the Ministry of Energy and the Ministry of Transport to ensure visibility through press releases, project lists, and public events. Poland employs a multi-tiered approach with training, webinars, consultations, and conferences. Latvia requires all beneficiaries to acknowledge MF support in their communications, making compliance mandatory. Hungary uses a dedicated implementation agency to professionalise communication and has undertaken public awareness-raising activities such as webinars and media coverage of flagship projects. Estonia has established MF-dedicated government websites, while Slovakia maintains high visibility through conferences and events. Bulgaria, Lithuania, and Portugal reported visibility activities, though with varying degrees of institutionalisation.

5.2. Efficiency

The efficiency findings of the MF are presented in this chapter. Efficiency covered three questions, more precisely: **EQ 6.** How efficient is the confirmation/recommendation process under the MF at EU level? **EQ 7**. How efficiently is the MF implemented at a Member State level including the development and submission of investment proposals and their subsequent implementation? **EQ 8.** What are the costs and benefits associated with the implementation of the MF for beneficiary Member States, end beneficiaries, the EIB and the Commission? Could efficiency be improved and how?

Summary of key findings:

- **EQ6: How efficient is the confirmation/recommendation process under the MF at EU level?** The process of confirming and recommending investments is streamlined, with predictable regulatory deadlines set in the EU ETS Directive and biannual investment cycles. The regulatory deadlines are being abided by the actors involved. The MF approval process is generally viewed by BMSs as efficient, although five Member States have raised issues concerning its length. The administrative requirements of applying for NPIs are higher than for PIs. Member States that have applied for NPIs find these requirements to be partly justified, while suggesting ways of lowering them. Engagement with EIB helps to better prepare the investment submissions, address potential issues, mitigate delays in the implementation and prevent the rejection of proposals. Investment Committee procedures are generally efficient, with decisions on more sensitive investments being taken following in-depth discussion and a formal vote.

- **EQ7: How efficiently is the MF implemented at a Member State level including the development and submission of investment proposals and their subsequent implementation?** Member States have well developed MF-implementation structures in place and plan submissions under a certain biannual cycle. MF-related information at the EU and national level is not always available to all stakeholders, with sometimes limited opportunities for them to get involved. Selecting a final beneficiary and disbursing money to them are the longest administrative processes for Member States. Several end beneficiaries noted there is room for accelerating and simplifying the implementation of investments at MS level, through clearer guidance, automation and digitalisation.

- **EQ8: What are the costs and benefits associated with implementation of the MF for beneficiary Member States, end beneficiaries, the EIB and the Commission? Could efficiency be improved and how?** Administrative costs of implementing the MF differ among Member States, with some correlation between the number of staff employed and the amounts of confirmed investments. As for end beneficiaries, they tend to dedicate manageable resources toward accessing MF support, with costs linked to application processes, administrative tasks during project implementation and monitoring requirements. The Modernisation Fund is viewed as effective and relatively streamlined but could be improved by standardising templates and guidelines. Processes at the Member State level could be improved as well, although they may not necessarily be linked to the Modernisation Fund.

5.2.1. Efficiency of the confirmation and recommendation processes at the EU level

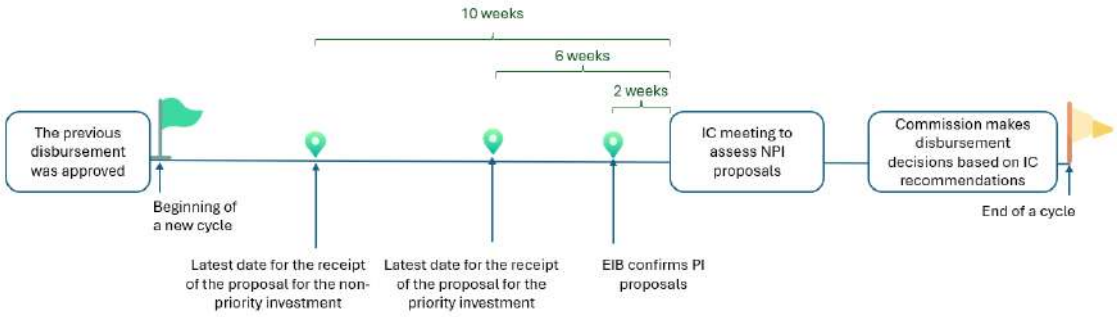
The process of confirming and recommending investments is generally viewed as streamlined and relatively light. However, some beneficiary Member States assess disbursement cycles as too restrictive (EQ 6.1).

Beneficiary Member States assess the confirmation/recommendation process of investments as appropriate, but issues are raised concerning the timelines. 12 BMSs assessed the process for confirming PIs as either adequate (5/13, Croatia, Czechia, Estonia, Lithuania, Romania), or very adequate (7/13, Bulgaria, Greece,

Hungary, Latvia, Poland, Slovakia, Slovenia, no data from Portugal). In addition, five Member States explicitly mentioned that the timelines for the approval of investments are appropriate (Bulgaria, Greece, Latvia, Slovenia, Slovakia). Two Member States mentioned that delays have taken place due to internal issues, not because of MF procedures (Bulgaria and Lativa). In the interviews, Member States noted that timelines are not restrictive, and that the process of preparing and submitting an application is relatively easy.

Regulatory deadlines for confirming/ recommending investments are respected. In line with MF rules, approving a non-priority investment takes roughly twice as long as approving a priority investment. According to the implementing regulation of the Fund ([54]), priority investment proposals submitted at least six weeks before an IC meeting are assessed by the EIB in the corresponding biannual disbursement cycle. The EIB takes a decision at least two weeks before the biannual meeting of the IC (bringing the maximum number of days between submission and decision to 28 days if a MS submits on the last possible day of an investment cycle in case of PIs). Non-priority investments need to be submitted at least 10 weeks before the biannual meeting to be assessed in the next biannual disbursement cycle (see Figure 26) (bringing the maximum number of days between submission and decision to 72 if a proposal is submitted on the last possible day of an investment cycle). The longer approval time for non-priority investments reflects regulatory requirements explained by their comparatively lower climate ambition: PIs undergo a fast-track, lighter procedure, while NPIs require a stricter review, including full technical and financial due-diligence by the EIB and assessment of the expected GHG emission reductions.

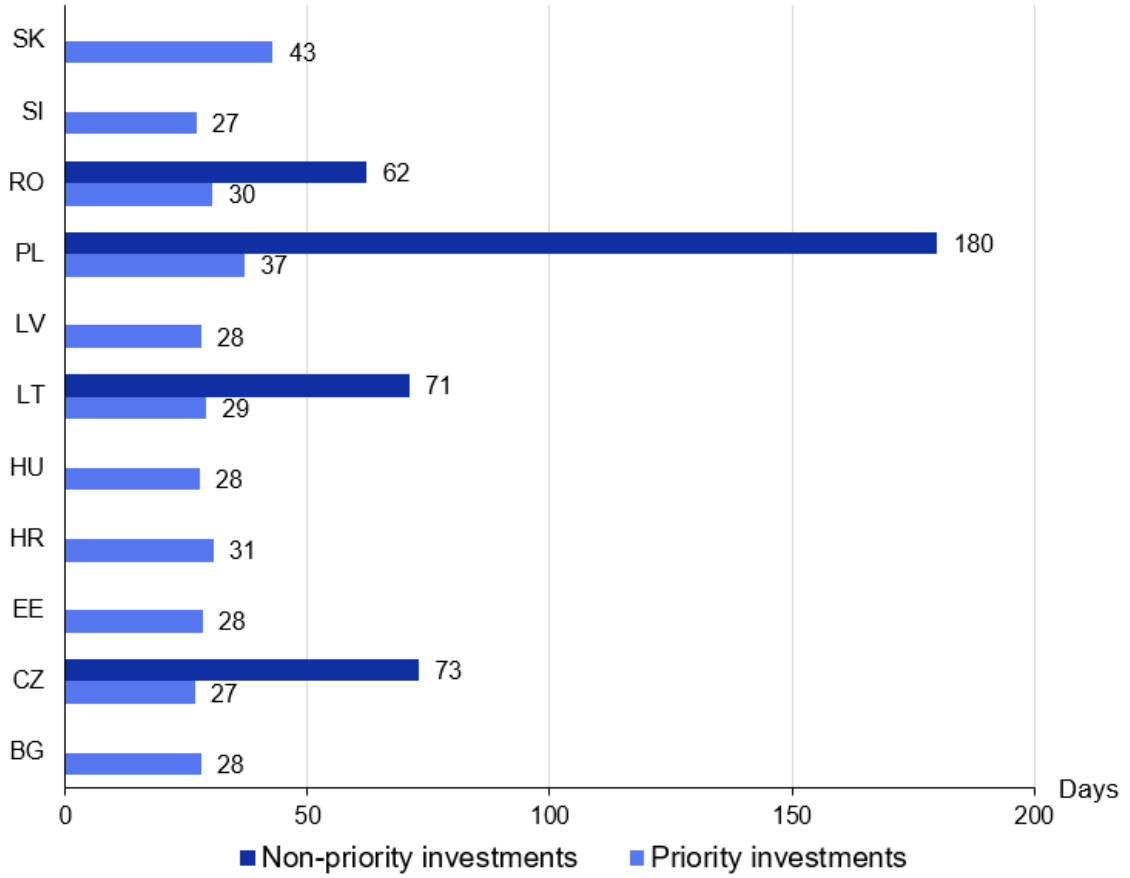
Figure 26 General timeline for proposal submission



Source: Compiled by authors based on the MF Implementing Regulation (EU) 2020/1001

([54]) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02020R1001-20240101

Figure 27 Average number of days between proposal submission and confirmation/approval for priority and non-priority investments by Member State



Source: Modernisation Fund database. Note: average number of days for NPI recommendation for Poland is high, as it includes only two proposals – 70 and 290 days.

Many Member States consider the process of confirming NPIs to be adequate. Six beneficiary Member States consider it adequate (Estonia, Czechia, Slovakia, Slovenia, Lithuania, Poland). Only Romania, one of the two BMS with the largest number of NPIs (the other BMS being Czechia), believes it is not adequate (Romania also commented in the survey that the distinction between priority and non-priority investments is not particularly relevant in light of evolving national and EU needs. Furthermore, while Poland believes that the process is adequate, it noted that preparing a form, especially for a scheme, is difficult due to the detailed economic, technical and environmental analysis. For them, assessment of NPI schemes has taken at least two rounds/cycles for a positive assessment.

The obligation for investments to be State aid compliant can lead to delays in approving proposals. State aid compliance is a prerequisite for the eligibility of an investment under the MF, and checking this compliance is part of the confirmation/recommendation process of any investment under the Fund, involving DG COMP. Member States are expected to provide evidence of State aid clearance, through State aid non-objection decisions, GBER summary information or arguments on why a proposal does not classify as State aid. Obtaining State aid clearance may take time ([55]). DG COMP helps Member

([55]) Investment Committee minutes and presentation of the meeting held by Videoconference on Tuesday, 19th January 2021.

States in proposal preparation and EIB in proposal assessment ([56]). Lack of state aid compliance is a recurrent reason for returning proposals. This may for instance be because the investment submitted by a BMS under the MF does not fit within the State aid regime as approved by DG COMP, or because Member States believe that no state aid approval is needed where it is required. There have also been a few cases where Member States have submitted proposals without having obtained the State aid clearance ([57]). As the window for assessing the proposals in the MF is short, if a BMS did not notify DG COMP about the State aid involved in an MF proposal well in advance, it might be too late to adopt a decision on time, highlighting the need for Member States to anticipate. Estonia expressed concerns regarding the length of the SA assessment process for subsequent disbursement decisions, which led to high administrative burden.

Disbursement cycles are assessed by a minority of beneficiary Member States as too restrictive. Czechia, Croatia and Hungary expressed concern about the timeline of approval of investments, which they consider lengthy. This was echoed by just one trade association in the interview and one company in the call for evidence (2% of respondents to the CfE). Similarly, some countries noted in the interviews and survey that rolling calls or more frequent disbursement cycles, for example 3-4 rounds a year, would be beneficial (Poland, Romania, Czechia). According to these three BMSs, the biannual schedule of the IC does not allow for sufficient flexibility to meet the investment needs in time. However, there might be obstacles to increasing the number of disbursement cycles. For instance, interservice consultations for approving disbursement decisions on the side of the European Commission would still need to fit in the shorter timeline. Additionally, the feasibility of the shorter procedure will also depend on whether Member States submit projects that are compliant with MF rules ([58]).The EIB is of a different view, considering that a longer timeline for PI assessment, aligned with that of NPIs, of 10 weeks, would be beneficial both for the EIB and for Member States, as it would allow for more time for clarifications and a lower rate of return of proposals. On the contrary, introducing more disbursement cycles per year may require shorter timelines for the EIB assessment of proposals.

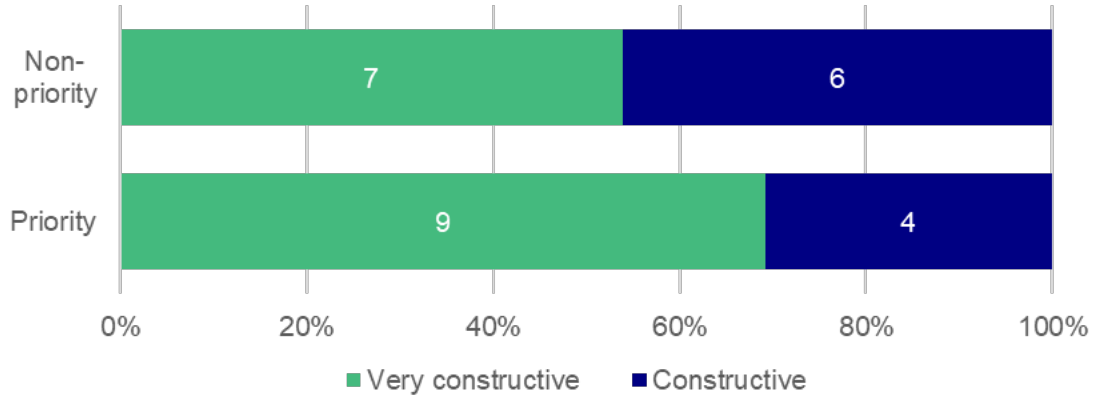
There is ample opportunity for Member States to discuss proposals with the EIB at the pre-submission stage, which is seen as constructive and effective by Member States (EQ 6.2)

Engagement with the EIB helps to better prepare the submission, address potential issues, mitigate delays in the implementation and prevent the rejection of proposals. All beneficiary Member States positively assessed their collaboration with the EIB, rating it in the survey as either ‘constructive’ or ‘very constructive’ (see Figure 28). In the interviews, multiple beneficiary Member States, including Czechia, Poland, Bulgaria, Croatia, Estonia, Hungary, Lithuania, Romania, Slovenia, and Slovakia provided positive feedback on engagement opportunities with the EIB. Such coordination was marked as helpful, instructive, smooth, constructive and effective, with the EIB being highly responsive. In such consultations, beneficiary Member States receive technical guidance, enhancing proposal quality (Bulgaria) or receive useful feedback on the likelihood of a proposal being approved (Czechia). Consultations are seen as key for submitting a successful proposal, helping to save time and resources on both ends (Slovenia), although Hungary noted they are time-consuming. While the EIB’s involvement was

([56]) Interview with DG COMP.
([57]) Interview with EIB.
([58]) Interview with DG REFORM.

positively noted by Member States, Croatia and Lithuania would welcome even more administrative support and faster responses from the Bank, as they expressed in the interviews. According to the interview with Estonia, the process has become more constructive compared to the first years of the Fund's functioning. In 2021-2022, Member States had no opportunity to ask clarifying questions or have informal discussions, which increased the rejection rate of proposals. Communication and cooperation with the EIB and the European Commission have improved with time, although Poland mentioned in the interview that the Commission is involved to a smaller extent.

Figure 28 Member States' assessment of their interaction with the EIB on initiating priority PI/NPI investments (N=13)



Source: Survey of Member States.

Other ways for Member States to engage with the EIB include workshops, which in the interview Poland described as helpful. Another avenue for Member States to keep the EIB informed about their plans and discuss them is through the meetings of the Investment Committee, which are held twice a year. In these meetings, beneficiary Member States share their plans and priorities for upcoming MF projects. Additionally, to assist Member States in the preparation of proposals, the EIB and the Commission used to hold trilateral meetings before the proposal submission deadlines ([59]).

Guidance documents were noted as generally helpful with room for improvement. According to the survey, most beneficiary Member States (14/15, except for Latvia) use the guidance document in preparing and submitting investment proposals. A clear majority of respondents indicated strong adherence to this guidance, reflecting the utility and relevance of these documents for ensuring consistency and quality in proposal submissions. Beneficiary Member States tend to use it either to a large extent (Hungary, Slovenia, Croatia, Slovakia, Portugal, Poland, Lithuania), or to a very large extent (Bulgaria, Greece, Romania), and only Estonia uses it to a moderate extent. Slovenia indicated in the survey that the EIB guidance documents, and proposal forms are concise and straightforward. At the same time some beneficiary Member States believe that guidance documents could be improved. For example, Romania noted that guidelines for each investment type, outlining the exact documentation and level of detail required, should be available. Hungary flagged that guidance documents are generally useful but would be improved by clearer examples and streamlined annex requirements. Estonia asked for more clarity on the relevant detail needed for schemes, and Romania requested more clarity and guidance for NPIs.

([59]) Minutes of and presentations from the IC meetings.

Most beneficiary Member States either reported no major additional burdens related to the MF approval rules or did not provide feedback pertaining on this (EQ 6.3).

Romania is an exception, noting in an interview that EIB confirmation or recommendation adds a considerable burden beyond State aid clearance, without clearly demonstrable additional climate benefits. It attributes this to a lack of procedural alignment and overlapping or contradictory requirements, which create inefficiencies and may discourage submission of investment proposals.

The administrative burden of applying for NPIs is higher than for PIs due to additional requirements. Beneficiary Member States find these requirements to be partly justified, while suggesting ways of lowering them (EQ 6.4).

Beneficiary Member States consider the application process to be more burdensome for non-priority investments, due to more stringent due diligence requirements and some process inefficiencies. ([60]) Three out of four beneficiary Member States that have applied for NPIs (Czechia, Poland and Romania) ([61]) estimate that administrative efforts for NPIs are at least 30% higher than for PIs, while the fourth (Lithuania) estimates that they are more than 10-20% higher. Three noted that this additional burden was primarily due to extensive due diligence requirements and challenges in classifying certain projects, particularly advanced biofuels. Romania pointed to a lack of flexibility and perceived that the EIB's requirements as excessive, resembling full feasibility studies (note: the MF Implementing Regulation allows the EIB to ask for feasibility studies in Annex I). Romania also highlighted inefficiencies caused by overlapping demands from the EIB and State aid procedures, while Estonia stated the impractical requirement of ministerial paper-based signatures, even for minor revisions. Three respondents also assessed that the burdens were at least partly justified. Poland also noted that they had to forego two NPI proposals due to the due diligence requirements. In Romania, the NPI proposal preparation time and resource commitment can exceed a year, which deters submission and can cause missed opportunities according to the interview. This finding has also been confirmed by the case studies, where end beneficiaries noted additional burden and higher administrative efforts related to submitting an NPI proposal. Several recommendations were put forward by Member States in the survey, including aligning the requirements for NPIs and PIs more closely (Romania); and allowing digital signatures and expert-level validation for resubmissions (Estonia). Four beneficiary Member States (Latvia, Poland, Croatia, Lithuania) pointed to insufficient guidance for BMS to make more robust decisions on borderline cases between PIs and NPIs, or borderline cases between NPI and non-compliance ([62]). This area is also not specifically covered by the EIB assessment guidance document ([63]). The Member State survey responses equally point to the fact that issuing clarifying guidance for NPI investments and the accompanying annexes (including feasibility study and CBA (Latvia, Romania),

([60]) The MF Implementing Regulation sets out in Annex 1 additional information requirements for non-priority investments compared to priority ones, including: 1) quantitative data on the construction and operation phases, including proposal's contribution to the objectives of the Modernisation Fund, the Union's 2030 climate and energy policy framework and the Paris Agreement; 2) certified financial forecast, including intended financial contribution from private sources; 3) description of any other targeted performance indicator, as requested by the EIB; 4) other relevant information related to the project proponent, the investment, the general market conditions and environmental is-sues; 5) for schemes: information about a representative project under the scheme; 6) feasibility study.

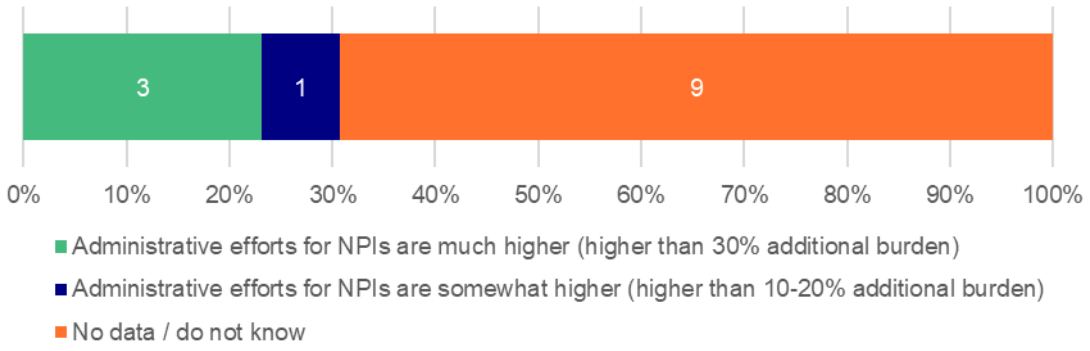
([61]) When asked to compare administrative burdens between applying for NPIs and PIs, the majority (9/13 Member States) indicated they either had no experience or provided no data.

[62] Interviews with Latvia, Poland, Croatia, Lithuania.

[63] European Commission (2024), Assessment of Guidance Document. See: link

and especially borderline cases would alleviate procedural complexity and support a more efficient implementation of NPI investments.

Figure 29 Difference in administrative effort between applying for and managing NPIs vs PIs (BMS perception) (N=13)



Source: Survey of Member States.

Investment Committee procedures and collaborative practices during IC meetings enable timely decision-making even in case of disagreement (EQ6.5).

An overwhelming majority of decisions concerning NPIs are taken by consensus. Investment Committee procedures enable timely decision-making even when consensus cannot be reached, with safeguards embedded in the voting rules. Two thirds (10 out of 15) NPI proposals to date were approved by consensus ([64]). In six cases, the proposal was approved as submitted by the BMS (without modification) and in the remaining four cases, the approval concerned a modified investment compared to the BMS proposal (reduced financing amount, limited to what is needed to achieve the objectives of the Fund). Although the Investment Committee's rules of procedure set out that the Investment Committee shall act by consensus as far as possible, they allow decision by vote in case of lack of consensus on any NPI proposal ([65]). The threshold for approving an investment varies depending on whether the EIB endorses a proposal: simple majority is sufficient when the EIB recommendation is followed, but a majority of two thirds of all IC members is required to depart from the EIB recommendation. There have been five instances (three proposals from Czechia, two from Romania) in which consensus could not be found even though the EIB had recommended financing a proposal. In that case, the IC member that voted against (a non-BMS, Sweden) ([66]) was outvoted and the proposal was adopted. However, there were four failed attempts to bypass an EIB recommendation: the EIB recommended only partial financing of four NPI proposals submitted by Romania. When put to a vote on their full financing, these proposals failed to gather the two-third majority needed to bypass the EIB recommendation. They were subsequently approved by consensus when considered for partial financing, in line with the EIB recommendation.). All of these proposals focused on natural gas infrastructure ([67]).

([64]) Investment Committee Meeting Minutes.
([65]) Rules of procedure of the Investment Committee.
([66]) Another non-BMS, the Netherlands, abstained. Sweden objected to these proposals due to reservations on natural gas investments both from climate and financial sustainability perspectives.
([67]) Investment Committee Meeting Minutes.

Member States have generally been appreciative of the Investment Committee's structure and processes. In the interviews, multiple beneficiary Member States, including Bulgaria, Hungary, Croatia, Latvia, described the Investment Committee as efficient, collaborative and functional. The format allows for cross-country dialogue and exchange of practices. This helps Member States with improving coordination and the quality of their proposals. Non-beneficiary Member States, including Germany and Netherlands, stated that the IC is well-managed, and where there are occasional disagreements, solutions are typically found through constructive discussions, negotiation and abstaining from voting if needed.

Two Member States expressed reservations regarding the Investment Committee proceedings. Romania, while acknowledging the efficiency of the Committee's functioning, stated in the interview that its structure reinforces a centralised, conservative approval culture that may limit responsiveness to national innovation needs, particularly for emerging technologies. On the other hand, Sweden noted in the interview that the setup of the Investment Committee does not allow non-beneficiary Member States to block a decision by themselves and that beneficiary Member States are reluctant to oppose other members' proposals. It further commented that considering that the funding comes from ETS revenues from all Member States, non-beneficiary Member States should have more opportunities to influence not only non-priority investments, but the portfolio in general.

5.2.2. Efficiency of the implementation at a Member State level

End beneficiaries generally perceive implementation of the MF as efficient, and an overwhelming majority perceive it as transparent, with a variety of other stakeholders suggesting improvements (7.1).

End beneficiaries are broadly satisfied with national implementation, with a majority rating most processes positively. Most of the end beneficiaries (51%) consider the approval process to be either very efficient or efficient. Most of them (63%) have also rated highly the responsiveness of national administration, as well as the process of project selection (64% rated it as either efficient or very efficient) and disbursement times after contract signature (56% of end beneficiaries rated them as efficient). At the same time, end beneficiaries identified several ways to potentially improve implementation at the MS level. Digitalisation was the most common suggestion, with respondents in Croatia, Poland, Romania, Lithuania, and Bulgaria calling for online applications, digital submissions, and real-time guidance (12 end beneficiaries). Many respondents, especially in Czechia, Croatia, Romania, and Poland, stressed the need to reduce administrative burden by streamlining documentation and simplifying reporting (12 end beneficiaries). A few stakeholders (a trade association and a company) ([68]) also called for streamlined reporting obligations, which could be simplified depending on the size of the project or the share of MF funding in the total amount. Taken together, the results point to relatively smooth and supportive implementation at the national level, with some room for improvement in the speed and clarity of fund disbursement and project approvals.

There is no 'one-size-fits-all' way of running the MF, but there are commonalities among Member States. Overall, Member States have well-developed structures in

([68]) Interviews with Eurelectric, PGE Polska Grupa Energetyczna S.A.

place. While processes differ, in five Member States (Bulgaria, Croatia, Latvia, Slovakia, Slovenia) they are as follows: call for proposals or other form of stakeholder engagement, interministerial consultations, public consultations, final approval by national authorities. Most countries involve multiple ministries in the proposal selection process to ensure broad representation and policy coherence. In terms of national institutional arrangements within historical beneficiary Member States to the Fund, seven Member States (Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland) have both ministries and dedicated environmental agencies or state funds that manage the MF. The ministries are largely responsible for the policy setting and strategic direction of the MF as per their national needs, and the agencies/funds run the day-to-day operations ranging from submitting applications to implementation and monitoring. In the remaining three historical beneficiary Member States (Bulgaria, Romania, Slovakia), ministries are wholly responsible for managing the MF. In most historical beneficiary Member States, the climate, environment or energy ministries are responsible for the MF, with some Member States assigning this responsibility to their finance or economy ministries ([69]). The remaining three Member States (Greece, Portugal and Slovenia) were included in the MF in 2024 and are still building their institutional setups.

80% of end beneficiaries find the selection process at national level to be transparent. Based on the survey, end beneficiaries generally positively assessed the transparency of selection processes, referring to public calls, open scoring systems, and traceable application processes. Ways of engaging stakeholders in the selection of investment vary. Member States conduct public consultations mostly online, via government websites, where stakeholders can submit their feedback in writing. Member States also publish details on project selection criteria, program implementation status, supported investments, application guidelines, and applicant lists. Some Member States conduct consultations in other formats, e.g. stakeholder meetings under the national MF platform, consultations via MS Teams, emails to key stakeholders, the conduct of in-person workshops, and dedicated forums that have a broad representation of stakeholders. In some cases, measures were part of the general strategic documents, such as NECP, Energy Sector Development Plan, Mobility and Transport Development Plan and other. Consultations, hence, have been conducted when these documents were being developed ([70]). The selection criteria for projects were clear to the majority (93%) of end beneficiaries, only five respondents from Hungary, Czechia, Poland, Bulgaria and Slovakia found the criteria unclear or difficult to interpret.

Some challenges related to transparency were raised by several stakeholder groups. Several stakeholders noted in the Call for evidence and interviews that transparency at the national level has improved since 2021 ([71]). At the same time, a number of issues were identified. In the Call for Evidence, some stakeholders have reported being consulted either too late in the process, for example after key decisions had already been made, schemes had been established, or on the already approved programmes ([72]). Others have reported being consulted too early but without further involvement and with an unclear selection process ([73]). In the interviews, trade associations also noted that sometimes small, decentralised actors are disadvantaged and access to information at the local level is low, while big corporations have the resources and networks

([69]) Member States' Modernisation Fund Annual Reports.
([70]) Interviews with Bulgaria, Czechia, Croatia, Estonia, Latvia, Lithuania, Poland, Portugal, Slovenia, Slovakia, Member States annual reports, Survey of Member States.
([71]) Call for evidence (Bankwatch Romania), Interview with Eurelectric.
([72]) Call for Evidence (Eurelectric, PGE Polska Grupa Energetyczna S.A., WWF).
([73]) Call for evidence (RES Croatia).

to have a bigger impact on the process ([74]). For example, in Czechia and Romania, most actors are unaware of the MF opportunities and receive no proactive guidance. This could be improved with a more active EU-level dissemination and outreach, as noted by an industry association in the interview ([75]). Several other stakeholders, which included companies and business associations ([76]), conveyed in their responses that there is insufficient transparency and predictability regarding the availability of funds at the EU level, which hampers long-term planning for transformation projects. Some of the stakeholders would like to be aware of and consulted on the long-term strategy of MF implementation and be involved in the programme design early, to better plan their investments ([77]). They would also welcome the opportunity to be engaged in the advisory bodies or management structures both at the national level, e.g. in working groups ([78]), and at the EU level, for example in the Investment Committee or via expert groups ([79]). Furthermore, in the interview stakeholders have reported having faced a lack of feedback after submitting a proposal, which could help them improve future proposals ([80]). Additionally, consultations were not a consistent practice in all Member States or stakeholders were not always made aware of them, as only 52% of end beneficiaries indicated that they had taken place.

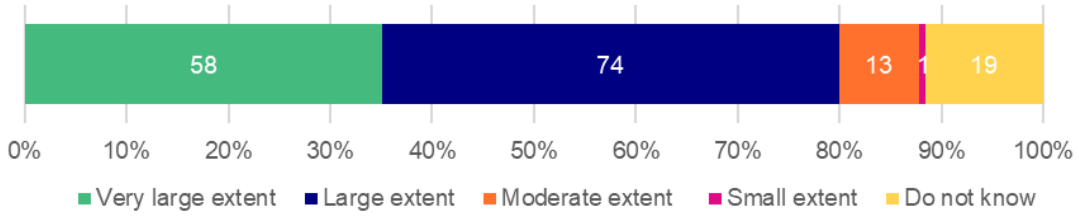
Publicly available information on the selected investments and funding in general could be more comprehensive both at the EU and at the Member States level. In the survey, the majority (92%) of end beneficiaries indicated that relevant information was made available online or via other means, with those reporting missing information being mainly from Croatia. At the same time, a few stakeholders noted in the interviews that there is no database with consistent and updated data on investments, whereas the available information is not complete and outdated ([81]). In the interviews, stakeholders also noted a lack of access to information about end beneficiaries ([82]), more detailed descriptions of investments ([83]), data on the results of applications ([84]), information of the percentage of funding going to various investment categories ([85]), and recent annual reports ([86]). In the Call for evidence a company also noted that timing of calls and allocation structure should be available ([87]). Furthermore, a civil society organisation emphasised in the interview that EIB assessment documents and assessment documents of Member States should be available too ([88]); national websites should consistently be updated, with required documentation such as annual implementation reports being published regularly. Several stakeholders also noted in the interviews that here should be clear visibility of available and the future size of programme funding levels ([89]). In general, more coherence between the national website and the MF website would be helpful (e.g.

([74]) Interviews with European Renewable Energy Federation (EREF), the International Association of Public Transport (IAPT), REScoop.
([75]) Interview with EREF.
([76]) Interview with Re Alloys Ltd. (company) and the Polish Steel Association (business association).
([77]) Interviews with Eurelectric, PGE Polska Grupa Energetyczna S.A.
([78]) Interview with RES Croatia.
([79]) Interviews with Eurelectric, WWF.
([80]) Interviews with Eurelectric, KOGEN.
([81]) Interviews with Eurelectric, RES Croatia.
([82]) Interview with IAPT.
([83]) Interview with Bankwatch, IAPT.
([84]) Interview with REScoop.
([85]) Interview with WWF.
([86]) Interview with RES Croatia.
([87]) Call for Evidence (Heidelberg Materials).
([88]) Interview with WWF.
([89]) Interviews with WWF, Eurelectric, PGE Polska Grupa Energetyczna S.A.

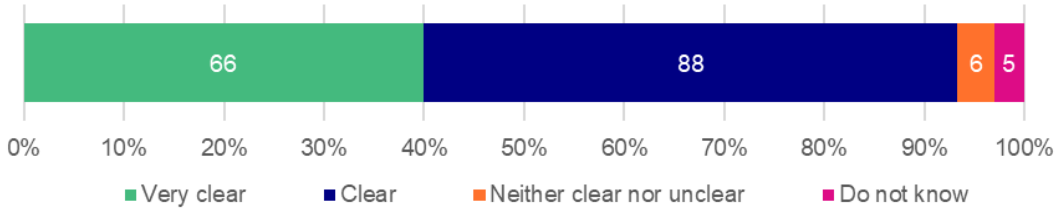
GHG assessments for some natural gas projects) ([90]). As for the end beneficiaries, those from Czechia, Poland, and Estonia highlighted in the survey that eligibility criteria were accessible and that decisions were explained or published, although an issue of limited information due to the lack of direct access was raised.

Figure 30 Assessment of the MF processes by end beneficiaries (N=165)

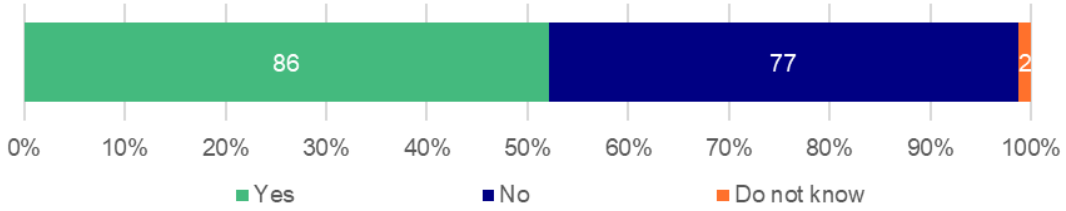
Extent to which stakeholders perceive the selection process transparent



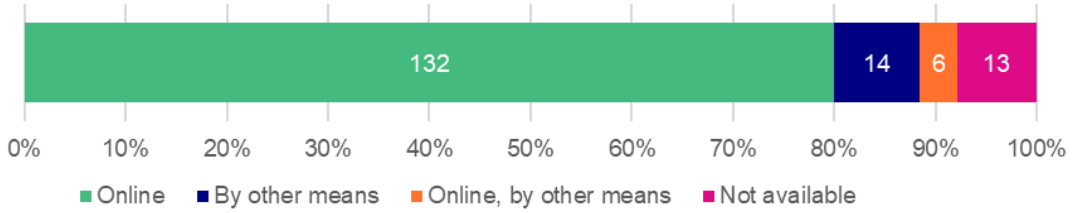
Extent to which the stakeholders perceive the selection criteria as clear



Consultation undertaken by the Member States



Availability of information about the Modernisation Fund at national level



Source: Survey of end beneficiaries.

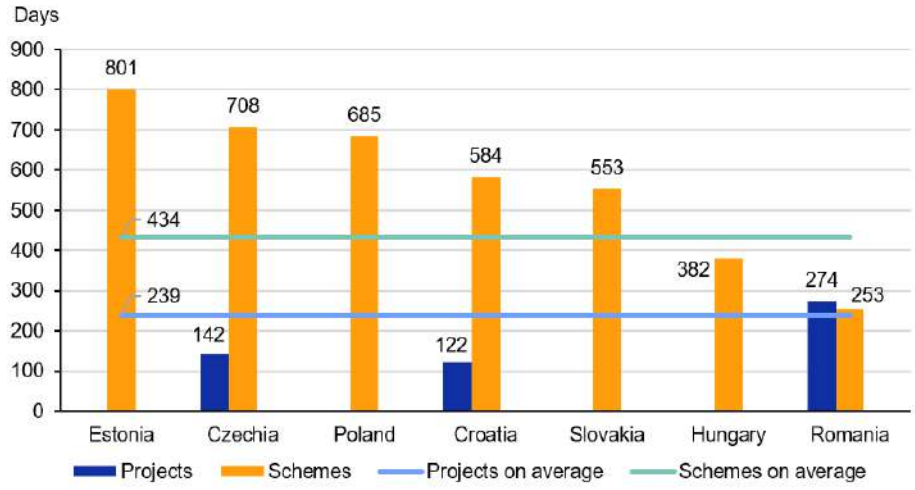
The timeline between the contract conclusion and disbursement of funds is the lengthiest of implementation stages, however, most end beneficiaries evaluate the disbursement process as efficient (7.2).

The average number of days between the disbursement of funds by EIB to a Member State and the date of conclusion of a contract with end beneficiaries is 434 days for schemes, and 239 days for projects. This timeline also differs significantly among Member States (see Figure 31). For schemes it usually takes longer to conclude a contract, which may be explained by the time needed to run the scheme and select end beneficiaries, whereas in case of projects, it is already determined who the final

([90]) Interview with WWF.

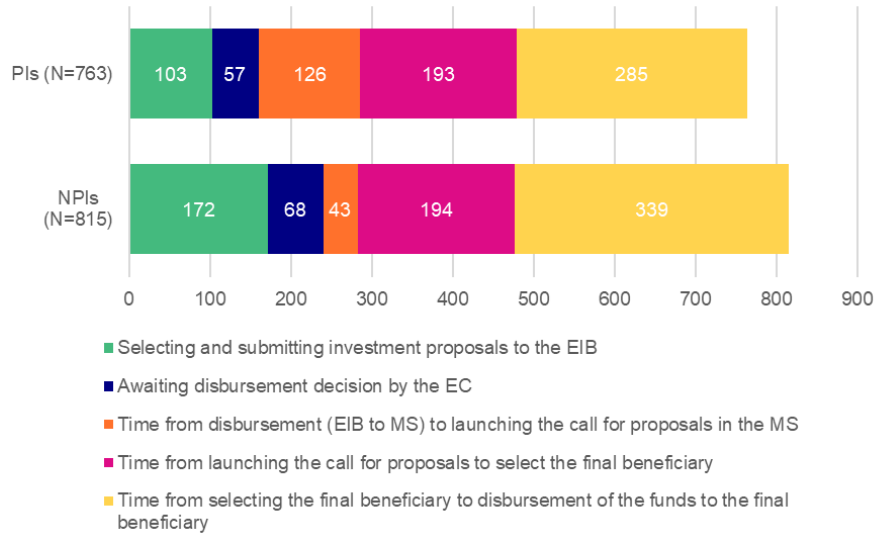
beneficiary will be when a Member State submits a proposal ([91]). According to the survey, Member States spend, for PIs, 23% of all time spent dealing with priority investments on selecting, submitting investments to the EIB, and awaiting disbursement decision from EIB, while implementation of the investments (from EIB disbursement to the BMS to disbursement by the BMS to final beneficiary) takes on average 77% of their time. For non-priority investments, the split is 30% (investment selection and submission) to 70% (investment implementation), as these require an additional early stage of collecting investments, which makes the overall process longer.

Figure 31 Average number of days between disbursement from the EIB to Member States and contract conclusion of Member States with final beneficiaries, 2021-2025



Source: Modernisation Fund database, data from Member States (Croatia, Czechia, Estonia, Hungary, Poland, Romania, and Slovakia).

Figure 32 Approximate average timescale for priority investments and non-priority investments (days)

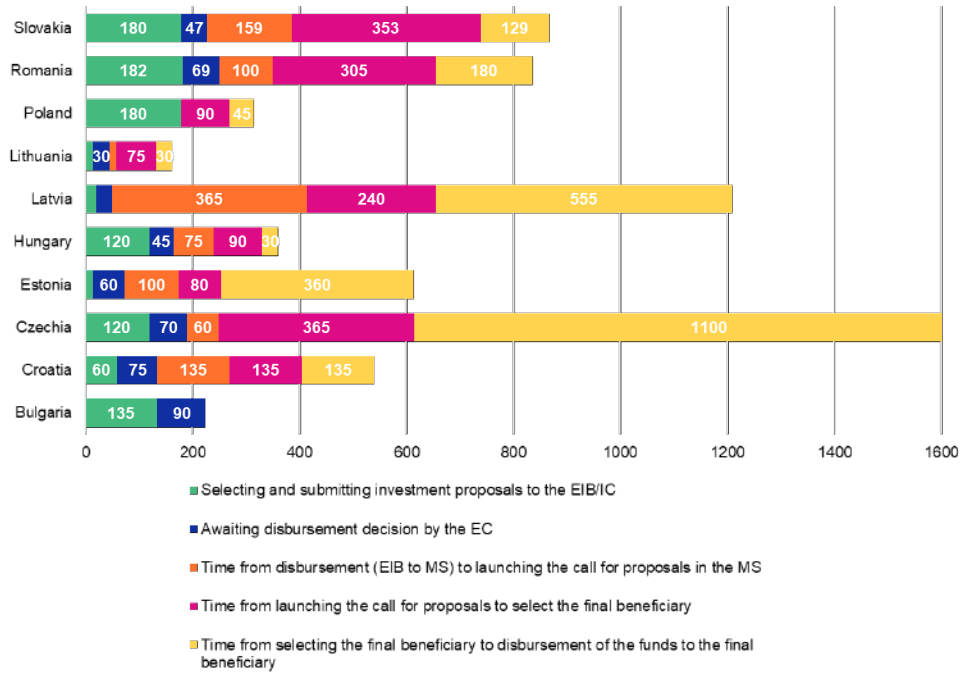


Source: Survey of Member States. Note the "Selecting and submitting investment proposals to the EIB" stage in case of NPIs includes collecting investment proposals. Figures for Portugal,

([91]) Based on the data from EIB and Member States – Croatia, Czechia, Estonia, Hungary, Poland, Romania, and Slovakia. For Bulgaria, Greece, Portugal, Latvia, Lithuania, and Slovenia there is no data on disbursements to end beneficiaries, as they have not made any as of August 2025.

Slovenia and Greece have not been included given the early stage of MF implementation in these Member States, which joined the Fund only in 2024.

Figure 33 Average duration in days in different steps for priority investments (days)



Source: Modernisation Fund database, data from Member States.
Note: Figures for Portugal, Slovenia and Greece have not been indicated given the early stage of MF implementation in these Member States, which joined the Fund only in 2024.

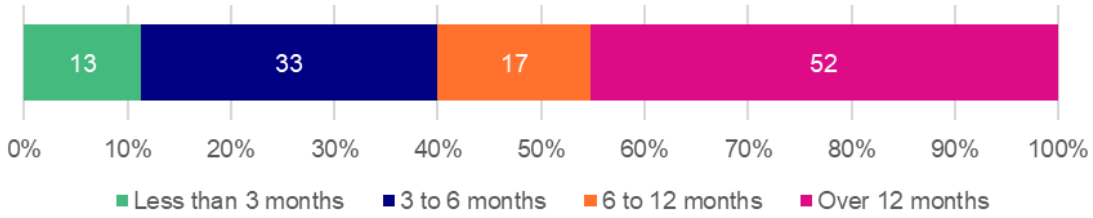
The process between concluding contracts and disbursing funds to end beneficiaries is the lengthiest of implementation stages, with projects usually taking longer than schemes. After contracting, disbursement to the end beneficiary is the next tangible step in implementing investment supported by the Fund, signalling progress on the ground (although in a limited number of cases transfers occurred prior to the conclusion of the contract with the end beneficiary) ([92]). On average, it took Member States 247 days to make the first disbursement to end beneficiaries after the contract conclusion, for projects, this period was 488 days, while for schemes it was 243 days. After the first disbursement, it took on average 250 days to make the second disbursement, for projects, the period was 388 days, and for schemes it was 248 days ([93]). Finally, it took Member States on average 342 days to make the third disbursement, which has only taken place for schemes to date ([94]).

A majority of end beneficiaries assessed the disbursement process to be efficient. End beneficiaries confirmed in the survey that receiving funds after the contract has been signed may take a significant amount of time - for 17% of end beneficiaries it took 6-12 months, and for 52% it took more than 12 months (see Figure 34 below). At the same time, when asked to assess the time it took to receive the first disbursement, the majority of

([92]) Ibid, complemented by the comment from the Czech government.
([93]) This number is not representative for projects, as it only includes two projects – 110 and 666 days each.
([94]) Based on the data from EIB and Member States – Croatia, Czechia, Estonia, Hungary, Poland, Romania, and Slovakia. For Bulgaria, Greece, Portugal, Latvia, Lithuania, and Slovenia there is no data on disbursements to end beneficiaries, as they have not made any as of end 2024.

respondents (69%) stated that it was as expected. Among the end beneficiaries who perceived the disbursement period to be longer than expected were entities from Romania, Slovakia, Bulgaria and Lithuania. A smaller majority of respondents (56%) rated the general disbursement process by MS as efficient. It was not possible to directly compare the time for disbursing funds to other EU funds. In the evaluation of the RRF, for example, the metric was not evaluated (see Figure 35). At the same time, most final recipients who responded to the survey under the RRF evaluation (20 out of 33 respondents in total, all SMEs) categorised the disbursement process as slow (14) or very slow (6), with only 5 considering it timely (4) or very timely (1). The issue of slower payments to the ultimate recipients of RRF support was also raised by a few interviewees as an important challenge at national level. Based on the estimations of final recipients, the disbursement process under the MF appears to be efficient, although the data received under the RRF evaluation are not sufficiently robust due to the low number of responses ([95]).

Figure 34 Time between signing the contract with the Member State and receiving the first disbursement (N=165)



Source: Survey of end beneficiaries.

A majority of end beneficiaries have encountered challenges related to disbursement of funds. According to the end beneficiary survey, while 40% of end beneficiaries reported no challenges in the run up to disbursement, for others the reasons for delays were concentrated around a few recurring problems. These include administrative hurdles, with examples ranging from lengthy verification of payment requests to heavy reporting requirements and complex procurement rules, as well as financial challenges, regulatory and technical obstacles (see Table 7 below).

Table 7 Disbursement challenges during the implementation of the project or scheme

Administrative challenges (20 answers)	Financial challenges (6 answers)	Regulatory challenges (10 answers)	Other challenges (5 answers)
Preparing payment documentation **Procurement/audit compliance** **Internal/external approvals**	Securing co-financing for ineligible costs Manage cost increases	Permitting delays, changes to technical specifications Public procurement	Supply chains delays Political or institutional changes

Source: Survey of end beneficiaries.

([95]) European Commission (2023), Evaluation of the RRF, see link.

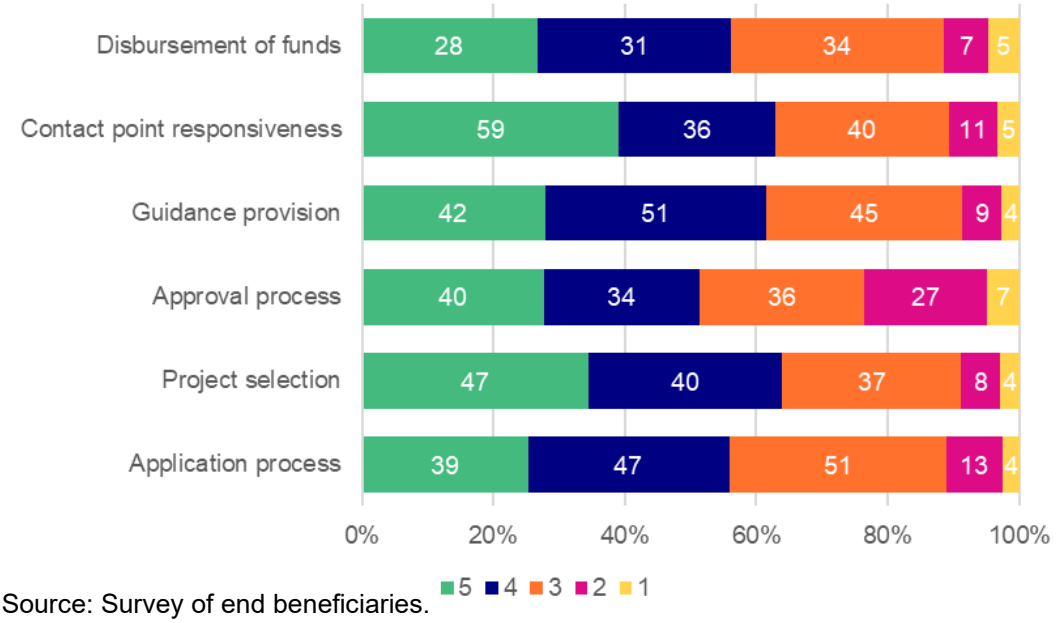
Stakeholders are generally satisfied with implementation processes at the national level (EQ 7.3).

Member States encountered some challenges in the early years of the MF; however, they now consider the national processes to be efficient, with certain constraints remaining. These constraints relate to stakeholder engagement, application and selection procedures, and challenges related to disbursement (as described in EQ 7.2). Other factors mentioned by responsible authorities that require operational adjustments and may hinder implementation include price shocks and procurement delays (Estonia), permitting procedures and coordination issues (Romania).

While end beneficiaries have largely had a positive experience with the Fund through their respective national authorities, the approval process has received the lowest positive assessment ([96]). In their survey responses, end beneficiaries indicated broad satisfaction with the performance of their Member States, with a majority rating all processes related to guidance provision, contact point responsiveness, application process, project selection, approval process ([97]) and disbursement of funds positively (see Figure 35). They have found Member States to be highly efficient in contact point responsiveness and guidance provision. Moreover, the application, project selection and approval processes were deemed sufficiently efficient, although some dissatisfactions were expressed around approval timelines. The approval processes were assessed less favourably by a significant share of end beneficiaries (34% rated them as inefficient or very inefficient). The inefficiencies reported by companies and businesses associations relate to delays in selection procedures and project completion timeline requirements. A company ([98]), in its Call for evidence response, noted that there have been delays in the publication of MF calls in some Member States and the disbursement processes have been slow. It also found the application process, including documentation requirements, to be highly burdensome in some countries. In the survey, end beneficiaries flagged the gathering of technical documents as the most resource-intensive aspect. They also noted inconsistencies in guidelines provided at national and EU level. Another company ([99]) expressed concerns about certain national project deadlines whereby projects need to be realised within a three-year period and before 2030.

([96]) Based on the combined percentage of '4' and '5' responses.
([97]) Project selection refers to the period during which MS authorities evaluate and shortlist applications submitted by potential end beneficiaries in response to a call for proposals. Approval process refers to the period during which MS authorities agree the pre-selected projects through their internal procedures, before submitting them to EIB.
([98]) Call for Evidence (Wiener Stadtwerke gmbH).
([99]) Call for Evidence (Heidelberg Materials).

Figure 35 Member State processes rated by activity type (1 = very inefficient and 5 = very efficient) (total figures correspond to the number of respondents per question)



Source: Survey of end beneficiaries.

5.2.3. Costs and benefits associated with implementation of the Fund

Administrative costs vary among Member States, influenced by the number of staff and investment amounts, while end beneficiaries generally incur manageable costs in accessing Modernisation Fund support. These expenses are justified given the Fund's crucial role in helping Member States achieve their climate goals and in enabling end beneficiaries to implement the investments. (EQ 8.1)

Member States differ significantly in the number of staff employed for Modernisation Fund functions. On average, Member States employ 24 FTEs to manage the MF at the national level at a cost of EUR 566,000 per annum, with these FTEs responsible for the development, submission, implementation and monitoring of investments. For the majority of beneficiary Member States (8/13), the most resource intensive phase is the implementation of the approved investments. Member States that have recently become beneficiaries of the MF currently have a comparatively smaller number of FTEs as they ramp up their national MF processes and receive comparatively lower MF funding envelopes (see Table below). In interviews, a few Member States (Lithuania, Slovakia) have expressed concerns about high MF administrative costs and the absence of MF funding allocated to administrative costs (see EQ 8.3).

Table 8 FTEs dedicated to MF processes in Member States ([100])

Beneficiary Member States	Development and submission of investment proposals	Implementation of the approved investments	Monitoring of implementation	Total FTEs	Total annual costs (EUR)	Admin costs over 10 years as a percentage of MS envelope
Bulgaria	2	1.5	1.5	5	73,000	0.04%
Croatia	2	0.5	0.5	3	60,000	0.05%
Czechia	9	25	5	39	966,000	0.07%
Estonia	1	5	2	8	228,000	0.28%
Greece	2	0*	0*	2	41,000	0.03%
Hungary	5	10	5	20	469,000	0.19%
Latvia	1	1.5	1.5	4	82,000	0.20%
Lithuania	2	36	9	47	1,280,000	0.98%
Poland	15	30	5	50	1,085,000	0.08%
Portugal	1	1	1	3	82,000	0.07%
Romania	28	50	27	105	2,178,000	0.15%
Slovakia	3	9	8.5	20.5	483,000	0.12%
Slovenia	0.5	3.5	5	9	330,000	1.14%
Average	6	13	5	24	566,000	
Total	**72**	**173**	**71**	**316**	**7,357,000**	**0.13%**

* As no projects have yet begun implementation
Source: Survey of Member States and follow-up email exchanges.

There is some correlation between the size of a Member State's workforce dedicated to the MF, its total potential MF envelope and utilisation of MF funding. This is illustrated particularly through the examples of Romania, Czechia and Poland which are on the higher end of employee numbers dedicated to the MF. The total envelopes of these three Member States are the largest among all beneficiary Member States with EUR 14.4 billion for Romania, EUR 14.4 billion for Czechia and EUR 12.9 billion for Poland. In terms of disbursement to date from the MF to Member States, Romania, Czechia and Poland have received the highest amounts, which are EUR 5.5 billion, EUR 4.7 billion and EUR 3.2 billion respectively. As regards to the administrative costs over ten years as a percentage of MS envelope, the figures for Romania, Czechia and Poland are 0.15%, 0.07% and 0.08%, respectively. On the other end of the spectrum, Member States such as Greece and Portugal, which joined the MF recently, are in the early stages of setting up their MF processes and managing investments. This is commensurate with their overall low workforce numbers, but also with the fact that they will also receive a relatively lower total allocation compared to longstanding BMSs ([101]). The evaluation of the Recovery and Resilience Facility (RRF) found that the administrative costs for Member States ranged from EUR 350,000 to EUR 9 million over a period of six years ([102]). The evaluation did not further disaggregate the costs by Member State. Assuming

([100]) The administrative costs were calculated based on 2022 salary figures from Eurostat for public sector employees for the respective Member States. An inflator was used to arrive at 2025 prices. The dataset used did not contain salaries for Greece and Portugal. Salary figures for these Member States were based on earnings data of Member States that have similar GDP per capita values. See link.
([101]) Modernisation Fund database.
([102]) European Commission (2023), Evaluation of the RRF. See link.

uniform costs over six years, the RRF's annual administrative costs for Member States range from EUR 58,000 to EUR 1.5 million. This is a similar range to the administrative costs for the Modernisation Fund, which range from EUR 41,000 to EUR 1.3 million per year (excluding Romania which has a much higher administrative cost estimate of EUR 2.2 million). Additionally, for all Member States, the administrative costs for the RRF per EUR million were less than EUR 2,500 ([103]). Based on their respective envelopes, the administrative costs for the MF per EUR million range from EUR 280 to EUR 2,800 (Lithuania and Slovenia being the outliers, with costs of EUR 9,780 and EUR 11,440, respectively).

At the same time, **Member States' capacity is often limited**, with governments being understaffed. Croatia, Latvia, Lithuania, and Slovakia noted this in interviews, while Slovenia, Czechia, Greece, Portugal, and Estonia flagged in the survey that administrative capacity is a hindering factor for the achievement of the MF objectives for them. A trade association ([104]) also mentioned in an interview the lack of resources in national authorities.

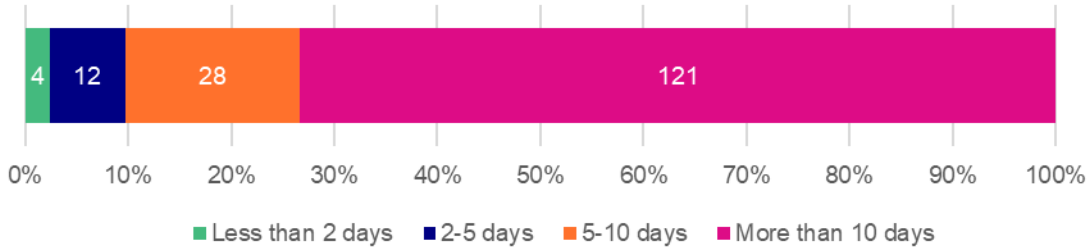
End beneficiaries tend to dedicate manageable resources to accessing and utilising the MF support, with costs linked to application processes, administrative tasks during project implementation, and monitoring requirements. 73% of end beneficiaries indicated in the survey that it took them more than 10 working days to develop an MF application (see Figure 36), including 10% who estimated a total preparation time exceeding 2–3 months, particularly where permitting, coordination with external consultants, or internal approvals were needed. For the remaining end beneficiaries, 17% took 5-10 working days, 7% took 2-5 working days, and the remaining 2% took less than 2 days. A large share of the effort is dedicated to preparing technical and financial documentation - such as feasibility studies, energy audits, cost-efficiency analyses, and detailed project plans (see Figure 37). The number of employees end beneficiaries dedicate to the application tasks varies widely with 40% dedicating 3-5 employees, 28% dedicating 1-2 employees, 19% dedicating 6-10 employees, with the remaining 13% committing more than 10 employees. Despite the documentation required for the application process, an end beneficiary ([105]) in Romania indicated in an interview that it is simpler to access funding from the MF relative to other EU funds and the application process is easier. In comparison, for Horizon Europe (2021-2027) proposals, the median consortium coordinator spends between 36-45 person-days per proposal, with an additional 16-25 person-days spent by consortium partners ([106]). The latter depends on the size of the consortium.

As for the project implementation phase, the workload due to MF-related administrative tasks for roughly half of the end beneficiaries is less than 20% of total project time, and for another 40%, it was between 20-40% (see Figure 38). While not a direct comparison, the Horizon Europe (2021-2027) interim evaluation report found that beneficiaries spend 6-10% of the project budget on administrative tasks. Finally, the burden associated with complying with monitoring requirements is considered manageable by most end beneficiaries with only a third considering it 'very significant' (see Figure 39). No specific challenges related to monitoring by the Member State were repeatedly mentioned by end

([103]) Ibid
([104]) Interview with Eurelectric.
([105]) Interview with Transgaz.
([106]) European Commission (2025), Interim Evaluation of the Horizon Europe Framework Programme for Research and Innovation (2021 – 2024), SWD 110. See link.

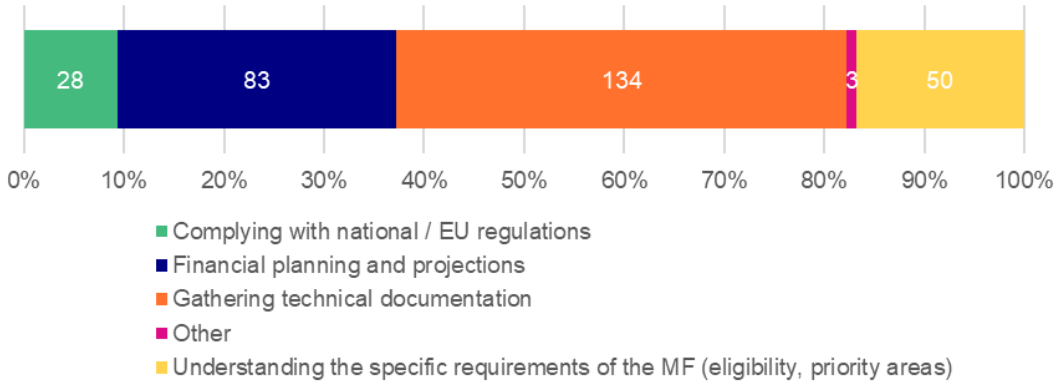
beneficiaries in the case studies, with only one end beneficiary flagging the time and resources spent on data collection and analysis needed to comply with the monitoring requirements. In comparison, about half of the beneficiaries of Horizon Europe agreed to some extent that 'project reporting requires reasonable effort and costs', while 14% disagreed.

Figure 36 Working days spent by end beneficiaries preparing the application for Modernisation Fund support (N=165)



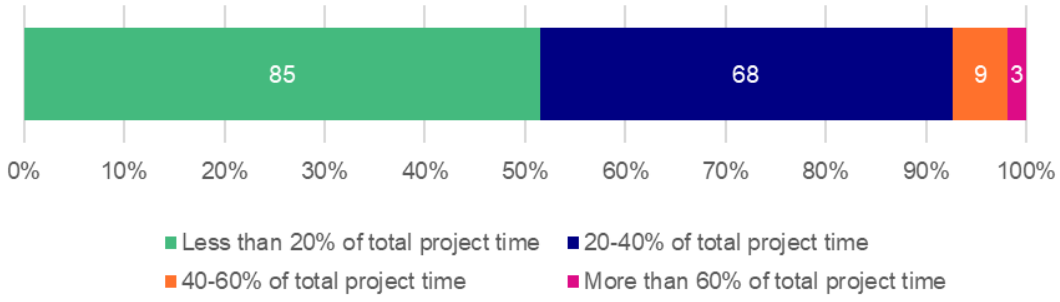
Source: Survey of end beneficiaries.

Figure 37 Aspect of the application process assessed as the most resource-intensive by end beneficiaries (N=165) ([107])



Source: Survey of end beneficiaries.

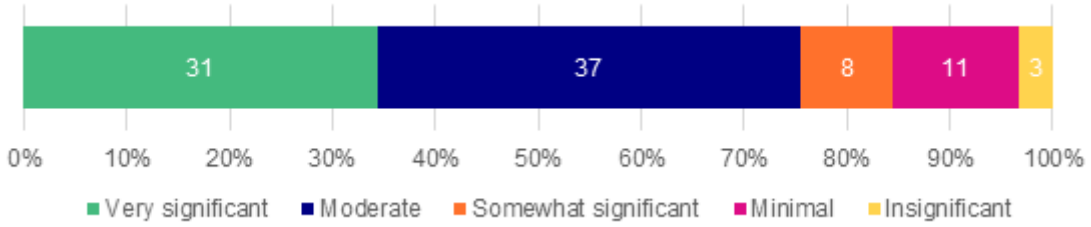
Figure 38 Time spent by end beneficiaries on Modernisation Fund related administrative tasks during the implementation phase of projects/schemes as a share of total project time (N=165)



Source: Survey of end beneficiaries.

([107]) While the total number of respondents were 165, multiple respondents chose more than one aspect of the application process as most resource-intensive. The responses were broken down to reflect this, adding up to a total of 298.

Figure 39 Significance of the administrative burden of complying with monitoring by the Member State (N=90)



Source: Survey of end beneficiaries.

Costs at EU level are moderate, with low staff levels employed. However, they are higher relative to the costs at EU level as a share of total budget for the Recovery and Resilience Facility (EQ8.2).

Between the EIB and the European Commission, there are 20.75 FTEs supporting the implementation of the MF, with neither institution considering costs to be a significant burden. The EIB's role in the implementation of the MF is defined in the EU ETS Directive and the MF Implementing Regulation, whereby it acts as a service provider to the European Commission and Member States. The various functions that EIB directorates take on through 19 FTEs are detailed in the table below. The EIB liaises with Member States and evaluates their proposals, provides technical assistance to the Commission, keeps MF guidance and manuals up to date and responds to transparency and information requests ([108]). In contrast to the EIB, there are only 1.75 FTEs dedicated to the implementation of the MF at the European Commission. Their work is shared between the Directorate-General for Climate Action and the Directorate-General for Competition, which checks compliance of applications with State aid rules ([109]). Neither the EIB nor the Commission raised concerns about administrative burdens resulting from MF implementation. Over the course of 10 years, the administrative costs to the Commission and the EIB are expected to be EUR 25.7 million (0.045% of the MF's 56.8 billion budget). In comparison, the administrative costs for the RRF were borne mostly by the Commission. The amount allocated for administrative costs was EUR 88.2 million ([110]) (0.014% of RRF's EUR 650 billion budget). The MF's costs at the EU level relative to the total fund budget are roughly three times those of the RRF.

Table 9 Breakdown of FTEs dedicated to the implementation of the MF at the EIB and their functions

Directorate/Function	Number of FTEs	Annual wage rate ([111])	Total Costs
Projects Directorate for all activities related to the Assessment and Confirmation of investments	10	EUR 125,000	EUR 1,250,000

([108]) Interview with EIB.
([109]) The European Commission provided FTEs information via email.
([110]) European Commission (2023), Evaluation of the RRF. See link.
([111]) The annual wage rate estimate is based on the grade levels 5 and 6 published by the European Investment Bank. See: link.

Directorate/Function	Number of FTEs	Annual wage rate ([111])	Total Costs
Secretary General Directorate for all tasks related to the Secretariat	2		EUR 250,000
Treasury Directorate (for tasks related to Auctioning, receipt of revenues, asset management and disbursement of funds)	2		EUR 250,000
Operations Directorate (also taking part in tasks related to the Auctioning, receipt of revenues, and disbursement of funds)	3		EUR 375,000
Financial Control Directorate	1		EUR 125,000
Risk Management Directorate	1		EUR 125,000
Total	19		EUR 2,375,000

Table 10 Breakdown of FTEs dedicated to the implementation of the MF at the European Commission

Directorate General	FTEs	Annual wage rate ([112])	Total Costs
Directorate-General for Climate Action (DG CLIMA)	1	EUR 110,000	EUR 110,000
Directorate-General for Competition (DG COMP)	0.75		EUR 82,500
Total	1.75		EUR 192,500

In line with broad satisfaction with MF proceedings at both Member State and end beneficiary level, there are no widespread suggestions for improving efficiency. However, a few stakeholders suggest some opportunities for improvement (8.3).

Two stakeholders commented that more flexibility for amending approved schemes without the need for formal EU-level approval would increase efficiency. Estonia believes there should be a simplified process for amending approved schemes in certain cases, for example, if significant changes in the economic or geopolitical environment take place, or as a result of public procurements. This point was echoed by a company ([113]), which was asking for greater flexibility in budget reallocation and implementation timelines. In particular, in case any changes need to be made to the approved investments, Member States should not have to go through the approval procedure of the Fund again.

Coordination at the EU level could be improved. DG COMP noted that their later involvement in the investment approval process would be more efficient, as proposals are sometimes rejected by the EIB based on eligibility criteria after State aid compliance has been checked. Prioritisation would also help organise the work and efficiently manage resources, for instance it was suggested that the EIB flag which proposals would need the opinion of DG COMP, and which are the most important ones.

([112]) The annual wage rate estimate is based on the median monthly salaries (levels 8 and 9) published by the European Union. See: link.
([113]) Interview with PGE Polska Grupa Energetyczna S.A.

Three stakeholders suggested establishing a platform or a mechanism for recording and sharing lessons learned and best practices for Member States and end beneficiaries. It was noted by a company in the Call for evidence ([114]) that, for instance, this would help new Member States, such as Portugal, as they may still be in the process of establishing internal procedures. A trade association ([115]) noted that his would speed up the learning process and promote the alignment of eligibility criteria. The government of Netherlands expressed support for setting up a more formal exchange of information on lessons learned and best practice sharing.

Two Member States assess that efficiency at the Member State level could be enhanced through increased allowance of administrative funding, including from the MF. Currently the Modernisation Fund does not finance technical assistance for its implementation at the national level. This is different from many other EU funds that allocate part of their budget (around 1-3%) for administrative support, e.g. the Social Climate Fund.

Digitalisation, faster approval time, red tape reduction, and clearer guidance were mentioned by end beneficiaries as avenues for improving efficiency of national processes. Digitalisation was the most common suggestion, with 8.5% of respondents from Croatia, Poland, Romania, Lithuania, and Bulgaria calling for online applications, digital submissions, and real-time guidance. Faster decision-making and shorter approval times were highlighted by 4.2% of respondents from Czechia, Croatia, Poland, Hungary, and Romania, often linked to lengthy contracting procedures. 5.4% of respondents, especially in Czechia, Croatia, Romania, and Poland, stressed the need to reduce administrative burden by streamlining documentation and simplifying reporting. Finally, clearer guidance and better communication were requested by 2.4% of respondents from Bulgaria, Croatia, Romania, and Czechia.

([114]) Call for Evidence (Galp).
([115]) Interview with Eurelectric.

5.3. Relevance

The findings concerning the relevance of the MF are presented in this chapter. Relevance covered through two questions, more precisely: **EQ 9**. To what extent are the objectives of the MF still relevant in the current context of climate action and technology deployment needs in lower-income Member States? Will they be still relevant based on expected evolution in the coming years? Do these issues still require action at the EU level? **EQ 10.** To what extent are the objectives of the MF still relevant for the current EU policy goals?

Summary of key findings:

- **EQ 9: To what extent are the objectives of the MF still relevant in the current context of climate action and technology deployment needs in lower-income Member States? Will they be still relevant based on expected evolution on the coming years? Do these issues still require action at the EU level?** The MF remains highly relevant and well aligned with Member States' climate and technology needs, with broad agreement that it is indispensable for achieving national energy and climate goals. Investments focus on renewable energy, energy efficiency, grid modernisation, and storage, directly addressing key gaps identified in NECPs. Member States make to a lesser extent use of the possibility to finance just transition and energy poverty which may suggest that the MF is not the best vehicle to support these activities. Looking forward, the MF continues to be seen as crucial, but the current PI/NPI categorisation only partly reflects emerging technology needs, with some stakeholders calling for more flexible eligibility to include CCUS, RFNBOs, sustainable aviation fuels (SAFs), and industrial electrification. Despite these limitations, the MF is widely viewed as indispensable in helping lower-income Member States close investment gaps and meet EU climate targets.

- **EQ 10: To what extent are the objectives of the MF still relevant for the current EU policy goals?** The Modernisation Fund (MF) is seen as strongly aligned with EU climate and energy goals such as the Green Deal, 2030 targets, and REPowerEU, by supporting renewable energy, energy efficiency, and storage. Stakeholders value its role in closing investment gaps and helping lower-income countries modernise energy systems and grids, though concerns exist about the eligibility of fossil fuel and waste-to-energy, as well as limited support for energy communities**.** At the same time, gaps remain: the MF does not prioritise advanced biofuels, RFNBOs, CCUS, or clean technology manufacturing, despite their central role in Union policies such as RED III, the Net-Zero Industry Act, and the EU industrial policy.

5.3.1. Relevance of the MF in the context of evolving Member State needs

MF objectives and investments are still largely aligned with Member State needs and priorities (EQ 9.1).

The MF's investment fields broadly reflect the main technological and climate action deployment needs of the Member States. There is strong consensus on the importance of the MF for achieving national energy and climate priorities: thirteen Member State stakeholders consider it very important, and two consider it important ([116]). MS and certain NGO/industry stakeholders see it as helpful and flexible enough for MS needs (Croatia, Germany, Slovenia, Poland) with the priority areas being fully aligned with the most impactful sectors and current/future energy transformation and decarbonisation needs (Hungary, Lithuania, Croatia, Latvia, Estonia) ([117]). This notion is confirmed, when

([116]) Survey of Member States.
([117]) Survey of Member States; Survey of other organisations (WWF Romania, WWF European Policy Office, REScoop.eu, Climate Alliance, Euroheat & Power, and RWEA).

looking more closely at the alignment between MS technology- and climate deployment needs and the investment fields of the MF:

1) Renewable Energy: Although the progress in RES deployment differs in all beneficiary Member States, there is an overall deployment gap for all of them to reach the 2030 renewable energy target of 42.5%. Member States like Poland and Bulgaria only had renewable energy shares of respectively 17% and 19% in 2022, against their country specific targets of 31.1% and 30,1% ([118]) still largely relying on coal and gas ([119]). Romania's energy mix still relies heavily on fossil fuels, making up about 70%, showing a considerable gap to reach the 38% renewable energy share by 2030 ([120]). Decarbonising heating and cooling is a major challenge for the 13 beneficiary Member States. Heating accounts for a large share of energy use, and many of these countries rely heavily on fossil fuels – coal, lignite, or natural gas – for space heating and district heating. For example, Poland, Czechia, and Bulgaria still have extensive district heating networks fuelled predominantly by coal or gas, and many individual households use coal or oil boilers ([121]). District heating systems in these countries are therefore in need of substantive refurbishment to improve efficiency and integrate renewable heat sources, which is done in several MF supported projects (see portfolio analysis).

2) Energy Efficiency: Improving energy efficiency – particularly in buildings and industry – is a pressing priority across all 13 countries to reach the EED energy efficiency target (-11.7% final energy consumption) by 2030. These countries often have higher energy intensities (energy use per GDP) than the EU average, reflecting older infrastructure and inefficiencies in industry. While the EU average energy intensity of GDP in 2023 is 78 PPS (per Purchasing Power Standard), most MF beneficiary Member States exceed this level - for example Czechia (101 PPS), Slovakia (109 PPS), Estonia (105 PPS), and Poland (86 PPS) ([122]). The recommendations provided by the 2025 country-specific recommendations, align with this assessment and urge the named Member States to progress on energy efficiency measures in buildings and industry ([123]). For Slovakia, the quantified objective of reducing the building energy consumption by 17% by 2030 (compared to 2020) is put forward ([124]). Energy efficiency, as the largest investment area of the MF (see portfolio analysis), demonstrates how Member States use the Fund to address these gaps. Within that investment field, energy efficiency in buildings, energy generation, transport, industry and others are targeted by MF support ([125]). Large schemes on energy efficiency in buildings such as Czechia's HouseEnerg programme, or large schemes on industrial energy efficiency, such as the Slovak industrial decarbonisation scheme, underline that the needs in these areas are targeted by the Member States[126].

3) Energy storage and grid modernisation: Integrating a high share of renewables will require significant energy storage capacity and smart grid upgrades in all 13 Member States, the importance of which is also stipulated in the TEN-E regulation and the

([118]) Country NECPs of Bulgaria (link), and Poland (link).
([119]) EEA (2025), Share of energy consumption from renewable sources in Europe. See link.
([120]) European Commission (2025), Recommendation for a council recommendation (RO). See link.
([121]) EEA (2025), Share of energy consumption from renewable sources in Europe. See link.
([122]) Eurostat (2025), Energy Intensity. See link.
([123]) European Commission (2025), Recommendation for a council recommendation. See link.
([124]) European Commission (2025), Recommendation for a council recommendation (SK). See link.
([125]) Portfolio analysis.
([126]) Case Study on Energy Efficiency.

Renewable Energy Directive (REDIII) ([127]). Many of these countries currently have minimal storage and relatively outdated grids. For example, in Romania, high-voltage distribution lines are on average 47 years old, while high-voltage transmission lines average 44 years. The country-specific recommendations of the European Semester, specifically highlight the need for substantiative investments in Romania's power grids, that are currently ill-equipped to accommodate a large expansion of wind and solar power generation ([128]). In Lithuania, distribution lines are around 35 years old on average, and transmission lines approximately 36.5 years. Across the EU, around 40% of distribution grids are more than 40 years old ([129]). The dedicated MF priority area responds to this investment needs, making available funding for grid updates, interconnectors and storage capacity ([130]).

4) Support for low-income households: According to the JRC, about 48 million Europeans (10.6% of the EU) were unable to keep their home warm in 2023, with the worst rates in Bulgaria, Romania and Greece, and above-average energy poverty in Portugal, Croatia and Lithuania ([131]). The country-specific recommendations of the European Semester, amongst others, point to the recommendations to develop an information system on vulnerable households and provide targeted measures (Bulgaria), and to target emergency energy support measures to vulnerable households (Slovakia) ([132]). Although considered important by MS authorities, this investment field has so far only accounted for four investments, as further substantiated in EQ 1.3.

5) Transition in carbon dependent regions, is an objective with a dedicated EU policy objective, the just transition objective attached to it. Many former coal regions located in Poland, Czechia, Bulgaria or Romania need additional support to finance the transition to a green economy ([133]). The country-specific recommendations of the European Semester, amongst others, recommend to specifically consider the impact on coal regions in the energy deployment strategy going forward (Poland, Romania), and to target energy actions according to regional disparities (Portugal) ([134]). So far, no dedicated investments in this priority area have been made, which raises the question of the relevance of this area. However, investments have been made that indirectly contribute to just transition objectives (see EQ 13.1)

Investments under the MF are largely aligned with Member States' NECP priorities and address key national needs. When comparing the priorities set out in Member States NECPs with the objectives of approved MF investments, 33% were found to be explicitly mentioned in NECPs, and 129 investments were classified as generally aligned, and no investments were considered misaligned (see EQ 1.7). This is confirmed by Member States: Eight considered MF investments made to be aligned to a very large extent, four to a large extent, and one to a moderate extent with national priorities indicated in NECPs ([135]). The high level of alignment is, amongst others, originating from internal coordination procedures between the NECPs and MF investments. This points to an overall perception of high relevance between MF objectives and individual MS

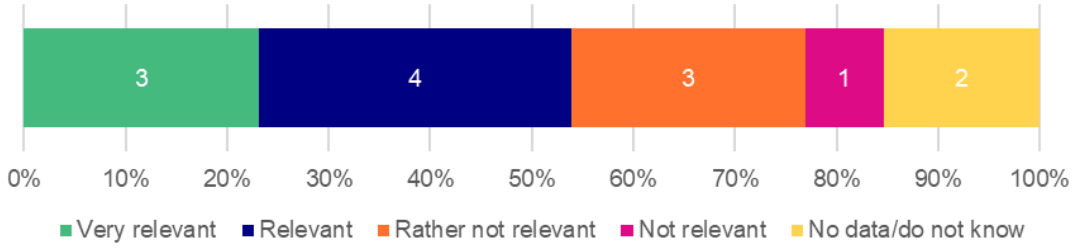
([127]) Directive 2023/2413, see link, and Regulation 2022/869. See link
([128]) European Commission (2025), Recommendation for a council recommendation (RO). See link.
([129]) European Court of Auditors (2025), Making the EU electricity grid fit for net-zero emissions. See link.
([130]) European Commission (2025) European Grids Package, see link.; Modernisation Fund (2025). See link.
([131]) JRC (2025), European rural areas face higher levels of energy poverty. See link.
([132]) European Commission (2025), Recommendation for a council recommendation (BG and SK). See link.
([133]) European Commission (2025) EU coal regions in transition. See link.
([134]) European Commission (2025), Recommendation for a council recommendation. See link.
([135]) Survey of Member States.

needs, for example in terms addressing urgent infrastructure gaps and supporting decarbonisation goals and NECP priorities (Bulgaria, Portugal) ([136]).

The activities supported by the MF are still relevant in the context of future Member State needs, however, emerging technologies are only partly eligible (EQ 9.2).

A majority of MSs assess that the MF is relevant to cover their evolving needs. As depicted in Figure 40, Figure 40 Member State opinions on the relevance of the NPI and PI categories according to emerging national needs are divided. Seven BMSs (Croatia, Poland, Romania, Bulgaria, Lithuania, Hungary, Greece, Portugal) consider them very relevant or relevant, while four regard them as rather not relevant or not relevant (Slovenia, Czechia, Slovakia, Romania). Except for Slovenia, the Member States rating the NPI/PI categories as not relevant/rather not relevant for the evolving Member State needs, provided a similar assessment regarding the current needs (see EQ 9.1). BMS substantiated the consideration of misalignment by pointing to several examples: the regulatory burdens of the current structure for initiating gas-related investments that are hydrogen-ready (Czechia); the need to also account for energy security needs for gas-related investments (Slovenia); and criticism of the framework's rigidity and lack of country-specific responsiveness (Romania).

Figure 40 In light of the evolving needs in your country, how relevant would you assess the distinction between the categories of priority/nonpriority investments? (N=13) ([137])



Source: Survey of Member States.

Most stakeholders consider MF support in the future as indispensable to address the climate action and technology deployment needs. Despite differing views on priority investment areas and technology eligibility, most Member State-, industry-, NGO- and end-beneficiary stakeholders regard MF support as relevant and indispensable for meeting climate action and technology deployment needs in their countries. More specifically,12 BMS consider the MF support as 'very important' to achieve MS energy and climate priorities, while one MS considers it as 'important' ([138]). 114 out of 165 end beneficiaries state that the project or scheme, which was financed by the MF would not have been possible without the support of the Modernisation Fund ([139]). Eight NGOs and five industry/trade organisations consider the MF objectives to be very relevant. Two NGOs find them relevant, and one NGO considers them neutral with respect to supporting the modernisation of energy systems and improving energy efficiency across the 13 BMS. This aligns with the overall purpose of the Modernisation Fund to address an investment gap in lower-income Member States, but also with still very high investment needs to

([136]) Applies to 8 MS stakeholders. See analysis in EQ 1.7.
([137]) Survey of Member States.
([138]) Survey of Member States.
([139]) Survey of end beneficiaries.

achieve the 2030 climate and energy framework. The EU-wide estimated investment gap to hit the 2030 targets are estimated at EUR 477 billion, showing that large gaps exist on at EU level, despite extensive investments ([140]).

5.3.2. Relevance of the MF in the context of current EU policy goals

Stakeholders broadly confirm the relevance of the MF objectives and investment categories in relation to EU climate targets, while highlighting that the Fund's potential to address other policy objectives could be more pronounced (EQ 10.1, EQ 10.2).

The MF support is essential for lower-income countries to close the investment gap to reach the EU 2030 climate targets. Across Member States, the Modernisation Fund (MF) is consistently viewed as a substantial driver for achieving 2030 climate and energy objectives, particularly by bridging investment gaps in renewable energy, energy efficiency, and clean mobility. Countries such as Slovenia and Hungary highlight its role in closing gaps in reaching their NECP targets, while Greece and Romania stress its importance for modernising transport and reducing fossil fuel dependence. Others, including Bulgaria, Lithuania, and Latvia, underline the MF's systemic contribution to modernising energy systems and reinforcing electricity grids, thereby enhancing resilience. A recurring theme is the MF's unique ability to provide targeted, large-scale support, especially in countries with limited financial resources, positioning it as indispensable for meeting national and EU-wide decarbonisation goals ([141]).

MF objectives remain highly relevant to current EU climate and energy goals, such as the Green Deal, 2030 climate targets, and REPowerEU. Only five BMSs considered the investments supported by the MF to not be aligned with current climate and energy policy goals (see). However, eligibility of investments involving fossil fuels is criticised by non-beneficiary Member States in the context of EU decarbonisation goals, such as the 2030 and 2050 targets (Germany, Sweden, the Netherlands) ([142]). Furthermore, NGO stakeholders extend this criticism to the eligibilities also to the support of waste-incineration projects ([143]). In addition to the technological investment areas already mentioned, other organisations emphasised the need for MF investments to place stronger focus on energy communities and community-driven energy projects, which would better reflect citizens' needs, and contribute to the alleviation of energy poverty ([144]). The extension of MF beneficiary countries further supports alignment, as it was introduced to provide additional assistance to those needing help in meeting their EU climate targets ([145]).

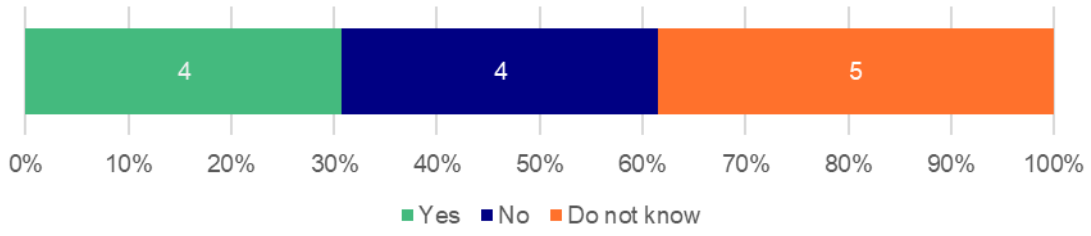
EU targets for transport fuels, industrial policy, and critical raw materials are not strongly echoed in the MF objectives. The Renewable Energy Directive (RED III) sets ambitious targets of 5,5% renewable fuels of non-biological origin (RFNBOs) and advanced biofuels use in the transport sector by 2030 (including a minimum target of 1% RFNBOs) ([146]). Although the production of advanced biofuels is taxonomy aligned and set as a vital step to decarbonise hard-to abate transport sectors, it is currently only

([140]) European Central Bank (2024), Investment needs to meet EU green and digital targets. See link.
([141]) Survey of Member States.
([142]) Interviews with Member States, Interviews with NGOs (Bankwatch, WWF, FoE Slovakia).
([143]) Interviews with FoE Slovakia, CfE, Bankwatch, Zero Waste Europe, Carbon Market Watch, BirdLife Hungary.
([144]) Survey of other organisations (CEE Bankwatch, Bankwatch Romania, the Green Tank, European Cyclists federation, Carbon Market Watch).
([145]) Interview with the EIB.
([146]) European Commission (2023), Directive 2023/2413 amending Directive 2018/2001.

supported under the MF as non-priority investments. This has met criticism by several Member State stakeholders (Greece, Romania, Poland), intending to further accelerate the production of biofuels through MF support. The Green Deal Industrial Plan was launched in 2023 to ensure the clean industrial transition while strengthening Europe's industrial competitiveness. A key objective is the scale up of EU manufacturing capacity for key clean technologies ([147]). Although the MF is considered stimulating for the demand of clean technologies, it does not directly support the manufacturing process of these technologies, which has been pointed out by amongst others Greece ([148]) and industry stakeholders ([149]). The Critical Raw Materials Act (CRMA) sets 2030 benchmarks to bolster EU supply chains – for example, at least 10% of the EU's annual consumption of strategic raw materials should be mined domestically, 40% processed in the EU, and 25% recycled, with no more than 65% coming from any single third country ([150]). It is beyond the MF's scope to support any direct activities relating to critical raw materials, although one MS stakeholder (Greece) ([151]) has called for the possibility to support activities under that remit.

Union targets on CCUS, and transport are currently not reflected as MF priority investment areas. Five of the fifteen Member State stakeholders identify a mismatch between the priority and non-priority investment categories and current EU climate and energy policy goals (see Figure 41). When asked to substantiate their statements, stakeholders provided examples of technologies to be reclassified as priority investments due to their strategic importance: E-mobility regardless of the energy efficiency contribution (Hungary), CCUS (Romania) and technologies linked to maritime transport (Romania). The importance of CCUS is underscored in the Net-Zero Industry Act, which sets a binding EU target of over 50 Mt/year injection capacity by 2030 ([152]), and in the TEN-E regulation, which recognizes the critical role of CO_2 transportation and storage networks ([153]). Other Member State stakeholders argue that any investment required to meet binding EU targets, such as those under RED III, the Net Zero Industry Act, or provisions on critical raw materials should automatically be treated as priority investments, suggesting that the Modernisation Fund should better align its categories with legal obligations and technological realities (Greece, Romania) ([154]).

Figure 41 Do you see any potential mismatch between the categories of priority and non-priority investments and the current EU climate and energy policy goals? (N=13)



Source: Survey of Member States.

([147]) European Commission (2023), Green Deal Industrial Plan. See link.
([148]) Interview with Greece.
([149]) Interview with trade organisations - Eurelectric
([150]) European Commission (2024) Critical Raw Materials act. See link.
([151]) Interview with Greece.
([152]) European Union (2024), Regulation 2024/1735. See link
([153]) European Union (2022) Regulation 2022/869. See link.
([154]) Survey of Member States.

5.4. Coherence

The findings concerning the coherence of the MF are presented in this chapter. Coherence covered two questions, more precisely: **EQ 12.** How are the MF activities and operating rules (incl. the distinction between priority and non-priority investment) coherent with the objective of the Fund and of EU Policy? **EQ 13.** How does the MF find synergies with other EU Funding Programmes (particularly the Recovery and Resilience Fund, Cohesion Policy, the Innovation Fund, Social and Climate Fund, Just Transition Fund) in achieving EU Policy Objectives?

Summary of key findings:

- **EQ12: How are the MF activities and operating rules (incl. the distinction between priority and non-priority investment) coherent with the objective of the Fund and of EU Policy?** The Modernisation Fund's framework and the delineation between priority and non-priority investments are generally coherent, but borderline cases continue to pose challenges, particularly for technologies such as gas, biomass, hydrogen, storage, and CCS. While EU policy frameworks (e.g. Net-Zero Industry Act, EU Taxonomy) clearly recognise most of these as strategic, their treatment under MF rules creates some uncertainty for Member States and beneficiaries. The MF has increasingly prioritised PIs, with a clear increase in the volume of PIs versus NPIs. Fossil fuel investments have been a source of criticism for risking carbon lock-in, though recent legislative changes are steering the Fund away from such support. Stricter scrutiny of NPIs adds administrative burden but safeguards coherence and encourages Member States to concentrate on PIs, which are strongly aligned with EU climate and energy objectives.

- **EQ 13: How does the MF find synergies with other EU Funding Programmes (particularly the Recovery and Resilience Fund, Cohesion Policy, the Innovation Fund, Social and Climate Fund, Just Transition Fund) in achieving EU Policy Objectives?** The Modernisation Fund complements other EU and national funding streams by addressing distinct dimensions of shared policy objectives, with coordination mechanisms (mostly informal) helping to prevent overlaps. While synergies with Cohesion Policy and the RRF are strongest, Just Transition aspects remain largely implicit, and alignment with the Social Climate Fund is expected only after its launch in 2026.

5.4.1. Coherence of activities and operating rules with MF objectives and EU policy objectives (internal coherence)

MF-supported activities are widely consistent with EU climate and energy objectives. The operating rules of the MF facilitated strong prevalence of PIs, which are most closely aligned with these objectives (EQ 12.1, EQ 12.2).

Priority areas as defined in the EU ETS Directive are aligned with EU climate and energy policy objectives. Gearing investments towards energy efficiency, renewable energy generation and energy storage and modernisation of networks is highly aligned with EU climate and energy objectives and the Fit-for-55 package, which aims to deliver on the objective to reduce GHG emissions by at least 55% by 2030. As part of the Fit-for-55 package, the 2023 revisions of the EU ETS Directive introduced a ban on the support of projects involving gaseous fossil fuels (with some exceptions), as well as a required alignment of all investments with the EU Taxonomy and the DNSH criteria.

The MF's operating rules effectively ensured the heavy predominance of PIs, thereby ensuring coherence with the Fund's decarbonisation objectives. In line with Article 10d(2) of the revised EU ETS Directive, which requires that at least 80% of the resources be allocated to priority areas (see chapter 4), the MF supported 179 priority investments and only 15 non-priority investments. The share of NPIs has steadily

declined, peaking at nine approvals in 2022 but dropping to only two by 2024 and zero in the first cycle of 2025, highlighting a clear and growing shift towards prioritising PIs as intended by the MF framework. This indicates that BMSs are increasingly focusing on the use of PIs, which are more strongly aligned with the overall MF's objectives and the EU climate and energy objectives. According to the portfolio analysis, Priority Investments have clearly been favoured by the Member States, amounting to EUR 17.8 billion in MF support disbursed to Member States. As of mid-2025, non-priority investments account for only 6% of Modernisation Fund resources disbursed to BMSs, corresponding to EUR 1.1 billion. This is well below the ceiling established in the ETS Directive, indicating that the Fund has remained strongly focused on priority investments and coherent with its objectives (see EQ 1.3).

Investments in energy efficiency (EUR 6.8 billion disbursed by the EIB to beneficiary Member States representing 37.4% of total PI disbursements by the EIB by mid-2025) contribute to the objectives of the Energy Efficiency Directive, which sets a target of 11.7% energy consumption reduction by 2030 compared to the 2020 reference target ([155]), while also reflecting the established energy-efficiency-first principle ([156]). Saving energy is also one of the main priorities of REPowerEU ([157]) as a measure to increase energy self-sufficiency. By allowing energy efficiency improvements in a number of sectors, ranging from energy generation to industry, buildings, transport, agriculture or waste, the MF supports a comprehensive reduction of energy consumption across the economy, covering ETS1, ETS2 and non-ETS sectors at the same time.

Prioritising renewable energy production (EUR 5.8 billion disbursed by the EIB representing 32% of total PI disbursements) responds to several EU policy objectives, such as the 2030 42.5% renewable energy share target established by the Renewable Energy Directive (RED III). In addition, RED III includes several sectoral targets in scope of the MF support, such as buildings (required 49% share of renewables in the building sector by 2030), transport (29% share of renewables in transport by 2030), heating/cooling (annual increase in renewable heating/cooling by 1.1% annually) ([158]). REPowerEU also pronounces the acceleration of renewable energy production capacity with a view to gain energy independence from Russian fossil fuel imports. Especially for hard-to-abate sectors, such as heavy industry and transport, the deployment of renewable hydrogen is emphasised in REPowerEU. The MF explicitly supports the deployment of renewable hydrogen under this priority area. However, until this point only eight confirmed projects/schemes specifically target the deployment of green hydrogen production ([159]).

Energy storage and modernisation of networks (EUR 7.4 billion disbursed by the EIB representing 27% of total PI disbursements by mid-2025) is an investment area that is enshrined in the EU Action Plan for Grids, setting out a policy package to accelerate grid expansion and modernisation through amongst others, targeting faster permitting and financing conditions ([160]). REPowerEU is, in its ambition to end dependence on Russian fossil fuels, supporting a higher share of electrification through major grid expansion and modernisation. In addition, energy storage is highlighted as an essential system enabler

([155]) Directive (EU) 2023/1791 of the European Parliament and of the Council of 13 September 2023 on energy efficiency and amending Regulation (EU) 2023/955. See link
([156]) Established by A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy (COM/2015/080). See link.
([157]) European Commission (2022), REPowerEU. See link.
([158]) European Union (2023), Regulation 2023/2413. See link.
([159]) Modernisation Fund database.
([160]) European Union (2023), Grids, the missing link - An EU Action Plan for Grids, COM (2023) 767. See link.

to provide flexibility and security of supply ([161]). The Net-Zero Industry Act explicitly covers energy storage with a view to support the availability of storage technologies needed for system flexibility ([162]).

Support to low-income households (currently no investment formally allocated) as investment area echoes the political principles that are the essence of the newly established Social Climate Fund, which is providing financial support for measures and investments to vulnerable households and vulnerable transport users, also in response to the introduction of the ETS2 ([163]). The principle of prioritising vulnerable households and alleviating energy poverty is also embedded in the recast Energy Performance of Buildings Directive, by promoting energy renovation as a means to lift people out of energy poverty ([164]).

Just transition in carbon-dependent regions (EUR 782.6 million disbursed by the EIB), as an investment area supports, in a way similar to the EU Just Transition Mechanism, redeployment, reskilling, education and job-seeking initiatives in just transition regions. The Modernisation Fund financing can in this case be complementary to the Just Transition Fund, designed to support people and territories facing serious socio-economic challenges from the transition to the EU's climate/energy targets ([165]).

The heavier administrative requirements for NPI approval safeguard the Fund's internal coherence. NPI investment proposals must undergo financial and technical due diligence by the EIB and present additional information, such as quantitative data on expected GHG emissions reductions, and feasibility studies ([166]) Their approval process is also stricter, requiring a positive recommendation by the Fund's Investment Committee in which three non-beneficiary MSs are represented (see EQ 6.4). Three Member States (Poland, Romania, Czechia) indicate that NPIs entail at least 30% higher administrative burden compared to PIs. Lithuania estimates the administrative burden for PIs to be more than 10-20% higher. Romania, Slovenia and Poland ([167]) further substantiated that NPI processes are heavy and work intensive, requiring significant resources especially for compiling the needed appendices and providing the technical and economic assessments. European Commission representatives ([168]) stress that the additional administrative requirements for NPIs, while demanding, ensure that supported projects align with EU policy objectives and act as a natural filter, encouraging Member States to prioritise PI projects in line with the Fund's objectives.

Some enabling technologies needed for the clean energy transition are weakly supported by the Modernisation Fund (EQ 12.1, EQ 12.2)

The Modernisation Fund can only support carbon capture and storage, manufacturing of clean technologies and industrial electrification in a limited number of cases. Carbon capture and storage, recognised as a strategic net-zero technology by

([161]) European Union (2022) REPowerEU Plan. See link.
([162]) Regulation 2024/1735. See link.
([163]) Regulation 2023/955. See link.
([164]) Regulation 2024/1275. See link.
([165]) Regulation 2021/1056. See link.
([166]) Commission Implementing Regulation (EU) 2023/2606 of 22 November 2023 amending Implementing Regulation (EU) 2020/1001 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.
([167]) Survey of Member States, Interviews with Member States.
([168]) Interview with DG REFORM.

the Net Zero Industry Act ([169]), is not eligible as a priority investment under the Fund. It may theoretically be supported as a non-priority investment, however, this type of investments have not been submitted to the EIB so far, so it is not possible to say whether it could have been subject to EIB endorsement and IC recommendation. Manufacturing of clean technologies, which is emphasised in the Net-Zero Industry Act, is also not eligible for support as a priority investment. Industrial electrification is specifically highlighted by the Clean Industrial Deal as a key measure for the decarbonisation of industrial processes. As a central KPI of the plan, an economy-wide electrification rate of 32% is foreseen by 2030 ([170]). However, industrial electrification is not, as such, eligible under PI as deployment and use of electricity and heat can only qualify as PIs if based exclusively on renewables, which means that relying on grid electricity for this electrification would disqualify the investment. It is eligible under NPI, but the NPI area has much less resources available. Industry stakeholders also pointed out challenges related to the eligibility of carbon capture and storage (two industry stakeholders), hydrogen (one industry stakeholder) and electrification of industrial processes (four industry stakeholders) ([171]).

Fossil fuel investments in the MF have raised coherence concerns, but recent legislative reforms and the absence of new proposals in the first cycle of 2025 show a shift towards stronger alignment with EU climate goals (EQ 12.1, 12.2)

Transitional fossil fuel eligibility and certain types of investments may be seen as challenging the consistency of the Fund with the EU climate-neutrality objectives. Between 2021 and mid-2025, 49 investments submitted under the MF involved fossil fuels for a planned support of EUR 9.6 billion, notably 38 PIs (with EUR 8.3 billion of planned MF support) and 11 NPIs (EUR 1.3 billion of planned support), which were concentrated in Czechia (30 proposals, EUR 1.4 billion disbursed by the EIB), Poland (8 proposals, EUR 1.5 billion disbursed by the EIB), Romania (7 proposals, EUR 891 million disbursed by the EIB), Slovakia (3 proposals, EUR 345 million disbursed by the EIB) and Croatia (1 proposal, EUR 80 million disbursed by the EIB). The 2023 revisions of the EU ETS Directive introduced a ban on the support of projects involving gaseous fossil fuels. Some exceptions remain, with regards to allowances voluntarily transferred by Member States, and to historical MF allowances (the allowances preceding the 2023 EU ETS revision). For the latter, investments supporting gas are still possible but assorted with a number of restrictions. In particular, the investments need to justify their contribution for ensuring energy security, demonstrate compliance with the EU Taxonomy requirements established through Regulation 2020/852, be consistent with the objectives of the European Green Deal and the European Climate Law (2021/1119) and are auctioned before the 31 December 2027 (31 December 2028 for investments involving downstream uses of gas) (Article 10d (1)). An early sign of the effect of these changes may be that no fossil fuel-related investment proposals have been submitted by Member States in the first cycle 2025 ([172]). The eligibility of gas under MF can be considered in the broader EU funding context, where such projects are in principle excluded from other instruments (such as the RRF). The MF can be seen as complementing other EU instruments to support transitional investments in lower-income EU Member States that are currently still reliant on solid fossil fuels such as coal. Six NGO stakeholders, one industry stakeholder, and the three non-beneficiary IC members on the other hand argue that

([169]) Proposal for a Regulation on establishing a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem (Net Zero Industry Act). See here.
([170]) Communication from the Commission 'The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation' COM/2025/85 final. See link.
([171]) Call for Evidence (industry stakeholders).
([172]) Modernisation Fund database (investment Data – 2025 Investment Cycle).

the eligibility of fossil fuel investments such as gas, and fossil-fuel infrastructure create potential carbon lock-ins and are not coherent with the overarching EU policy objectives, such as the European Green Deal, Fit for 55, the EU Taxonomy and Repower EU ([173]). This challenge was also raised in the specific NPI case study on Romania's gas pipeline 'Podisor' ([174]).

The eligibility of biomass and waste-to-energy projects may be seen as challenging with regards to ensuring full alignment with EU climate and environmental objectives. Five NGO stakeholders question the coherence of the MF eligibilities on waste incineration projects with EU climate objectives, as the incineration of waste involves the burning of oil-based plastics including the use of auxiliary fuels such as gas ([175]). Additionally, six NGOs also question the coherence of allowing investments in biomass heating plants, as this may challenge compliance with EU environmental objectives in preventing LULUCF-based emissions while also challenging nature-restoration targets ([176]).

5.4.2. Coherence of MF activities with other EU funding programmes (external coherence)

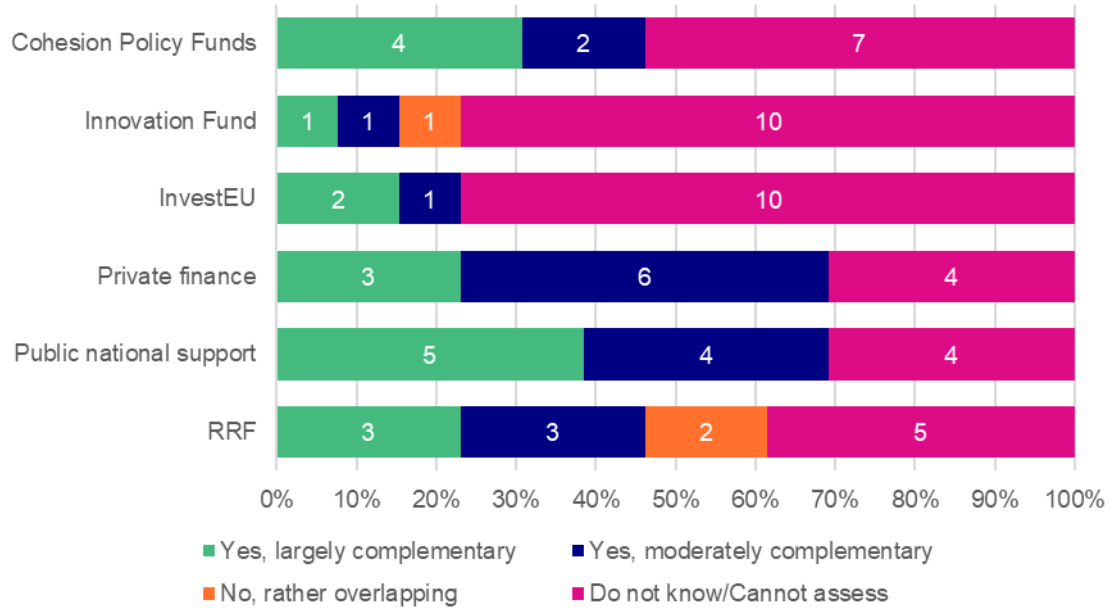
While MF funding often serves as the main source at project level, it plays a complementary role alongside other EU instruments, particularly the Recovery and Resilience Facility and ERDF/CF/ESF+, at Member State level (EQ 13).

According to information provided by the BMSs, the largest source of additional public co-financing benefiting MF-supported projects appears to stem from national sources. Romania, Czechia, Lithuania, Estonia, Hungary and Latvia (in decreasing order of investment volumes) all have some MF-supported investments that receive additional public co-financing from national sources. Other sources of public funding at EU level were cohesion policy funds (three BMS) and the Recovery and Resilience Facility (two BMS) (see Figure 22) However, it is important to note that the BMSs' indications of co-financing from other EU sources should be interpreted with caution. Funding the same investment through both the MF and other EU instruments would constitute double funding, which has not been observed in the context of the MF ([177]). These indications should therefore be understood as referencing complementary funding sources that support similar types of activities rather than the same projects. Member State surveys and interviews indicate that complementarities between the MF and other EU funding programmes are typically pursued through separate initiatives, as observed in Lithuania, Romania and Czechia, Slovenia. In practice, the MF often supports one dimension of a broader policy objective, while the RRF or ERDF/CF/ESF address complementary aspects. For example, in Lithuania, the MF provides direct subsidies for electric cars, while the RRF finances charging infrastructure ([178]). Similarly, in Slovenia, grid infrastructure is financed through the RRF, connection grids through the MF, and smart grids through

([173]) Call for Evidence (industry stakeholders - EREF, civil society organisations - WWF, FoE Slovakia, Birdlife Europe, Bankwatch Europe, AMO Klima, Carbon Market Watch); Interviews with FoE Slovakia, WWF, Bankwatch, Sweden, Germany, Netherlands).
([174]) Case study on non-priority investments.
([175]) Interviews with FoE Slovakia, CfE, Bankwatch, Zero Waste Europe, Carbon Market Watch, BirdLife Hungary.
([176]) Interviews with CfE, Birdlife Europe, FoE Slovakia, WWF Europe, Bankwatch Romania, Nagy Tavak és Vizes Élőhelyek Szövetsége, Carbon Market Watch.
([177]) Beneficiary Member States have to declare any possible co-financing from another EU source when submitting an investment proposal to the EIB.
([178]) Case Study on energy efficiency investments.

cohesion policy funds ([179]). In Romania initiatives for renewable energy production deployment, high-efficiency co-generation projects and energy storage in batteries can, depending on needs, be supported both by the Modernisation Fund and by the RRF ([180]). The figure below further depicts the complementarity sought, especially between the RRF and the cohesion policy funds, showing that the RRF is mainly seen as complementary by Member States, with only two of them believing that they overlap in terms of the eligible fields that can receive funding. In practice, this does not lead to double funding. In Czechia, for example, purposes currently supported by the RRF could in principle also be financed through the MF; however, they are planned to transition to MF support only after the RRF expires ([181]). The cohesion policy funds are mainly seen as complementary to MF financing. For example, in Poland, the planning of cohesion policy investments takes precedence, and any remaining needs are subsequently addressed through MF funding, where relevant ([182]).

Figure 42 Complementarity of the MF with other funding sources (N=13)



Source: Survey with Member States.

Beneficiary Member States apply various coordination approaches to ensure coherence between the MF and other EU funds. 11 beneficiary Member States confirmed they had coordination mechanisms in place, of which eight BMS qualified as informal (Slovenia, Hungary, Croatia, Slovakia, Romania, Bulgaria, Lithuania, Latvia), and three BMS as formal coordination mechanisms (Czechia, Estonia, Poland). Formalised mechanisms included, among others, interministerial committees, joint planning efforts through the state budget strategy, or alignment within managing authorities coordinating several funding streams. For the latter, BMSs highlighted that having a single authority manage multiple funds was a significant advantage in ensuring complementarity. Specific examples of both formal and informal coordination mechanisms in BMSs are presented in the table below. Portugal and Greece have no coordination measures in place

([179]) Interview with Slovenia.
([180]) Survey of Member States.
([181]) Interviews with Czechia.
([182]) Interviews with Poland.

yet, which is largely due to the fact that they are in an earlier stage of MF implementation compared to BMSs that has been implementing the Fund since 2021 ([183]).

Table 11 Examples of coordination mechanisms in beneficiary Member States

BMS	Coordination mechanisms
Slovenia	Centralised all funding mechanisms within one ministry.
Hungary	Dedicated coordination bodies to align Cohesion Policy, RRF, and MF, including the use of a central investment tracking platform
Czechia	Interministerial committee to align MF-related decisions.
Greece	In the process of establishing a dedicated structure for the management of the MF-funded projects and the coordination with other funds.
Estonia	Shared responsibility of managing the MF between two ministries: the Ministry of Finance integrates forward-looking MF planning into the multi-year state budget strategy, while the Ministry of Climate ensures transparency by publishing MF-related investment documents
Poland	Allocates all MF funds to the National Fund for Environmental Protection and Water Management to avoid overlap
Lithuania	Shared database for beneficiary data among government entities managing EU funds, which allows cross-checking and the prevention of double-funding ([184]).
Latvia	Ensures strategic coherence and prevent overlaps using a 'double-funding avoidance matrix'

Source: Interviews with Member States.

Technical assistance provided through the Technical Support Instrument (TSI) helps beneficiary Member States align fundings instruments, including the MF. The dedicated TSI support tool managed by DG REFORM can assist beneficiary Member States on a voluntary basis in designing investment pipelines, aligning them with MF eligibility rules, and navigating EU procedures. To foster coherence, it provides investment planning methodologies and coordination templates for national authorities, which have been successfully provided to the authorities in Croatia, Greece and Romania in relation to the MF ([185]).

Although the just transition is included in the Modernisation Fund as a dedicated priority area, no investments have been specifically dedicated to that area yet, but similar objectives have been addressed by MF investments (EQ 13.1).

Just Transition in carbon-dependent regions is only indirectly addressed by current MF-supported investments, although it is eligible as a priority area. The Modernisation Fund specifically includes a priority area dedicated to Just Transition, aiming to complement measures in Just Transition regions. More specifically, these measures are to support the redeployment, reskilling, upskilling, education, job-seeking initiatives and start-ups in a complementary manner with relevant actions included in the Member States' territorial just transition plans as required by the EU ETS Directive ([186]). However,

([183]) Survey of Member States.
([184]) Survey of Member States.
([185]) Interviews with the DG REFORM; TSI 2025 Flagship - Making Energy Systems Fit for the Green and Digital Transition
([186]) Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision (EU) 2015/1814 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system. See link.

it is not further described by the legislation how this element of complementarity should be reached, as in principle the same measures are supported by the Just Transition Fund. To date, no investment proposals on Just Transition have been submitted.

Stakeholders stress that addressing Just Transition objectives might be better warranted by using the JTF instead of the MF. One NGO ([187]) raised the potential for overlaps with JTF as both funding instruments address the same objectives, whereas one industry stakeholder pointed to the JTF being a more appropriate tool to address Just Transition objectives ([188]). NGOs seemed to have different opinions on whether Just Transition support through the MF should be more pronounced. While one NGO shares the opinion of industry stakeholders to draw upon the JTF instead of the MF, others (two stakeholders) see a need to more strongly emphasise just transition support and low-income support ([189]). Stakeholders from the European Commission also underlined that the objectives of the Just Transition were already sufficiently addressed by the dedicated JTF ([190]).

MF funding is applied in different synergetic ways with ERDF/CF/ESF+ funds across Member States. Central oversight through a dedicated body enables a more coordinated use of the funds and help prevent double-funding (EQ 13.2).

Cohesion policy funds are largely seen to be complementary to the Modernisation Fund, especially considering the MF's financial flexibility. As explained above, the cohesion policy funds are seen as the most complementary to the MF relative to other funding sources, with seven MS survey respondents rating them as either largely complementary or moderately complementary. The synergies between the two funds are further highlighted by one beneficiary Member State pointing to the advantage of the MF to provide funds on a continuous basis, to bridge potential gaps from cohesion policy funds ([191]). One example of synergies is seen by the use of the ERDF/CF, the RRF and the MF for the modernisation of the electricity grid in Slovenia. While grid infrastructure is financed by the RRF, grid connections are financed by the MF, and smart grids are financed by the ERDF/CF. In this way the same high-level objective of grid modernisation is addressed through three funds, but with specific foci, thereby reducing the risk of double funding. ([192]). In contrast, two NGOs ([193]) report that there are overlaps and a need for better coordination between the Cohesion policy funds and the MF.

While similar investment fields can be addressed with both RRF and MF funding, certain Member States view MF funding as an opportunity to maintain continuity for projects previously financed under the RRF (EQ 13.3).

Some Member States leverage complementarities between the RRF and MF, using parallel funding streams and planning the MF as a continuation tool beyond the RRF's 2026 deadline. Several examples of synergies between the RRF and the MF have been reported by Member States. This involves, among others, projects in the buildings sector and larger RES infrastructure projects requiring substantial funding volumes, where MF and RRF funding were used complementarily to finance different components of larger schemes (with the overall scheme not being financed entirely under

([187]) Interview with Bankwatch.
([188]) Interviews with Eurelectric.
([189]) Survey with NGOs.
([190]) Interviews with DG REFORM.
([191]) Interviews with Greece.
([192]) Interviews with Slovenia and Latvia.
([193]) Interviews with NGOs (REScoop, Bankwatch).

the MF) ([194]). Throughout the COVID-19 pandemic, the practice of Member States shifting between MF and RRF resources was particularly pronounced ([195]). Slovakia also drew on the RRF to finance a scheme on electricity production from renewable sources until the end of the RRF lifetime in 2026, while considering how to ensure continuity of the scheme through to MF funding thereafter ([196]). The expiration of the RRF funds in 2026 has also led Czechia to plan to use MF funds as a continuation for successful initiatives previously funded by the RRF, such as the House Energy Programme, which is currently supported by both MF components and RRF components ([197]).

With the Social Climate Fund only becoming operational in 2026, potential synergies or overlaps are not visible yet. Similar objectives can be addressed by MF funding, particularly through housing renovation programmes (EQ 13.4).

While the SCF and MF share objectives on tackling energy poverty, limited MF activity and the absence of coordination mechanisms suggest that synergies will mainly materialise once the SCF becomes operational in 2026. The SCF, launched alongside a new ETS for buildings and road transport (ETS2), focuses on alleviating the social impact of carbon pricing, ensuring a 'fair transition to climate neutrality' by protecting vulnerable groups ([198]). It provides all Member States with EU funding to help vulnerable households, micro-enterprises and transport users – for instance by insulating homes, promoting clean heating/cooling and affordable zero-emission mobility – and even allows temporary direct income support for those hit hardest by fuel price increases. The MF priority area on *'support for low-income households, including in rural and remote areas, to address energy poverty and to modernise their heating systems'* allows Member States to address objectives similar to those of the SCF. According to the portfolio analysis, only four schemes have been confirmed for this priority area, namely in Czechia, Hungary, Slovakia and Poland, for a total amount disbursed by the EIB of EUR 7.8 billion. In all four cases, the funding was split across several priority areas. The Slovak scheme focused on increasing energy efficiency and reducing greenhouse gas emissions in households of low-income groups, the Polish schemes on renovation with a guarantee of savings for single-family buildings, the Czech scheme relates to energy-saving measures of heating system installations and renewable energy sources in residential buildings ([199]), and the Hungarian scheme on energy renovation of public buildings in the health care sector. Although the largest shares of these investments are attributed to the investment areas of energy efficiency, and heating and cooling from renewable sources (and to a smaller extent generation of RES and energy storage), they also contribute to alleviating energy poverty (see EQ 1.3). Despite the strong interlinkages between the dedicated MF priority area and the SCF, stakeholders did not report on any informal or formal coordination mechanisms to ensure coherence between the SCF and the MF. This is probably because it is too early to observe any potential overlaps, as the SCF will only become operational in January 2026. Member States were required to submit their Social Climate Plans by June 2025 ([200]), meaning that at the time of data collection for this evaluation, national implementation priorities had not yet been finalised.

([194]) Interviews with Lithuania, Romania.
([195]) Interview with the EIB.
([196]) Interview with Slovakia.
([197]) Interview with Czechia (case studies).
([198]) European Commission (2025), Social Climate Fund. See link.
([199]) Case study on energy efficiency investments.
([200]) European Commission (2025), Social Climate Fund. See link.

5.5. EU added value

The findings concerning the EU added value of the MF are presented in this chapter. EU added value covers two questions, more precisely: **EQ 14.** To what extent has support from the Modernisation Fund allowed the realisation of the supported projects? Would projects have happened without MF support? **EQ 15**. Could the projects be supported by Member State without the EU intervention?

Summary of key findings:

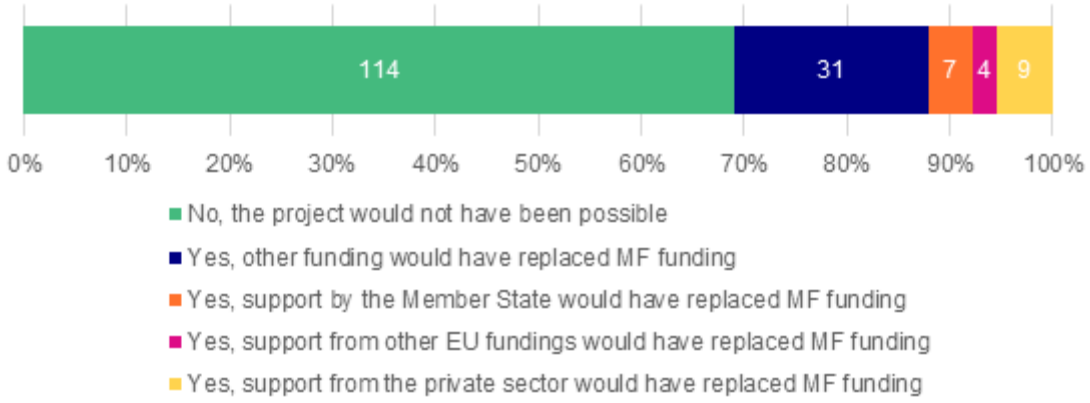
- **EQ14: To what extent has support from the Modernisation Fund allowed the realisation of the supported projects? Would projects have happened without MF support?** The MF is broadly acknowledged as a key financial instrument that accelerates the realisation of investment proposals and the implementation of projects across both priority and non-priority sectors. It demonstrates strong added value by enabling investments and projects that would not have materialised otherwise and by aligning with national energy and climate priorities. Clearer eligibility criteria and more inclusive access (in terms of beneficiaries) to funds would enhance the added value of the MF.

- **EQ15: Could the projects be supported by MS without the EU intervention?** The capital requirements of the large-scale transitional investments funded by the MF exceed the limited national and private-sector capital support available. The resources mobilised through the MF are therefore critical. In several Member States, the MF funds have been strengthened by national public co-financing; private sector contributions remain limited. The MF can complement wider funding frameworks but is in practice often used as a stand-alone instrument.

MF is widely acknowledged as a critical instrument for facilitating and accelerating investments that would not otherwise materialise in both priority and non-priority sectors, although criticism persists regarding its support for fossil fuel-related investments/projects (EQ 14.1, EQ 14.2)

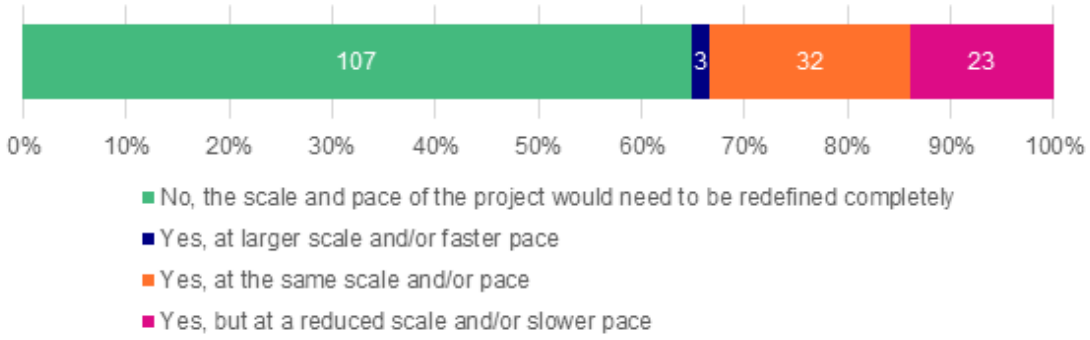
The MF support has enabled the realisation of investment proposals and provided significant support in project implementation. In response to the call for evidence, ten industry stakeholders (companies and business associations) highlight how the MF functions as a key instrument in realising investments in priority sectors. For example, the MF provided essential support for the modernisation and decarbonisation of district heating systems in several beneficiary Member States. In response to the survey, roughly 70% of end beneficiaries indicated that their investments would not have been possible without support from the Fund (see Figure below). The MF has, in many instances, bridged funding gaps and played a catalytic role where other sources of financing were not easily accessible. Moreover, 65% of end beneficiaries also indicated that the projects would not have been implemented at the same scale or at the same pace without MF support (see Figure below). It is evident that for most end beneficiaries, the Modernisation Fund significantly influenced project delivery.

Figure 43 Modernisation Fund's impact on project/scheme viability (N=165)



Source: Survey of end beneficiaries.

Figure 44 Modernisation Fund's effect on the pace and scale of projects and schemes (N=165)



Source: Survey of end beneficiaries.

The MF has strong added value in enabling investments and projects that would not have happened otherwise. Eight Member States (Bulgaria, Czechia, Croatia, Estonia, Hungary, Romania, Slovenia, Slovakia) highlight this in interviews. Notably, several respondents to the surveys carried out with EU Member States (especially respondents from Poland and Romania) emphasised that without MF support, their projects would have faced significant delays or might not have been implemented at all due to the high capital requirements. Non-beneficiary Member States also view the MF positively (the Netherlands noted many projects depended on the MF, sometimes also attracting private funding). More concretely, as the analysis of the relevance criterion (see section 5.3.2) showcased the MF's priority areas broadly reflect the main technological and climate action needs of the Member States. Its financial support has been essential for lower-income countries to close the investment gap needed to reach the EU 2030 climate targets. The figures presented in the Baseline study (Appendix C) support this finding.

MF funding aligns with the national energy and climate priorities, and as such, it provides added value. In the Member States' survey, all 13 BMS indicate a high level of alignment between MF investments and their NECPs' general goals but also highlight areas for process improvement. Business stakeholders from the energy, steel, and

industry sectors agree the Modernisation Fund adds significant EU value, enabling long-term, large-scale projects that might otherwise be delayed or halted. The survey addressing stakeholders from civil society and other organisations, provides a strong consensus that the financing gap will remain significant, and that the MF should be continued. More precisely, the survey respondents were asked to assess whether the financing gap in lower-income Member States will continue to prompt the need for MF support. All 19 respondents indicated that the needs would persist, underlining that continued support from the MF will be needed in the future.

The MF is a tool for attracting investment in beneficiary Member States, particularly where budgets and private capital are limited. Its flexibility and complementarity with other EU funds strengthen its ability to leverage private financing. (EQ 15.1)

In some beneficiary Member States, the impact of the MF has been strengthened through national public co-financing and the mobilisation of private contributions. For beneficiary Member States, national budgets are limited and access to private capital can be constrained, as most of the end beneficiary survey respondents suggest. Roughly 30% of the end users survey respondents indicated that MF had a catalytic effect in attracting private sector funding for their project. While the Fund has mobilized private and public investments, this has been unevenly distributed among Member States and its catalytic impact could be stronger. Based on the portfolio analysis (see Appendix B), although limited (EUR 5.58 billion total private co-financing), private co-financing emerges as the more prominent component leveraged through MF-supported investments, underscoring the MF's role in enhancing the overall impact of the EU funding.

The Baseline analysis (see Appendix C) and the Effectiveness criterion analysis (see section 0) show that the MF has mobilised more resources in climate change mitigation in electricity, gas, steam, and air conditioning and construction sectors across beneficiary Member States than private investors (see section 0). This demonstrates the MF's added value in these sectors. In more detail, whereas in electricity, gas, steam and air conditioning, investment volumes dedicated to climate change mitigation featured a yearly average of nearly EUR 2.8 billion in the period 2021-2023, the MF makes available roughly twice as much funding annually, whereas in construction (around EUR 1.6 billion per year), the MF envelope is more than three times larger.

While the MF can complement the broader funding frameworks, its added value lies in providing targeted support that addresses gaps not covered by national or other EU-wide funding instruments. This is clearly reflected in responses from the end-beneficiaries survey and the other organisations survey and as already depicted in the analysis of MF's external coherence. 96% of end beneficiaries specifically highlighted that the MF plays a critical role in supporting energy efficiency, modernisation of energy systems and renewable energy production, which may fall outside the scope or eligibility criteria of other EU funding instrument, such as Cohesion Policy or the Recovery and Resilience Facility (RRF). Despite an overall positive assessment of complementarities, 12 respondents from the other organisations survey also highlighted potential overlaps and the risk of duplication when queried on whether the MF might operate in ways that conflict with other funding sources. At the same time, 15 of the surveyed other organisations classified the MF at least somewhat complementary to other sources of funding.

6. Conclusions and lessons learned

The Modernisation Fund has established itself as a central instrument for accelerating the clean energy transition in lower-income EU Member States. Since 2021, the Fund has mobilised substantial investment volumes, nearly EUR 19 billion in support disbursed by the EIB and over EUR 42 billion in planned allocations, directed overwhelmingly toward priority sectors such as renewable energy, energy efficiency, and grid modernisation. Fossil fuel–related spending remains limited, transitional, and declining. Although realised impacts are still modest due to long project lead times, investment-lifetime projections indicate a strong transformative potential and a clear contribution to Member States' 2030 objectives. The steady development of project pipelines, closely aligned with National Energy and Climate Plans, confirms the MF's strategic importance in meeting climate and energy targets.

Implementation capacity is expanding across all beneficiary Member States, though progress remains uneven. By the end of 2024, national authorities had contracted over half of the support received from the EIB, while only a small share had reached final beneficiaries, reflecting varied administrative capacities, permitting processes, and pipeline maturity. Nevertheless, contracting and disbursements are increasing year-on-year, and most Member States have established core governance, monitoring, and audit structures. Differences in performance across countries underline the importance of robust national frameworks and political stability in ensuring timely and effective implementation.

The MF has also mobilised significant levels of private and, to a lesser extent, additional public co-financing, though comparability across countries is limited by divergent methodologies and reporting practices. The degree of leverage is largely driven by State aid rules, sector characteristics, and national co-funding models rather than by MF-specific design features and blending with other EU instruments remains rare due to administrative complexity.

A variety of contextual factors shape MF performance. Constructive cooperation between Member States, the European Commission and the EIB, strong national governance arrangements, and alignment with domestic policy priorities have facilitated successful investment uptake. High aid intensities and clear eligibility rules further support project viability. Conversely, cost inflation, supply-chain disruptions, permitting delays and administrative burdens, particularly for smaller beneficiaries, continue to pose challenges.

The MF is considered efficient and relatively streamlined at EU level, with high stakeholder satisfaction. National-level processes, particularly the selection of beneficiaries and disbursement of funds, remain the most time-consuming steps. Significant differences in administrative costs across Member States highlight varying capacities, and both authorities and beneficiaries identify opportunities for further simplification, digitalisation and standardisation of procedures. Stakeholders also highlight scope for enhanced flexibility in amending approved schemes, improved coordination between the EIB and DG COMP, and dedicated platforms for sharing best practices.

Across the Member States, the MF is consistently viewed as indispensable. The MF fills a critical financing gap for lower-income Member States, complements other EU

and national funding streams, and provides a predictable and targeted source of investment for modernising energy systems. While the MF broadly aligns with EU and national priorities, stakeholders point to limitations in the current priority/non-priority distinction, particularly regarding emerging low-carbon technologies such as CCUS, RFNBOs, SAFs, industrial electrification, clean technology manufacturing, as well as limited support for energy communities, just transition measures and energy poverty alleviation.

In sum, the Modernisation Fund has demonstrated strong early performance, clear added value and significant potential to drive decarbonisation in beneficiary Member States. Ensuring continued progress will require addressing administrative bottlenecks, enhancing flexibility for emerging technologies, strengthening coordination with other EU instruments, and improving the harmonisation of monitoring and reporting, particularly on impacts, co-financing and leverage. With these adjustments, the MF can further maximise its contribution to the EU's climate and energy objectives and support a more equitable and efficient transition across Europe.

A few key lessons emerge concerning the implementation of the Modernisation Fund.

- **Commitments are not equivalent to results**. High commitment rates create a perception of rapid progress, but actual impact depends on accelerating implementation on the ground and disbursement to end beneficiaries and delivery. Future monitoring should place greater emphasis on quality control of data provided by the beneficiary Member States and on tracking investment outcomes

- **Strengthen monitoring systems to capture real outcomes**. The current monitoring system does not track disbursements to end beneficiaries or updated estimates of outcomes after implementation of investments. Such monitoring could strengthen the understanding of the performance of the Fund.

- **Capacity and governance are essential**. Beneficiary Member States with strong strategies, sound governance arrangements, and administrative efficiency, on average, appear to achieve better results. Strengthening capacity in lagging Member States is essential to avoid uneven implementation.

- **Simplification and acceleration are priorities**. Reducing administrative complexity, shortening approval cycles, standardising templates, providing clearer guidance and digitalising processes could significantly support fund absorption.

- **Visibility and awareness are uneven**. While compliance with EU visibility rules is strong, broader awareness and transparency remain weak; proactive communication and outreach should be enhanced both at EU and Member State level.

- **Design investments to systematically mobilise co-financing**. The MF mobilises more private and public capital when schemes are explicitly structured to do so (e.g. blending with loans, integration into utility capital plans). Without this, leverage remains limited.

- **Strengthen complementarity with other funding sources**. The MF alone cannot meet the scale of investment needed for EU climate targets. Its impact depends on being systematically aligned with national budgets and other EU instruments (RRF, Cohesion Policy, InvestEU). Clearer guidance on blending, joint planning of

pipelines, and coordination across ministries and agencies are needed to avoid overlaps, close financing gaps, and maximise synergies.

- **Flexibility and resilience are emerging strengths**. The Fund has shown capacity to adapt under stress, with collaborative governance helping to manage crises such as post-2022 cost inflation and supply-chain shocks. However, these mechanisms remain ad hoc rather than systematic. Embedding adaptive features, e.g. contingency measures, streamlined amendments, and faster approval adjustments, would make the Fund more resilient to future disruptions.

- **Future-proofing the MF is essential.** While the MF has proven strategically relevant and operational, its long-term impact depends on adapting to evolving needs. Stronger integration with other EU and national funding streams, and deliberate design to crowd in private and public co-financing will be crucial. Streamlining processes, enhancing transparency, and embedding digitalisation will help ensure the Fund remains fit for purpose and capable of scaling up to meet 2030 and 2050 climate targets.

7. Appendix A: Evaluation questions

7.1. Effectiveness

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 1. How successful has the Modernisation Fund been in selecting investments that are conducive to modernise energy systems and improve energy efficiency? Will the objectives of the MF be achieved on time?	EQ 1.1 Is the MF on track of selecting and financing investments?	Funds are being disbursed progressively and regularly, in a way that is commensurate with the available envelope and the lifetime of the Fund. No underutilisation of funds is detected.	Number of investment proposals confirmed/recommended Total amount disbursed, overall and per MS % of total envelope disbursed, overall and per MS Year-on-year change in number of investments confirmed/recommended and in disbursement between 2021-2025
	EQ 1.2 What total amount of support has been confirmed/disbursed to MS (i.e. for schemes it differs from the amount disbursed), and how does that compare to beneficiary MS's envelope?	Total amounts confirmed and disbursed to MS are proportionate with MSs total envelopes and the number of years of implementation of the Fund and the number of remaining years for each Member State. These amounts are increasing over time. Member States have a multi-year strategy for spending funds (=they submit and get schemes confirmed, that are implemented over several investment cycles) Schemes are being implemented (subsequent disbursement proposals are submitted and confirmed)	Total amount of support confirmed, and total amount disbursed to MS, overall and per MS, change over time (annual) Confirmed support as % of total MS envelope, change over time (annual) Support disbursed to MSs as % of total MS envelope, change over time (annual) Amount disbursed to schemes as a % of amount confirmed for schemes, overall and per MS Year on-year variation of confirmed vs. disbursed amounts between 2021-2025 Percentage of schemes which have been subject to subsequent disbursement decision(s), overall and per MS
	EQ 1.3 Is the MF successful in gearing MF towards investment in priority areas?	The share of priority investment is at/above the minimum regulatory level. There is an increase in priority versus non-priority investments over time. The delineation of priority and non-priority areas reflects the strategic objectives of the MF and the climate needs of MS.	Total amount disbursed overall on priority areas and per priority area, per MS Total amount disbursed overall on non-priority areas and per non-priority area, per MS Ratio between priority and non-priority investments, overall and per MS, per type of investment Approval rate between priority and non-priority investments, including timelines and rejection rates and reasons for non-priority projects Challenges reported by MS in aligning their investments with priority areas or in having non-priority investments approved
	EQ 1.4 Is the nature of supported investments in line with Fund's objectives?	Priority investments are conducive to substantial modernisation of energy systems and energy efficiency improvement. Non-Priority Investments contribute to modernisation of energy systems and energy efficiency. The investments in gaseous fossil fuels (both for PI and NPI) are limited and decreasing over time. No support from the MF is	List of types of confirmed investments between 2021-2025 % of total investment allocated to each category (e.g., renewables, efficiency, networks), overall, for PI and non-PI. % of NPI that does not fall in any of the above categories. Nature of such investments and justification for recommending the investment % of investments spent on fossil fuels and annual change

EQ	Sub-EQ	Judgement criterion	Indicators
		provided to energy generation facilities that use fossil fuels. MF investments directly/indirectly contribute to a just transition, including support for low-income households, energy poverty reduction, and labour market resilience in carbon-dependent regions	Stakeholder feedback on gaps in support or funding coverage necessary to meet 2030 targets No. and volume of investments in priority areas E ([201]), F ([202]) and partially priority area C ([203]) concerning energy efficiency in residential buildings, with specific focus on low-income households, social housing. % share of funds allocated for such investments on total MF allocated funds. Quantitative indicators corresponding to the just transition objective based on the submission forms provided and request to concerned Member States if needed for a selection of JT-relevant investments, including estimated no. of households with improved energy efficiency in buildings, with separate estimate for low-income households, social housing where available estimated primary energy consumption reduction (MWh/year)
	EQ 1.5 What is the potential GHG reductions/energy savings/additional renewable energy from supported investments?	The investments have potential for significant GHG emission reductions, energy savings and additional renewable energy. Where actual data on reductions/savings/additional capacity are available, these match the expected potential.	Estimated potential and reported (if available) GHG reductions (tons of CO2e) by MS Estimated potential and reported (if available) energy savings (MWh) by MS Estimated potential and reported (if available) renewable capacity added (MW)
	EQ 1.6 How relevant is the pipeline of projects with the objectives of the Fund? Is the pipeline then followed by beneficiary MS when submitting investment proposals?	The project pipeline up to the first cycle of 2025 reflects the strategic goals of the Modernisation Fund, including the modernization of energy systems and enhancement of energy efficiency in beneficiary MS. The project pipeline is followed by beneficiary MS when submitting investment proposals.	Number and list of pipeline projects submitted for funding up to the first cycle of 2025 % of pipeline projects in priority areas in beneficiary MS Proportion of pipeline projects implemented vs. planned Number of deviations between pipeline and submitted investments, with reasons for deviation Perception of the relevance of the pipeline of upcoming projects with the objective of the Fund of modernisation of energy systems and enhancement of energy efficiency
	EQ 1.7 Are investments supporting National Energy and Climate Plans?	The investments of the MS are supporting their National Energy and Climate Plans' priority areas and objectives.	% of investments explicitly referenced in NECPs, overall and per MS Perception of alignment of investments with NECPs

([201]) Support for low-income households, including in rural and remote areas, to address energy poverty and to modernise their heating system.
([202]) A just transition in carbon-dependent regions, to support the redeployment, reskilling and upskilling of workers, education, job-seeking initiatives and start-ups, in dialogue with civil society and social partners.
([203]) Reduction of overall energy use through energy efficiency including in industry, transport, buildings, agriculture, and waste.

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 2. How effectively is the MF implemented at Member State level?	EQ 2.1 How is implementation of investments progressing on the ground?	Funds disbursed to MSs have moved to contracting and/or disbursement to end beneficiaries, indicating implementation progress. Any discrepancies between amounts disbursed to MS and amount contracted/disbursed to end beneficiaries are justified and do not indicate significant delays or underutilisation of funds. The contracted/disbursed ratio to final beneficiaries is proportionate with the disbursed amounts to the MS. It is increasing over time. If implementation is not yet in contracting phase, calls for proposals (or other relevant implementing steps) are being run. Disbursed amounts lead to construction and project completion.	% of amount contracted to final beneficiaries compared to amount disbursed to MS, overall and per MS. Change over time (annual). % of amount disbursed to final beneficiaries compared to amount disbursed to MS, overall and per type of investment. Change over time (annual) Other indicators of project/scheme implementation (No. of calls for proposals launched, No. of projects under construction, No. of projects completed) % of investments completed on schedule (compared to project timelines) Time elapsed between MS disbursement and final beneficiary contract signing/disbursement
	EQ 2.2 How do Member States ensure the monitoring of investments?	The monitoring systems of investments of the MS (financial and environmental) are operational and assessed as effective.	Existence of monitoring framework Frequency and comprehensiveness of MS monitoring reports
	EQ 2.3 How do Member States manage low-performing investments?	Member States take actions to deal with slow implementation/lack of implementation. If needed, investments are declared (partly) discontinued and funds reattributed to other investments. The reasons for discontinuation of declared amounts are well documented and the discontinuation rate is minimal.	Number of discontinued investments and % of discontinued investments, per type of investment, overall and per MS Reasons for discontinuation Documentation in support to discontinuation Any other action taken by MS to deal with slow implementation / lack of implementation
	EQ 2.4 Have any audits taken place at national level? What is the outcome?	Regular audits are carried out at national level. The audits certify effective use of funds and/or led to corrective actions.	Number of audits conducted/ being conducted/ that will be conducted, per type of investment, overall and per MS Available audit outcomes and actions taken
EQ 3. Which factors are hindering (or supporting) the achievement of the MF objectives?	EQ 3.1 What factors are hindering the achievement of the MF objectives?	The investments were impacted by regulatory, financial or technical challenges at an EU or national level. The investments were impacted by geopolitical and market changes (e.g. energy crises, raw material shortages, Russian war against Ukraine).	List of identified internal and external barriers affecting project progress, at EU and national level Frequency of reported delays or complications in implementation of projects under the MF Actions taken and time elapsed to mitigate hindrances
	EQ 3.2 What factors are supporting the achievement of the MF objectives?	The investments were supported by stable regulatory, financial and technical conditions at an EU and national level. Other national-level contextual factors related to the governance and implementation of the MF have supported the achievement of the objectives.	List of identified internal and external factors facilitating project progress, at EU and national level
EQ 4. How effective has the MF been in implementing communication and publicity?	EQ 4.1 To what extent is visibility of the funding from the MF ensured by the beneficiaries?	The beneficiary MS ensure appropriate visibility of the funding for the investments in line with the requirements of the EU ETS Directive (Article 30m (2)).	% of projects where beneficiaries use the label "co-funded by the EU ETS" and comply with visibility requirements

EQ	Sub-EQ	Judgement criterion	Indicators
			% of projects where beneficiaries use physical communication measures (e.g., signage, plaques) at project sites Types and frequency of challenges reported by Member States or beneficiaries (e.g., administrative burdens, costs)
EQ 5. How effective has the MF been in mobilizing other national and private funding?	EQ 5.1 How effective has the MF been in mobilising other private sector funding?	The catalytic effect of the MF in mobilising additional private sector funding is high. Good practices are recorded in Member States.	Total amount of private funding mobilised through MF-supported projects % of projects receiving private fundings % of projects affected by barriers to private funding List of identified barriers to private investment Number of projects using innovating funding mechanisms such as blended finance or loan guarantees Total value of funding mobilised through innovative funding mechanisms
	EQ 5.2 How effective has the MF been in mobilising other public sector funding?	The catalytic effect of the MF in mobilising additional public sector funding is high. Good practices are recorded in Member States.	Total amount of national co-financing mobilised, overall and per MS % of projects receiving national co-financing Evidence of good practices in national co-financing Evidence of complementarity of MF funds with other EU instruments (e.g., cohesion funds, RRF, SCF)

7.2. Efficiency

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 6. How efficient is the confirmation/recommendation process under the MF at EU level?	EQ 6.1 Are the regulatory deadlines set for application and (i) confirmation / recommendation for funding and (ii) disbursement appropriate?	The timelines set by the ETS Directive between each step of the process from application to confirmation / recommendation and disbursement is perceived as appropriate.	Time elapsed between application and confirmation / recommendation for funding. Time elapsed between confirmation / recommendation for funding and disbursement.
	EQ 6.2 Is there an opportunity for beneficiary MS to discuss proposals with the EIB before submitting formally? Is the assessment guidance document helpful and abided by? How many cycles does it take on average for an investment to get approved?	The beneficiary MS can discuss proposals (if required) with the EIB before submission to ensure that only robust and suitable proposals are formally submitted and to minimise the need for further information to be provided at a later stage. The time from submission to approval of investments is kept to a minimum (number of investment cycles on average for approval of an investment is limited). Any rejections of proposals are well motivated.	Engagement of beneficiary MS engagement with EIB before submission of proposals (and / or opportunity to do so if required). Stakeholder feedback on added value of such engagement. % of applications submitted with all required info and supported documentation at first, second, subsequent submission Number of cycles for investment approval, distinction between schemes and projects Reasons for possible delays.

EQ	Sub-EQ	Judgement criterion	Indicators
	EQ 6.3 Investments must be State Aid cleared. Does the EIB confirmation / recommendation add much additional burden? Is it efficient in terms of delivering additional climate benefit compared to national investments that are only subject to State Aid approval?	The EIB confirmation / recommendation adds minimal burden and is efficient in terms of delivering additional climate benefits compared to just State Aid approval. Proposals are returned for reasons other than lack of State aid compliance	Additional time and resources for each actor linked to EIB confirmation / recommendation. Stakeholder feedback on any climate benefits the need for EIB confirmation/recommendation may bring compared to just State Aid approval (which is not linked to climate benefits). Share of returned proposals where the reason is lack of compliance with State aid rules (% of total number of returned proposals)
	EQ 6.4 What is the additional burden of applying for a NPI as compared to a PI? Is it justified?	The additional burden of applying for a NPI are limited relative to a PI. This additional burden is justified based on the differences in priority status of a proposal. NPIs are more difficult to get vetted than PIs.	Overall burdens and costs associated with applying for a NPI and PI focused on differences between the two e.g. need for a technical and financial due diligence assessment to be conducted by the EIB for NPI. Stakeholder views on justification for differences in burdens and costs. % of confirmed PIs compared to PI submissions % of confirmed NPIs compared to NPI submissions
	EQ 6.5 How efficient are Investment Committee proceedings? Does the Investment Committee usually follow the recommendation of the EIB? Are Investment Committee decisions usually taken by consensus?	The Investment Committee proceedings are efficient for decision making and usually taken by consensus. The Investment Committee usually follow the EIB recommendation.	Time and resources for Investment Committee proceedings. Investment Committee decisions compared to EIB recommendation. Whether decisions are taken by consensus or not.
EQ 7. How efficiently is the MF implemented at a Member State level including the development and submission of investment proposals and their subsequent implementation?	EQ 7.1 How efficient and transparent is the process of selecting which investments a MS will submit for MF funding, as well as the process of developing and submitting investment proposals? Can stakeholders (businesses / civil society) influence this process?? is?	The MS processes for developing and submitting investment proposals are efficient and fit-for-purpose. The process of selecting investment proposals is efficient and transparent with key stakeholders consulted and information made publicly available. Stakeholders can provide inputs to the MS authorities to influence the selection of investments submitted for funding.	Resources required for developing and submitting investment proposals and implementing investments. Perception of beneficiary MS and final beneficiaries of the efficiency of the processes relative to the benefits Consultation undertaken at MS level with key stakeholders for identifying and selecting investments to apply for funding (investment pipelines and large-scale investments). Availability of relevant documentation online and/or made available via other means. Stakeholder views on the transparency of the process and opportunity for them to provide feedback to influence the selection of investments submitted for funding.
	EQ 7.2 What is the time between disbursement to beneficiary MS and (i) contract with final beneficiaries and (ii)	The time between disbursement to beneficiary MS, contract with final beneficiaries and disbursement to final	Time elapsed between disbursement to beneficiary MS, contract with final beneficiaries

EQ	Sub-EQ	Judgement criterion	Indicators
	disbursement to final beneficiaries?	beneficiaries is appropriate to ensure effective implementation.	and disbursement to final beneficiaries. Perception of beneficiary MS and final beneficiaries of the time needed for disbursement.
	EQ7.3 Are the MS processes for implementing investments efficient?	The MS processes for developing and submitting investment proposals and implementing investments are efficient and fit-for-purpose.	Resources required for implementing investments. Perception of beneficiary MS and final beneficiaries of the efficiency of the processes relative to the benefits.
EQ 8. What are the costs and benefits associated with implementation of the MF for beneficiary Member States, end beneficiaries, the EIB and the Commission? Could efficiency be improved and how?	EQ 8.1 What are the costs for beneficiary Member States and end beneficiaries? What are the benefits for beneficiary Member States and end beneficiaries?	Costs for beneficiary MSs and final beneficiaries are kept to a minimum and are proportionate relative to the benefits.	Indicative / average time taken for application and implementation for beneficiary MSs and end beneficiaries broken down by types of investments. Administrative burdens estimated using Standard Cost Model from Better Regulation Guidelines. Benefits considered under EQ 1.5.
	EQ 8.2 What are the costs for the EIB and Commission for implementation of the MF?	Costs for the EIB and Commission are kept to a minimum and are proportionate to ensure efficient implementation of the MF.	Indicative / average time taken for implementation of the MF. Administrative burdens estimated using Standard Cost Model from Better Regulation Guidelines.
	EQ 8.3 Could efficiency be improved and how?	Modalities to improve efficiency without impacting on the overall benefits. Opportunities for simplification and/or burden reduction are identified without impacting on achieving the objectives of the MF.	Stakeholder views on whether this needs to be improved and, if so, how. Options for simplification and burden reduction.

7.3. Relevance

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 9. To what extent are the objectives of the MF still relevant in the current context of climate action and technology deployment needs in lower-income Member States? Will they be still relevant based on expected evolution on the coming years? Do these issues still require action at the EU level?	EQ 9.1 To what extent are the objectives of the MF and the categories of priority and non-priority investments still relevant in the current context of climate action and technology deployment needs in lower-income Member States?	The objectives of the MF (i.e. modernisation of energy systems, enhancement of energy efficiency and increased renewable energy production), the categories of priority and non-priority investments match actual climate and energy needs and objectives of lower income Member States (as stated in their NECPs).	Differences between the MF objectives, the categories of priority and non-priority investments, and the actual climate and energy needs and objectives of lower income Member States Stakeholder assessments of relevance of the MF objectives and the categories of priority and non-priority investments to address the climate action and technology deployment needs in lower-income Member States.
	EQ 9.2 Will the objectives of the MF and the categories of priority and non-priority investments still be relevant based on expected evolution on the coming years? Do the climate action and technology deployment needs in lower-income Member States still require action at the EU level?	The objectives of the MF (i.e. support to low-income MS in the modernisation of energy systems, enhancement of energy efficiency and increased renewable energy production) and the categories of priority and non-priority investments of the MF continue to be relevant in light of evolving needs of the beneficiary Member States. The financing gap in lower-income Member States for modernisation of the power sector, energy systems and improvement of energy efficiency is expected to continue to exist and prompt the need for continued MF support. The financing gap cannot be covered by national funds.	Differences between the MF objectives, the categories of priority and non-priority investments and the evolving climate and energy needs of lower income Member States Projected financing gap for modernisation of the power sector, energy systems and improvement of energy efficiency in beneficiary MS
EQ 10[204]. To what extent are the objectives of the MF still relevant for the current EU policy goals?	EQ 10.1 To what extent are the objectives of the MF still relevant for the current EU policy goals?	The objectives of the MF (i.e. support to low-income MS in the modernisation of energy systems, enhancement of energy efficiency and increased renewable energy production) are still aligned and relevant for the current EU policy goals (EGD, REPowerEU, Net-Zero Industry Act, Critical Raw Materials).	Degree of alignment of MF objectives with EU policy goals Contribution of the MF objective to specific policy goals (e.g., renewable energy targets, energy efficiency improvements, emissions reductions). Stakeholder assessments of the relevance of the objectives of MF for the current EU policy goals
	EQ 10.2 To what extent are the priority and non-priority categories supported by the MF still relevant for the current EU policy goals?	The categories of priority and non-priority investments funded by the MF are still aligned and relevant for the current EU policy goals (EGD, REPowerEU, Net-	Degree of alignment of the categories of priority and non-priority investments with EU policy goals Contribution of the categories of priority and non-priority

[204] The findings of EQ 11 were merged into EQ 10 due to overlaps. EQ 11 was therefore deleted from the Relevance criterion and the overview table.

EQ	Sub-EQ	Judgement criterion	Indicators
		Zero Industry Act, Critical Raw Materials)	investments to specific policy goals (e.g., renewable energy targets, energy efficiency improvements, emissions reductions) Stakeholder assessments of the relevance of the categories of priority and non-priority investments for the current EU policy goals

7.4. Coherence

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 12. How are the MF activities and operating rules (incl. the distinction between priority and non-priority investment) coherent with the objective of the Fund and of EU Policy?	EQ 12.1 To what extent are the MF operating rules on priority and non-priority investments and their delineation coherent with the objectives of the Fund?	The operating rules around priority investments (use of at least 80% of original and transfer allowances, and 90% new allowance revenues for priority investments and no more than 20% of allowance revenues for non-priority investments) and their delineation align with the internal goals of the Fund, such as enabling effective investments in key priority areas.	Number or disbursements on priority investments directly contributing to the objectives of the fund. Number of non-priority investments contributing to the objectives of the fund. Level of coherence between the priority investments and the objectives of the MF.
	EQ 12.2 To what extent are the MF operating rules on priority and non-priority investments and their delineation coherent with the EU climate and energy policy objectives?	The operating rules around priority investments (use of at least 80% of original and transfer allowances, and 90% new allowance revenues for priority investments and no more than 20% of allowance revenues for non-priority investments) and their delineation align with the key EU policy objectives such as climate neutrality by 2050, the EGD, REPowerEU, and the Fit-for-55 packages.	Number or disbursements on priority investments directly contributing to the objectives of the EU climate and energy policy. Number of non-priority investments contributing to the objectives of the EU climate and energy policy.
EQ 13. How does the MF find synergies with other EU Funding Programmes (particularly the Recovery and Resilience Fund, Cohesion Policy, the Innovation Fund, Social and Climate Fund, Just Transition Fund) in achieving EU Policy Objectives?	EQ 13.1 How does the MF operate in synergy with the Just Transition Fund in achieving EU Policy Objectives?	MF and JTF complement each other in achieving EU-wide climate and energy objectives, including decarbonization and renewable energy deployment. MF and JTF investments are managed in a way to create synergies and prevent duplication of efforts.	Proportion of MF investments in sectors and regions that overlap with JTF objectives, such as energy transition, job creation, and support for vulnerable communities. Areas/sectors of conflicts and inconsistencies between the TJTPs and MF investments. Evidence of coordination between MF and JTF at the national, regional, or local levels.
	EQ 13.2 How does the MF operate in synergy with the Cohesion Policy Funds (in particular ERDF/CF/ESF+) in achieving EU Policy Objectives?	MF and Cohesion Policy Funds complement each other in achieving EU-wide climate and energy objectives, including decarbonization and renewable energy deployment. MF and Cohesion Policy Funds are managed in a way to create synergies and prevent duplication of efforts.	Proportion of MF investments that overlap with the Cohesion Policy Funds objectives, such as energy, energy efficiency, low-carbon transport etc. Areas/sectors of conflicts and inconsistencies between the Cohesion Policy Funds and MF investments. Evidence of coordination between MF and Cohesion Policy Funds Managing Authorities.
	EQ 13.3 How does the MF operate in synergy with the Recovery and Resilience Fund (RRF) in achieving EU Policy Objectives?	MF and RRF complement each other in achieving EU-wide climate and energy objectives, including decarbonization and renewable energy deployment. MF and RRF investments are managed in a way to create	Proportion of MF investments in sectors that overlap with RRF objectives. Areas/sectors of conflicts and inconsistencies between the RRF and MF investments. Evidence of coordination between MS managing

EQ	Sub-EQ	Judgement criterion	Indicators
		synergies and prevent duplication of efforts.	authorities of the RRF and the MS managing authority of the MF.
	EQ 13.4 How does the MF operate in synergy with the Social Climate Fund (SCF) in achieving EU Policy Objectives?	MF and SCF complement each other in achieving EU-wide climate and energy objectives, in particular in the area of supporting low-income households. MF and SCF investments are managed in a way to create synergies and prevent duplication of efforts.	Proportion of MF investments in sectors that overlap with SCF objectives. Areas/sectors of conflicts and inconsistencies between the SCF and MF investments. Evidence of coordination between MS managing authorities of the SCF and the MS managing authority of the MF.
	EQ 13.5 How does the MF operate in synergy with the Innovation Fund (IF) in achieving EU Policy Objectives?	MF helps to further develop projects (e.g. on breakthrough technologies) that were supported by the IF in an earlier stage, while supporting EU climate and energy objectives. MF and IF investments are managed in a way to create synergies and prevent duplication of efforts.	Number of innovative projects promoted by the IF, that were in a later stage supported by the MF. Evidence of coordination between the MS national contact points for the IF and the managing authorities of the MF.
	EQ 13.6 How does the MF operate in synergy with the InvestEU Fund in achieving EU Policy Objectives?	MF and InvestEU complement each other in achieving EU-wide climate and energy objectives, including decarbonization and renewable energy deployment. MF and InvestEU investments are managed in a way to create synergies and prevent duplication of efforts.	Proportion of MF investments in sectors that overlap with InvestEU objectives. Areas/sectors of conflicts and inconsistencies between the InvestEU and MF investments. Evidence of coordination between MS managing authorities of InvestEU and the MS managing authority for the MF.

7.5. EU added value

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 14. To what extent has support from the Modernisation Fund allowed the realization of the supported projects? Would projects have happened without MF support?	EQ14.1 To what extent has the EU-level support of the Modernisation Fund allowed the realization of the supported investment proposals? To what extent has it allowed the beneficiary MSs to secure investments and implement projects in the MF priority sectors	MF funding has set the conditions to enable the beneficiary MSs to submit successful investment proposals and materialise project particularly in priority sectors projects to materialise through successful investment proposals	Number of successful investment proposals/ implemented projects in priority sectors Conditions allowing MSs to submit successful proposals
	EQ14.2 Would the investment proposals/implemented projects in both priority and non-priority sectors have happened without MF support?	Without MF support, the MSs would not have proceeded in submitting investment proposals and projects would have not been implemented or would have been implemented at limited scale and/or at a slower pace. (MF mitigating delays, challenges, and risks related to finance and regulatory barriers)	Evidence of MF mitigating delays in MSs investments in priority sectors Evidence of MF mitigating risks related to financing interventions in priority sectors Evidence of MF mitigating regulatory and administrative barriers in proceeding with investments in priority sectors
EQ 15. Could the projects be supported by MS without the EU intervention?	EQ15.1 Could the projects be supported by MSs private and public funding without the EU intervention through the MF / other EU ETS revenues	Without MF support, the investment would not have been implemented, and/or would not have been implemented at the same scale and/or at a slower pace (MF's role in complementing and enhancing the available financial support landscape through other EU funding instruments, national private and public funds). Without MF support, the investment would have been implemented through other EU ETS revenues, following a different governance structure	Evidence of MF complementing and enhancing the available private and public funding at national level Evidence of MF complementing and enhancing other EU funding mechanisms Evidence of MF route being chosen by MS over other EU ETS revenue support

8. Appendix B: Portfolio analysis

8.1. Analytical approach and limitations

The portfolio analysis presented in this report is based on a consolidated database that brings together several sources. Data was extracted from the annual reports submitted by each beneficiary Member State, available up to the 2024 reporting cycle. To this, internal data from the European Investment Bank were added, including provisional records and project-level entries relevant to the first 2025 cycle (S1). These complementary sources were harmonised into a single, centralised dataset (referred to in the report as: Modernisation Fund database) to enable a structured and comparative examination of the Modernisation Fund's investments.

The process of constructing the database involved consolidating disparate formats, ensuring alignment in terminology, and resolving overlaps between submissions and internal entries. While every effort was made to achieve a coherent, accurate and exhaustive dataset, the level of granularity and availability of information varies significantly across Member States and years.

The data for the first 2025 cycle are particularly limited. At the time of writing, annual implementation reports for this year had not yet been submitted by the Member States. As a result, project information for 2025 is only available from EIB internal tracking tools and is, therefore, partially complete and potentially subject to revision. This has constrained the ability to present a fully balanced overview of the most recent cycle.

Significant methodological limitations also affect the consistency and comparability of impact data. While the database includes indicators on greenhouse gas emissions avoided, improvements in energy intensity, and installed renewable energy capacity, these figures are based on methodologies that differ by Member State. Although each approach was validated by the EIB, Member States undertook substantial revisions of their estimates in 2024.

In addition, the breakdown of investments by thematic priority area was not systematically included in the official documentation. To address this gap and provide a detailed view of how the Modernisation Fund has supported different policy areas, the consultants and the EIB reconstructed this information using a combination of official submission forms, confirmations from national authorities, and – where explicit classifications were missing – a structured estimation methodology. This latter approach involved an analysis of the schemes or projects' objectives and design and was applied only when necessary. It was carried out in close coordination with the EIB and the European Commission and followed a predefined set of assumptions to ensure transparency and replicability.

8.2. Analysis of investment activities of the MF (2021 - mid-2025)

8.2.1. Utilisation of allowances per beneficiary Member State

The Modernisation Fund is a financing instrument established under the EU Emissions Trading System (EU ETS). Its revenues are sourced from the auctioning of a specific share of ETS allowances:

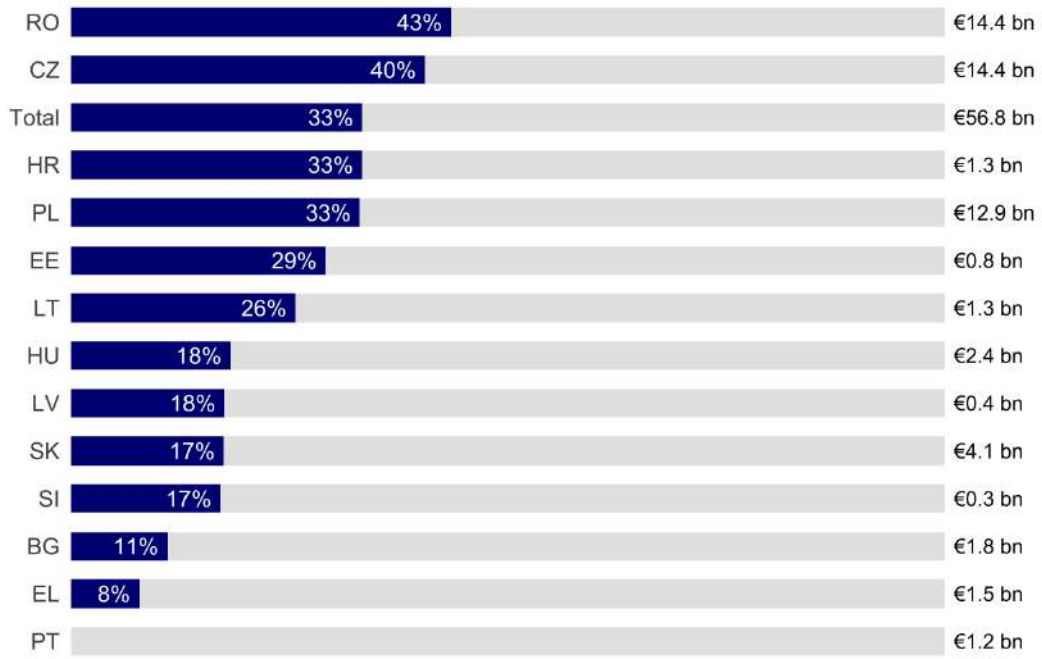
- 2% of the total quantity of EU ETS allowances auctioned between 2021 and 2030.
- 2.5% of the total allowances auctioned between 2024 and 2030 (an increase adopted under the revised ETS Directive).
- Additional allowances voluntarily transferred by Member States from their solidarity, growth and interconnection allocations, or from allowances initially allocated for free to electricity generators.

These auctioned allowances form the national Modernisation Fund envelopes, a ceiling that caps the amount of MF support each eligible Member State can receive and that evolves depending on the price of carbon.

Using an assumed carbon price of EUR 75 per tonne of CO_2, the total potential MF envelope across all beneficiary Member States amounts to about EUR 56.8 billion (the Figure shows the maximum total envelopes for each beneficiary Member State at the end of each bar).

In relation to disbursed amounts by the EIB, 33% of the total MF envelope of EUR 56.8 billion had been disbursed to BMSs by the EIB (EUR 18.9 billion). Czechia (40%), Romania (43%), Croatia (33%) and Poland (33%) are the top performers of MF implementation, based on the ratio of amount disbursed by the EIB compared to their national envelope. In contrast, Bulgaria (11%), Greece (EUR 8%) and Portugal (0%) had recorded limited or no disbursements. It should be noted that EU ETS allowances which provide the resources of the Modernisation Fund are auctioned in equal annual volumes from 2021 to 2030 in accordance with the Auctioning Regulation, therefore the Member States can only request the amounts which are available on their accounts.

Figure 45 Share of disbursed amount by EIB relative to Member State total envelope MF envelope (total EU-wide envelope = EUR 56.8 billion) (2021-mid-2025)



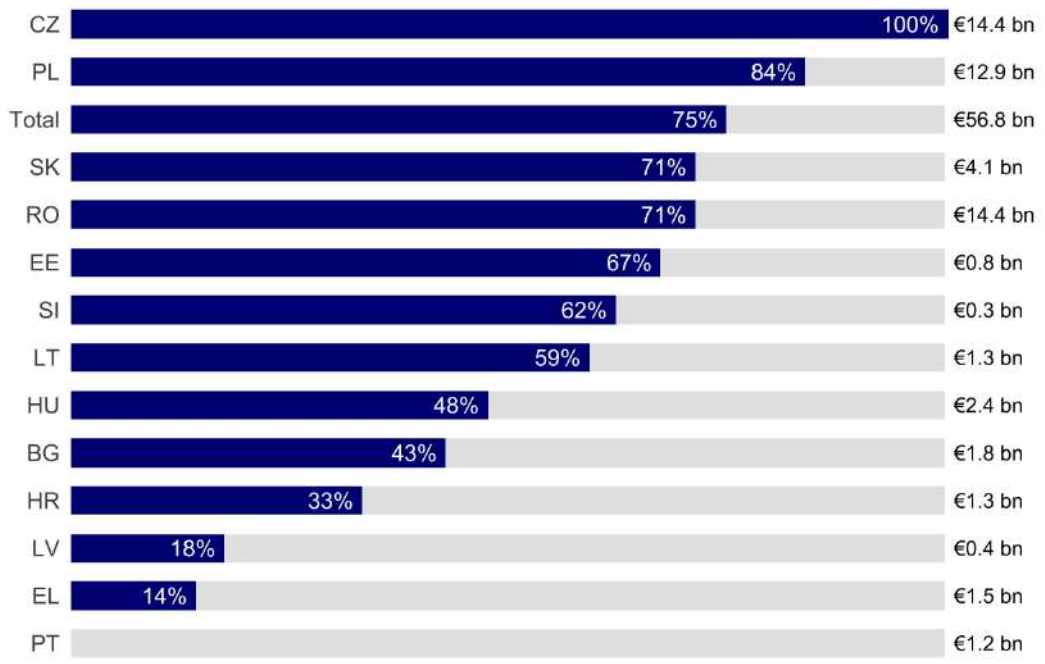
Note: Total envelope displayed at the end of each bar.

Source: Modernisation Fund database – EIB data

EUR 42.6 billion has been earmarked to date, indicating an overall utilisation rate of 75%.

At country level, Czechia has earmarked 100% of its estimated envelope. Poland (84.0%), Romania (71.4%), and Slovakia (71.4%) also show substantial earmarking of the fund, reflecting sustained pipelines of eligible projects. Other countries such as Greece (14.3%), Latvia (17.5%), and Croatia (33.3%) display significantly lower earmarking. Hungary (47.7%), Bulgaria (42.9%), and Estonia (67.5%), have earmarked less than half to two-thirds of their estimated envelope, indicating room for further acceleration in fund deployment before the 2030 deadline. Countries may however still decide to redirect these earmarked (planned) amounts to other (new) investments and use them for other purposes than initially intended, subject to approval of any new investment proposals.

Figure 46 Share of earmarked support of total MF envelope, per BMS (2021-mid-2025)



Source: Modernisation Fund database – EIB data

8.2.2. Investment volumes and financial execution

Between 2021 and mid-2025, 194 investments (confirmed priority investments and approved non-priority investments) were supported through the Modernisation Fund across the beneficiary Member States (see Figure 47). These investments represented a combined total cost of approximately EUR 71.7 billion (excluding VAT) and EUR 42.6 billion in planned MF support. However, the scale of engagement varied substantially from country to country, both in terms of the number of supported investments and the associated financial volumes.

Czechia is the largest beneficiary across all headline indicators. With 62 investments (the highest number among all countries) it mobilised nearly EUR 32.7 billion in total investment cost. These investments earmarked a planned EUR 14.4 billion in support from the Modernisation Fund, of which approximately EUR 5.8 billion had already been disbursed by the EIB. This establishes Czechia as the most active Member State in terms of both portfolio breadth and financial engagement with the Fund. Poland follows as a key beneficiary in financial terms, although with a more concentrated portfolio. Despite counting only 27 projects, Polish investments amounted to a total cost of EUR 15.2 billion, supported by over EUR 10.9 billion in planned MF contributions. This translates into a significantly higher average support per investment compared to Czechia: approximately EUR 402 million per investment in Poland, versus EUR 233 million in Czechia. The financial concentration observed in Poland's portfolio suggests a strategic focus on large-scale operations with high capital requirements. Poland was disbursed EUR 4.3 billion by the EIB. Romania ranks third, both in terms of project count (43) and financial volume. With total investments exceeding EUR 12.2 billion, Romania earmarked a planned EUR

10.3 billion in MF support. Approximately EUR 6.3 billion were disbursed by the EIB to Romania, indicating a relatively advanced level of implementation and fund absorption compared to other Member States.

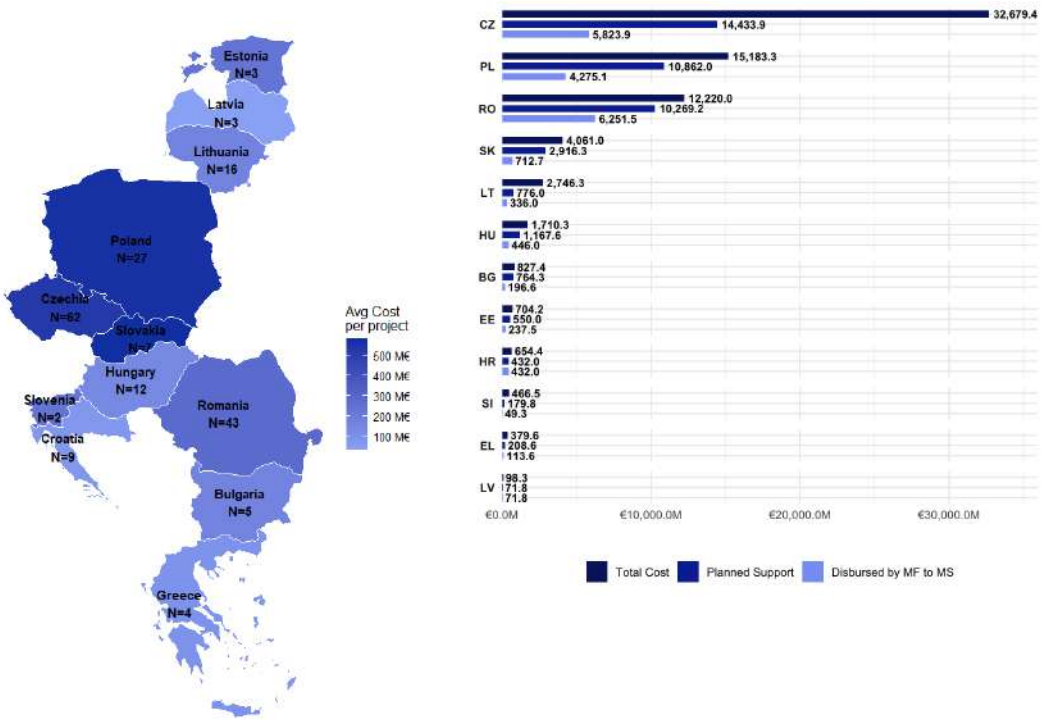
Other countries participated at smaller scales. Lithuania and Hungary, with 17 and 12 investments respectively, mobilised total investment costs of around EUR 2.7 billion and EUR 1.7 billion, supported by planned MF contributions of EUR 776 million and about EUR 1.2 billion. Bulgaria, Greece, and Estonia each reported between three and five projects, with total investment costs ranging between EUR 380 million and EUR 830 million. Their corresponding amounts of MF earmarked funds remained below EUR 800 million.

In terms of execution, the data shows significant disparities between amounts planned for MF support and those disbursed by the EIB. By mid-2025, beneficiary Member States have earmarked MF funds for EUR 42.6 billion. From this, approximately EUR 18.9 billion had been disbursed. This suggests that only about 44% of the total planned MF support has reached the implementation stage. This gap likely reflects the time required for project maturation and approval processes, particularly considering that limited activity was recorded in 2021, and most investments are expected to span multiple years before completion.

Country-level disbursement data highlights notable differences in financial execution. Poland, Romania, and Czechia stand out, having received disbursements from the EIB of EUR 4.3 billion, EUR 6.3 billion, and EUR 5.8 billion respectively. These represent relatively high execution levels in absolute terms. Except for Slovakia (EUR 713 million), disbursements from the EIB to the other beneficiary Member States remain below EUR 500 million, and in the case of Portugal, stand at zero.

This data illustrates both the magnitude and uneven ness of investment mobilisation across the beneficiary Member States, as well as varying levels of maturity in fund utilisation.

Figure 47 Total cost, planned support from MF and disbursed amounts by EIB, per BMS (2021 - mid-2025)



Source: Modernisation Fund database – EIB data

The annual distribution of confirmed and approved investments under the Modernisation Fund (Figure 48) reveals several important trends relating to the pace of engagement, institutional maturity, and geographical diversification of the beneficiary Member States.

In total, 194 investments were supported by the MF between 2021 and mid-2025. The first two years of implementation show a clear ramp-up of activity. In 2021, only 25 investments were confirmed/approved and EUR 1.9 billion disbursed to beneficiary Member States that year, reflecting a cautious start as Member States familiarised themselves with the Fund's procedures. By 2022, the number more than doubled to 52 with about EUR 6.2 billion disbursed to beneficiary Member States, with Romania and Czechia alone accounting for over 65% of all approvals and 73% of disbursed support by the EIB. This suggests early political prioritisation of MF resources and institutional readiness in those countries and a strong initial alignment between national project pipelines and MF requirements.

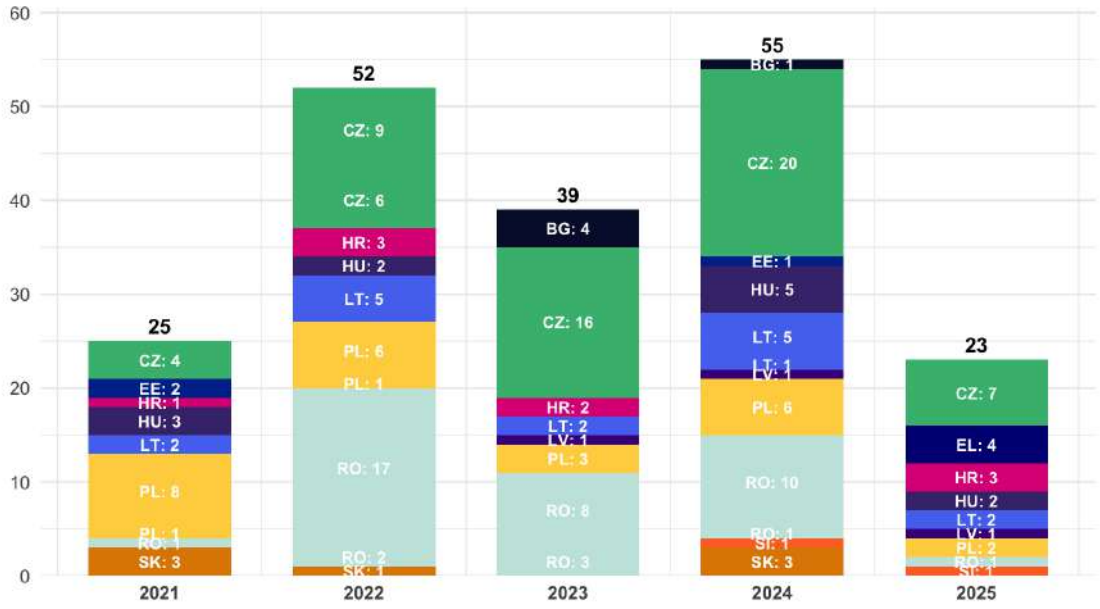
In 2023, investments declined to 39 and EUR 4.9 billion was disbursed to beneficiary Member States, despite sustained engagement by key Member States. Czechia (16) and Romania (11) remained active, but other countries saw a lower number of approvals. This suggests a more selective or consolidative approach, likely driven by the need to focus on implementing projects approved in earlier cycles.

The year 2024 marked the highest volume of approvals, with 55 investments confirmed, EUR 3.3 billion of disbursed support by the EIB and the widest geographical participation to date, including also Slovenia. Alongside the continued dominance of Czechia (20) and

Romania (11), countries like Hungary, Poland, and Lithuania increased their presence. Importantly, Slovenia participated for the first time, and Latvia maintained participation. This reflects increased maturity and engagement across a more diversified group of Member States.

In the first cycle of 2025, 23 investments had already been confirmed/approved with a total disbursed support by the EIB of EUR 2.5 billion. Notably, Greece proposed 4 investments, joining a mix of consistent contributors such as Czechia (7), Poland (2), and Croatia (3). This points to a continued expansion of the Fund's geographic reach, with newer participants becoming active contributors (Greece).

Figure 48 Evolution of confirmed/approved investments by BMS (2021 - mid-2025)



Source: Modernisation Fund database – EIB data

In addition to the projects already approved and under implementation, the Modernisation Fund portfolio includes one investment ([205]) still under assessment and two postponed investments ([206]) as part of the 2025 cycle, for a total planned support of nearly EUR 929.5 million.

8.2.3. Contracted amounts and disbursements from beneficiary Member States to final beneficiaries

As of end-2024, a total of EUR 10.4 billion had been contracted by beneficiary Member States to end beneficiaries and EUR 2 billion had been disbursed to them under the Modernisation Fund. These figures, signal that fund implementation is underway. Specifically, 55% of the funds disbursed by the EIB to Member States had been contracted and only 11% disbursed to end beneficiaries by end-2024. When measured against the total planned MF support committed – approximately EUR 42.6 billion, the share of funds

([205]) MF2025-2-CZ-0001: UL_PPC 100 MWt (150 MWe) TRMICE
([206]) MF2025-1-PL-1001: Improving of energy security through the use of biomethane; MF2025-1-RO-1001: Support for advanced biofuels production projects

contracted to end beneficiaries drops to 24% and disbursements to final beneficiaries to 5%.

It must be noted that, for contracted amounts, Bulgaria had reported a total amount of EUR 668.6 million, surpassing the level of disbursement of the EIB to this Member State. Therefore, in this portfolio assessment and in the analysis carried out in this evaluation study, this amount has been capped to the total amount disbursed by the EIB to Bulgaria of nearly EUR 196.6 million.

Nine countries have reported contracting funds to end beneficiaries: Bulgaria, Czechia, Estonia, Croatia, Hungary, Lithuania, Poland, Romania and Slovakia. Czechia (EUR 3.7 billion), Poland (EUR 1.3 billion) and Romania (EUR 4.3 billion) contracted the largest amounts. Relative to the amounts disbursed to Member States by the EIB, Bulgaria contracted 100% of its disbursed amount (EUR 196.6 million), followed by Lithuania (EUR 250 million, 74%) and Romania (69%). Czechia (64%) and Estonia (EUR 143 million, 60%) have also contracted relevant amounts to end beneficiaries. By contrast, Hungary (EUR 66 million, 15%) and Croatia (EUR 99.1 million, 23%) have contracted relatively low amounts of funding to end beneficiaries.

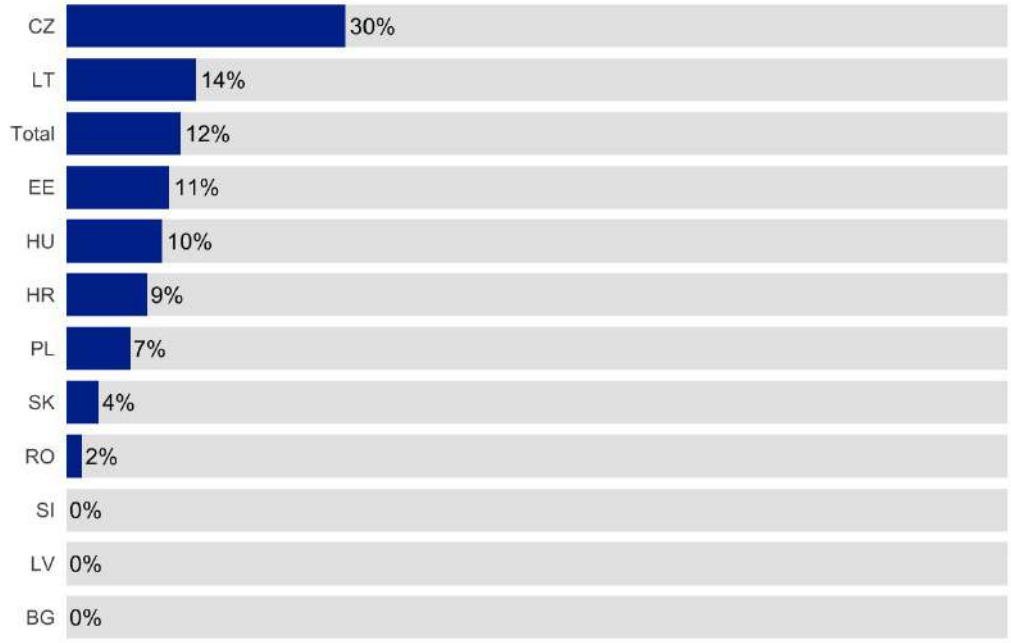
Eight countries have so far reported disbursements to final beneficiaries: Czechia, Hungary, Croatia, Estonia, Lithuania, Slovakia, Romania and Poland (Figure 49). Together, they account for a substantial portion of the Fund’s portfolio, yet the transfer of resources to project owners and end users has remained significantly backloaded.

Czechia disbursed the largest volumes over the years. With over EUR 1.5 billion transferred to final beneficiaries (about 26% of the funds disbursed from the EIB to Czechia), it accounts for 77% of the total downstream disbursements across all countries. The country's disbursement profile shows a marked acceleration over time, beginning with EUR 71.4 million in 2021, peaking at EUR 730 million in 2022, and after a decline in 2023 (EUR 31.6 million), rising to EUR 706 million in 2024.This progressive growth suggests that national procedures have matured, allowing for consistent implementation scaling.

Romania and Poland follow, although they disbursed significantly less support to end beneficiaries compared to Czechia. Poland disbursed EUR 198 million (5% of the EIB’s disbursed amounts to Poland) to end beneficiaries by the end of 2024, whereas Romania disbursed EUR 104.6 million (2%). Lithuania and Hungary disbursed EUR 44.6 million (13% of the EIB’s disbursed amounts) and EUR 31.5 million (7%) respectively, with their activity spread over 2021 and 2022. Estonia disbursed EUR 26 million (11%), with its activity concentrated in 2021.

Slovakia has disbursed nearly EUR 25 million to end beneficiaries, corresponding to 4% of its EUR 712.7 million in received funds. Similarly, Croatia has disbursed EUR 22.6 million (5% of the amount disbursed by the EIB). For both countries activity was concentrated in 2021 and 2022.

Figure 49 Total disbursements to final beneficiaries in relation to disbursed amounts by the EIB to BMS, per BMS (2021 – end-2024)

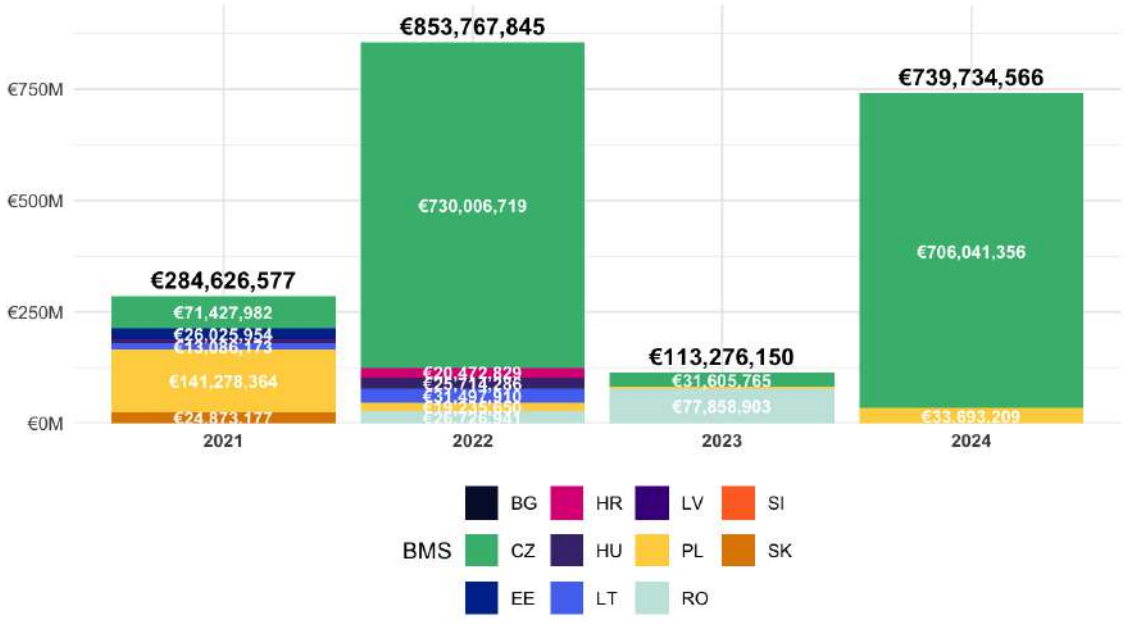


Source: Modernisation Fund database – 2024 Annual reports and EIB data

The temporal breakdown of disbursements to final beneficiaries show that activity was mainly concentrated in 2021 and 2022 for most countries, to then decrease in 2023 and grow again in 2024 with limited participation of Member States (Figure 50). In 2021, EUR 284.6 million was disbursed across 8 beneficiary Member States. In 2022, activity peaked at EUR 853.8 million disbursed to final beneficiaries across seven countries. The lowest amount of disbursed funds to final beneficiaries was registered in 2023: EUR 113.3 million across three Member States (mainly Romania). Disbursements to final beneficiaries grew again 2024 with EUR 739.7 million, concentrated in only two Member States and mainly in Czechia (EUR 706 million). These dynamics indicate that most investments are now reaching the implementation stage, with administrative systems and national pipelines gradually converting allocated support into tangible results on the ground.

Three Member States, which have nevertheless received disbursements from the EIB, have neither contracted nor disbursed any funds to final beneficiaries (Latvia, Greece, Portugal and Slovenia) and one (Bulgaria) has not yet had any disbursements to final beneficiaries.

Figure 50 Total disbursements to final beneficiaries by BMS, per year (2021- 2024)



Source: Modernisation Fund database – 2024 Annual reports

8.2.4. Public and private co-financing

The MF not only provides direct financial support to climate and energy investments in beneficiary Member States but also plays a catalytic role in mobilising additional resources from both private and public sources.

Member States apply heterogeneous methodological approaches when reporting the volume of private financing associated with investments supported by the Modernisation Fund. Their responses reveal substantial differences in whether figures reflect only private resources actually secured to date or whether they refer to the total expected amount of private financing required to complete the investment lifetime. They also vary in how private contributions are calculated, what cost components are included, and the extent to which assumptions or forecasted values are used.

Member States differ sharply in whether they report secured private financing or expected lifetime private contributions. Czechia and Slovakia report only the private funds actually secured or contractually committed at the time of reporting. These figures cover the period until the end of the investment lifetime but are only partial as, notably for schemes, more projects get selected, more matching private funding will need to be secured to respect State aid rules. The private investment cost is therefore likely to be importantly underestimated in these countries. Hungary also reports only confirmed private contributions and shows zero private financing where aid-intensity rules allow 100% public funding. In contrast, Poland, Bulgaria, Croatia, Latvia, Lithuania (for schemes where investment costs are monitored), and Romania report the full expected private co-financing needed to complete each investment, largely based on beneficiary declarations or predefined assumptions. Estonia reports the full expected beneficiary contribution as well, although this represents public co-financing, not private investment, given the

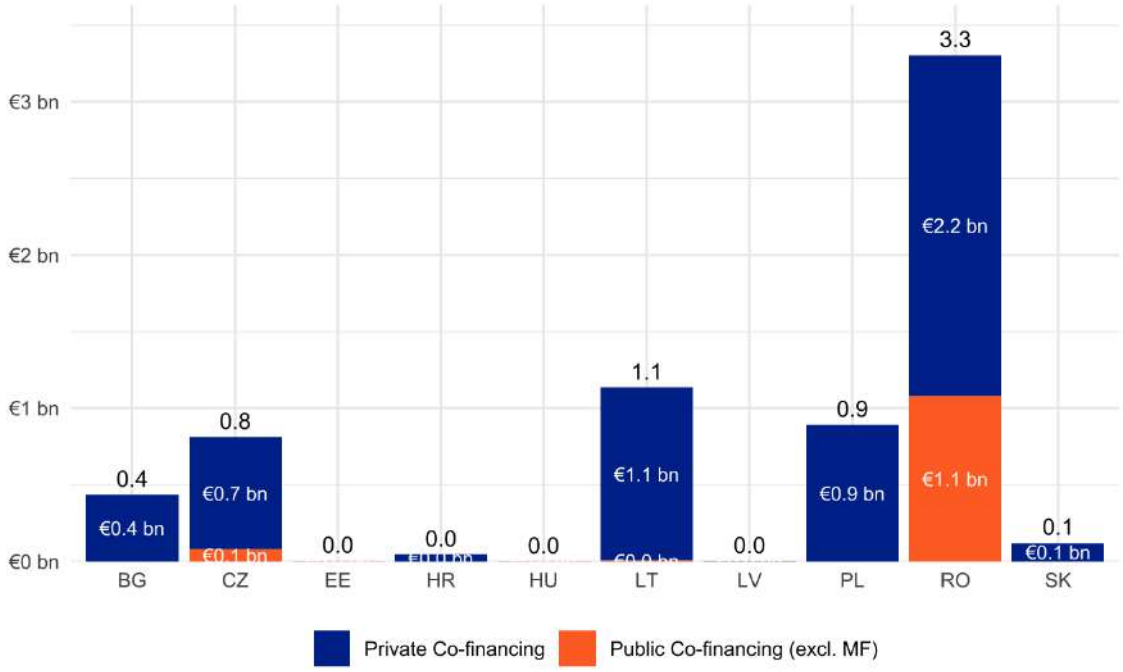
nature of its programmes. Lithuania applies mixed reporting, omitting private contributions entirely in fixed-amount schemes.

Several Member States calculate private financing using a simple residual formula: private contribution = total investment cost – public support. This approach is used in Poland, Croatia and Latvia, and conceptually underpins reporting in Hungary when co-financing requirements apply. Poland adds specific assumptions (e.g. a 70% grant share for households) and uses a standardised exchange rate. Other Member States rely primarily on beneficiary-provided estimates without a harmonised national method, notably Bulgaria and Romania. Lithuania uses scheme-specific approaches, and in fixed-amount schemes no private-contribution calculation is performed. Czechia does not calculate total private financing; it reports only verified secured contributions, often limited to eligible-cost structures, and cannot estimate private investment in unit-cost or incentive-based schemes. Slovakia similarly reports only confirmed private investment needed to start the project, excluding future or operational costs.

As shown in the Figure, private co-financing appears to be the more prominent component mobilised through MF-supported investments. Available data reveals that a handful of beneficiary Member States have succeeded in attracting substantial private sector contributions alongside MF funding. Romania (EUR 2.2 billion), Lithuania (EUR 1.1 billion), Poland (EUR 890 million), Bulgaria (EUR 436.2 million) and Czechia (EUR 731 million) stand out with high levels of private co-investment. Lithuania is notably an outlier, reporting relatively high levels of private co-financing despite a relatively small MF envelope compared to larger beneficiaries. Slovakia (EUR 122.6 million), Croatia (EUR 45.6 million) and Latvia (EUR 2.2 million) also registered private co-financing, although on a more modest scale.

By contrast, public co-financing from national or regional sources outside the MF has been far more limited. Only a few countries reported measurable contributions from domestic public budgets. Romania recorded the highest amount of public co-financing beyond the MF, at approximately EUR 1.1 billion, followed by Czechia, EUR 79.7 million, while Estonia (EUR 4.9 million), Hungary (EUR 0.6 million), and Latvia (EUR 0.4 million) contributed significantly smaller amounts.

Figure 51 Total amounts of private and public co-financing mobilised in the context of MF investments by BMS (2021-2025)



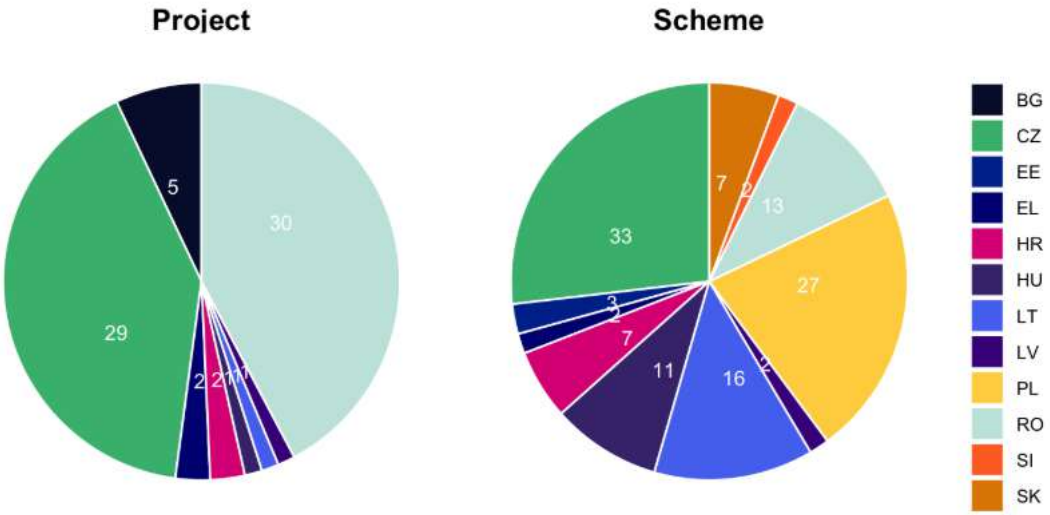
Source: Member States' self-reported data on private co-financing – only BMS reporting private/public co-financing

8.2.5. Types of investments: projects vs. schemes

The Modernisation Fund portfolio consists of two primary categories of investment implementation: projects (including large-scale projects) and schemes (including large-scale schemes). These two formats differ in structure, size, and execution logic. Based on the most recent data, a total of 194 investments have been supported through the Fund. Of these, 71 are classified as projects (including large-scale projects), and 123 as schemes (including large-scale schemes).

Table 12 Total cost, planned support and disbursed amounts by EIB and number of investments by type of proposal, per BMS (2021- mid-2025)

Variable	Projects	Schemes
Total cost	12 bn	59.5 bn
Planned support	7.4 bn	35 bn
Disbursed amount	4.1 bn	14.8 bn
Completion rate	55.4%	42.3%

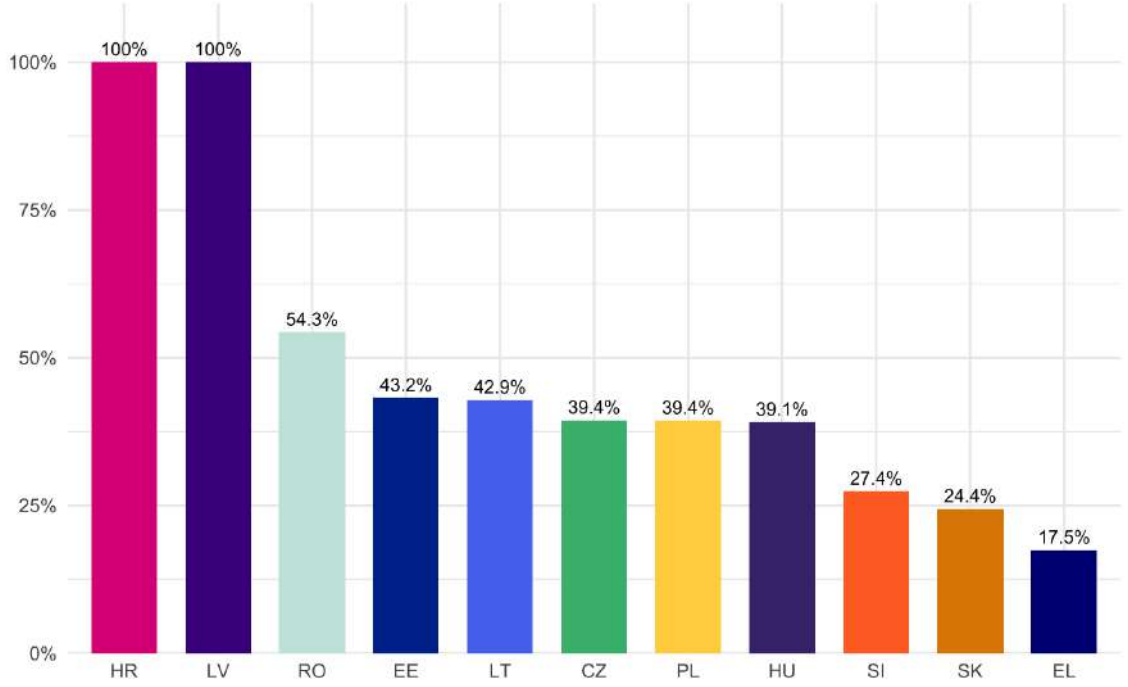


Source: Modernisation Fund database – EIB data

Projects account for a total investment cost of approximately EUR 12.08 billion. The corresponding planned support from the Modernisation Fund amounts to EUR 7.45 billion. EUR 4.31 billion has been disbursed as of mid-2025. In terms of distribution, most large projects have been concentrated in two Member States: Romania, with 30 investments, and Czechia, with 29. The remaining 12 projects are spread across Bulgaria, Greece, Croatia, Hungary, Lithuania, and Latvia. The projects within this group generally involve individual infrastructure or technology investments, often of significant scale but implemented independently rather than as part of a wider scheme.

In parallel, schemes comprise 123 investments, representing most Modernisation Fund investments in terms of both number and financial volume. The total investment cost under this category reaches approximately EUR 59.6 billion. The planned MF support linked to these operations amounts to about EUR 35.2 billion. Member States received EUR 14.8 billion from the EIB by mid-2025. Unlike projects, schemes are more widely distributed across all beneficiary Member States. Notable contributors include Poland, Romania, and Czechia, which have each implemented between 13 and 33 schemes. Other countries, such as Lithuania, Slovakia, Hungary, and the Baltic States, have also made extensive use of the scheme format. This implementation route typically consists of frameworks or national programmes under which multiple final beneficiaries can receive support, often with varying subproject sizes and implementation timelines.

Figure 52 Average completion rate of schemes per Member State (2021-mid-2025)

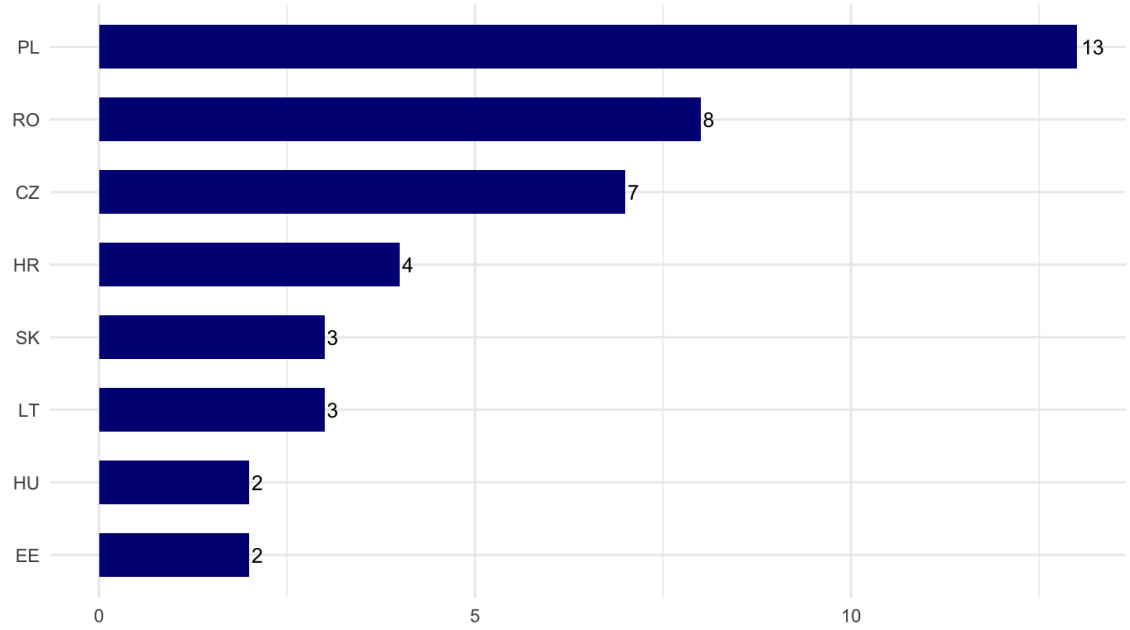


Source: Modernisation Fund database – EIB data

Among schemes financed under the Modernisation Fund, a subset of 42 has been identified as having subsequent disbursements, that is, additional payments made following an initial approved disbursement under the same scheme.

These cases are distributed across seven beneficiary Member States, with the highest number recorded in Poland (13), followed by Romania (8) and Czechia (7). Other countries with subsequent disbursements include Croatia, Slovakia, Estonia, Hungary, and Lithuania, each with between two and four occurrences. These follow-on disbursements reflect the modular structure of schemes, which are typically designed as multi-phase or multi-annual programmes. Funds are released in tranches, following submission of a proposal for a subsequent disbursement and its approval by the EIB.

Figure 53 Number of investments with subsequent disbursement by BMS (2021-mid-2025)



Source: Modernisation Fund database – EIB data

8.2.6. Non-approved investment proposals

Within the broader set of project proposals submitted to the Modernisation Fund between 2021 and mid-2025, a distinct category consists of those that were formally returned to the Member States. These proposals did not advance to the next stage of evaluation or funding decision, typically because they required further clarification, adjustment, or substantial improvement. In some cases, the issues may have been technical or administrative; in others, more structural gaps in alignment with the Fund's investment logic or eligibility criteria were identified.

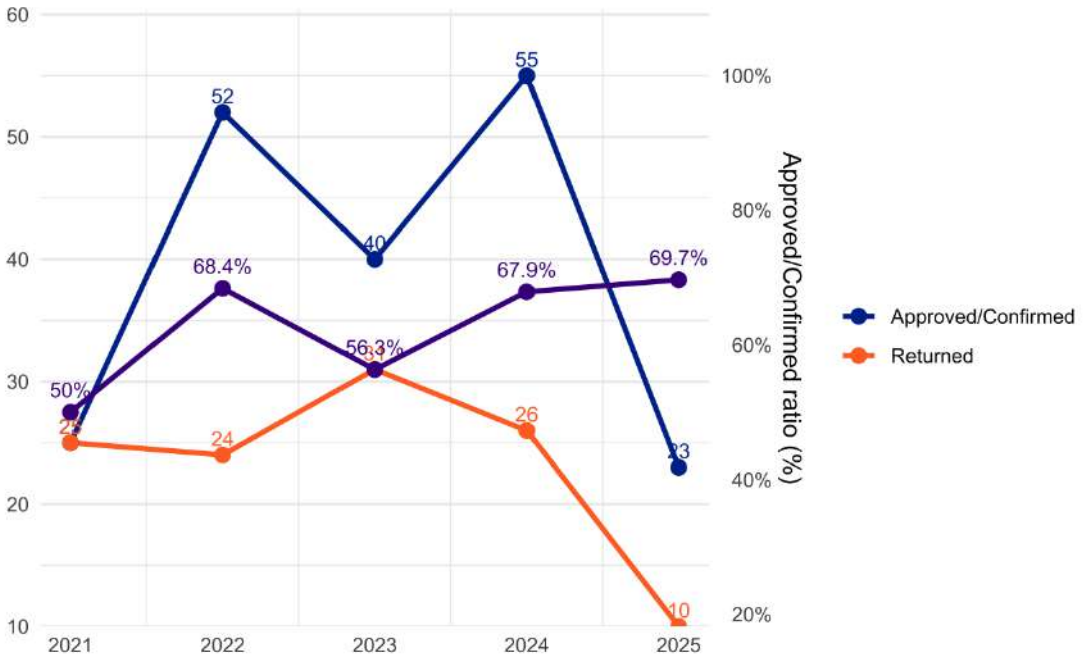
Figure shows, in the initial two years of implementation, a nearly one-to-one ratio between returned and confirmed investments was observed. In 2021, 25 proposals were confirmed, while 24 were returned. In 2022, the number of returned proposals (24) remained nearly unchanged, whereas confirmed projects increased to 52. These figures suggest that 2021 was a year of experimentation and pilot submissions, with Member States adjusting to a new funding instrument. The rate of rejection or required revision was substantial – almost 50% of proposals failed to reach confirmation on the first attempt. However, by 2022, an early effect of institutional learning appears to have taken hold: although returned proposals remained high, confirmed investments more than doubled, signalling the beginning of a divergence between quality and non-compliant proposals.

The year 2023 marked a temporary reversal of this trend, with 31 proposals returned, compared to 39 confirmed. The ratio of returns to approvals climbed again, reaching nearly 80%, with the highest concentration of returns recorded in Czechia (19) and Romania (11). This spike is best interpreted not as a decline in capacity, but as a result of ambitious scaling up, as both countries submitted large pipelines.

In 2024, the number of confirmed/approved investments climbed to a record 55, while returned proposals fell to 26, marking the widest gap between these two categories in the entire period. This divergence signals a major milestone in institutional convergence with Fund requirements. Even countries that had previously submitted high volumes of non-aligned proposals – such as Czechia, Romania, and Poland – registered markedly fewer returns, accompanied by stable or increasing approval volumes.

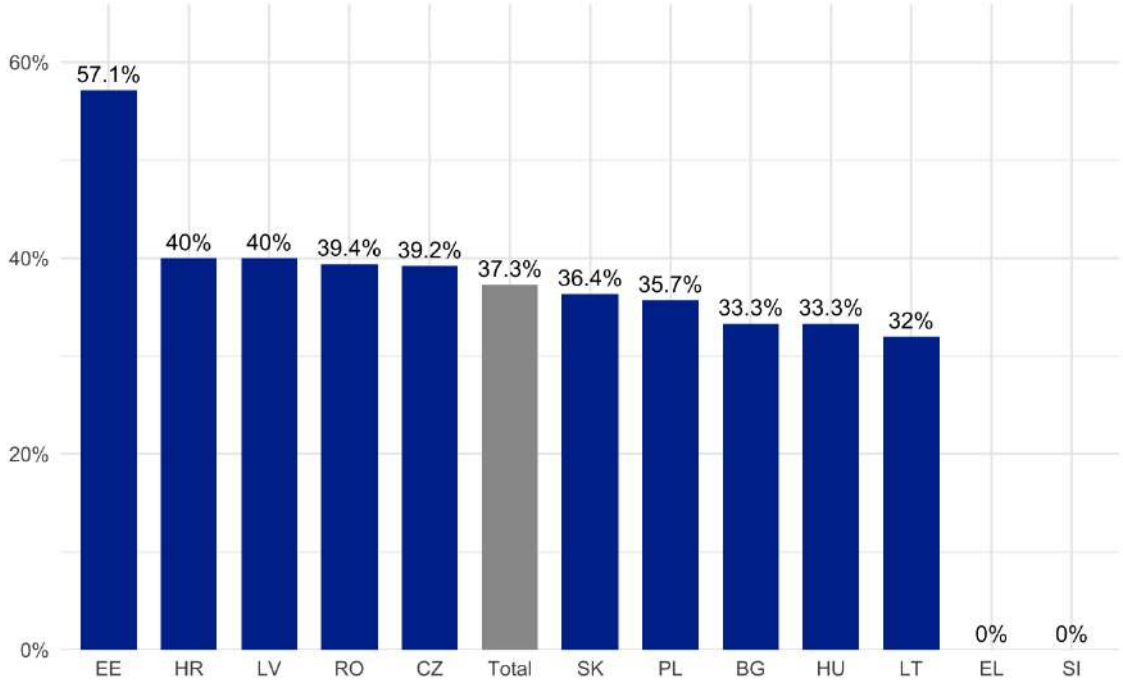
The data for the first cycle of 2025 reinforces this trend. Only 10 proposals were returned, compared to 22 already confirmed. Several countries, including Greece and Slovenia, entered the portfolio without any recorded returns – suggesting that lessons learned from earlier participating states had translated into better first-time submissions, even among late joiners.

Figure 54 Evolution of the number of investments confirmed/approved and returned, per year (2021- mid-2025)



Source: Modernisation Fund database – EIB data

Figure 55 Returned investments ([207]) ratio by BMS (2021-mid-2025)



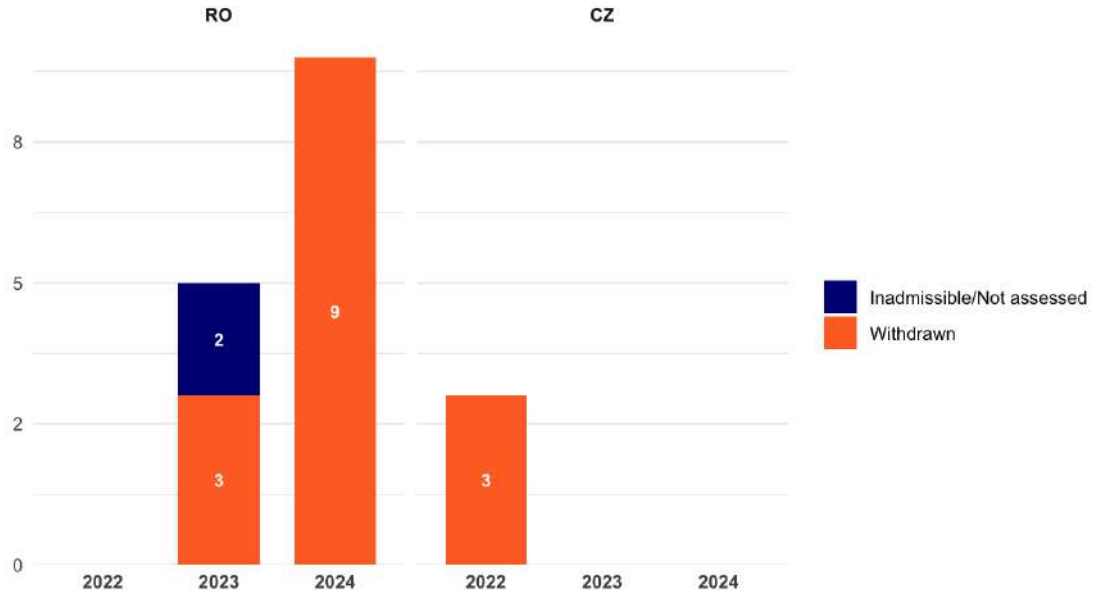
Source: Modernisation Fund database – EIB

It is difficult to draw conclusions from the figure above. Very low or very high return rates can be explained by the fact that very few proposals were submitted altogether. Depending on the nature of the investments submitted, it may be more or less difficult for the EIB to confirm an investment, explaining relatively higher or lower return rates.

In addition to the proposals that were returned for improvement, a smaller but notable number of investment **(only NPIs)** submissions were either deemed inadmissible or voluntarily withdrawn by the Member States prior to final assessment. A total of 17 such cases were recorded, the vast majority of which were concentrated in Romania (14 including the two inadmissible cases), with the remaining three cases in Czechia. These figures, though limited in scale, reflect situations where proposals have lacked essential eligibility criteria.

([207]) Returned ratio = number of returned investments / number of approved +confirmed+ returned

Figure 56 Withdrawn / not assessed investments by BMS (2022 – 2024)



Note: only for years with inadmissible or withdrawn investments

Source: Modernisation Fund database – EIB

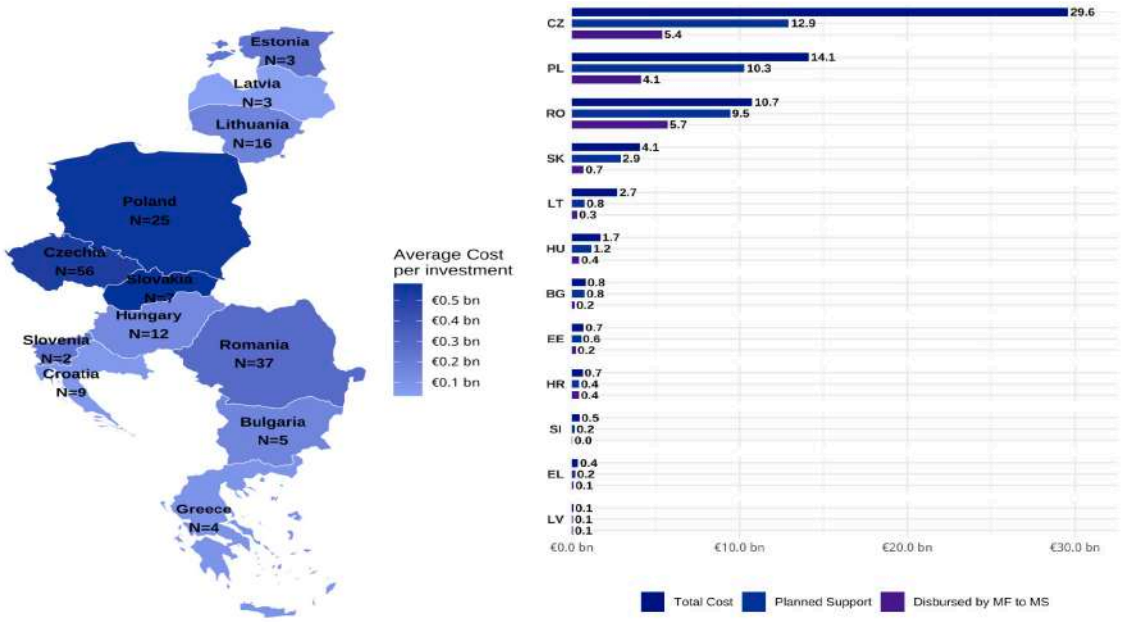
8.2.7. Priority and non-priority investments

Priority investments (PIs), as defined under the ETS Directive, are those that contribute directly to at least one of the Fund's pre-identified priority areas. These operations benefit from a simplified assessment and are automatically eligible for support without undergoing the full technical and financial screening process by the EIB.

As of mid-2025, 179 priority investments had been supported across 12 Member States, representing a total cost of approximately EUR 66 billion (excl. VAT). The corresponding planned support from the Modernisation Fund amounted to over EUR 39.7 billion (93% of total planned support from the Fund), with EUR 17.8 billion already disbursed by the EIB. This reflects a robust disbursement ratio, signalling effective implementation across most beneficiaries.

The largest volumes of priority investments are concentrated in Czechia, Romania, and Poland. Czechia alone accounts for 56 investments – nearly one-third of all PIs – mobilising EUR 12.9 billion in planned MF support. Romania, with 37 investments, follows with EUR 9.4 billion, while Poland's 25 priority investments are backed by EUR 10.3 billion in MF funding.

Figure 57 Total cost, planned support from MF and disbursed amounts by the EIB for priority investments by BMS (2021-mid-2025)



Source: Modernisation Fund database – EIB data

Non-priority investments (NPIs) constitute a smaller share of the Modernisation Fund portfolio and are subject to stricter assessment. These projects are not linked to predefined priority areas but still align with the Fund's climate objectives and must demonstrate GHG emissions reductions. As per the regulatory ceiling, no more than 20% of the MF can be spent on this type of investments.

A total of 15 non-priority investments were recorded across four Member States – Czechia, Romania, Poland, and Lithuania – representing a combined total cost of EUR 5.7 billion (excl. VAT). The planned MF support for these projects reached approximately EUR 2.9 billion, with EUR 1.1 billion disbursed by the EIB. The regulatory ceiling of no more than 20% of allocations to NPIs is respected: 6% of the total volume disbursed to BMSs is allocated to NPIs.

Furthermore, it should be noted that all NPIs approved in Poland (two schemes and one subsequent disbursement) and one in Czechia concern renewable heating (in buildings and district heating), which would have qualified as PI had they been adopted after the 2023 revision of the EU ETS Directive. Deducting these highly climate friendly investments (totalling EUR 456 million disbursed by the EIB), the number of 'real' NPIs drops to 12 and to a total disbursed amount by the EIB of EUR 665 million, or 4% of the total amount disbursed by the EIB by mid-2025.

Romania leads this segment with 6 NPIs and EUR 529.5 million disbursed by the EIB, followed closely by Czechia (6 projects, EUR 420 million disbursed), and Poland with two large-scale NPIs totalling nearly EUR 155.5 million in disbursements from the EIB. Lithuania has submitted one non-priority investment of relatively limited scale (EUR 6 million disbursed by the EIB).

The declining use of NPIs over the 2021–2025 period reflects a clear alignment with the broader climate policy objectives of the European Union, which aim to concentrate

support on investments falling within the predefined priority areas. Following a single pilot project submitted by Poland in 2021, the use of the NPI instrument peaked in 2022 with nine approved investments – six of which came from Czechia. In the years that followed, the number of approved NPIs declined steadily: three were submitted in 2023 (all from Romania), two in 2024 (from Lithuania and Romania), and none in 2025 as of the latest reporting. Romania remains the only country to have used the NPI track consistently.

Figure 58 Total cost, planned support from MF and disbursed amounts by the EIB for non-priority projects by BMS (2021-mid-2025)

Source: Modernisation Fund database – EIB

8.2.8. Distribution of investments across priority areas

The Modernisation Fund defines six priority areas for support:

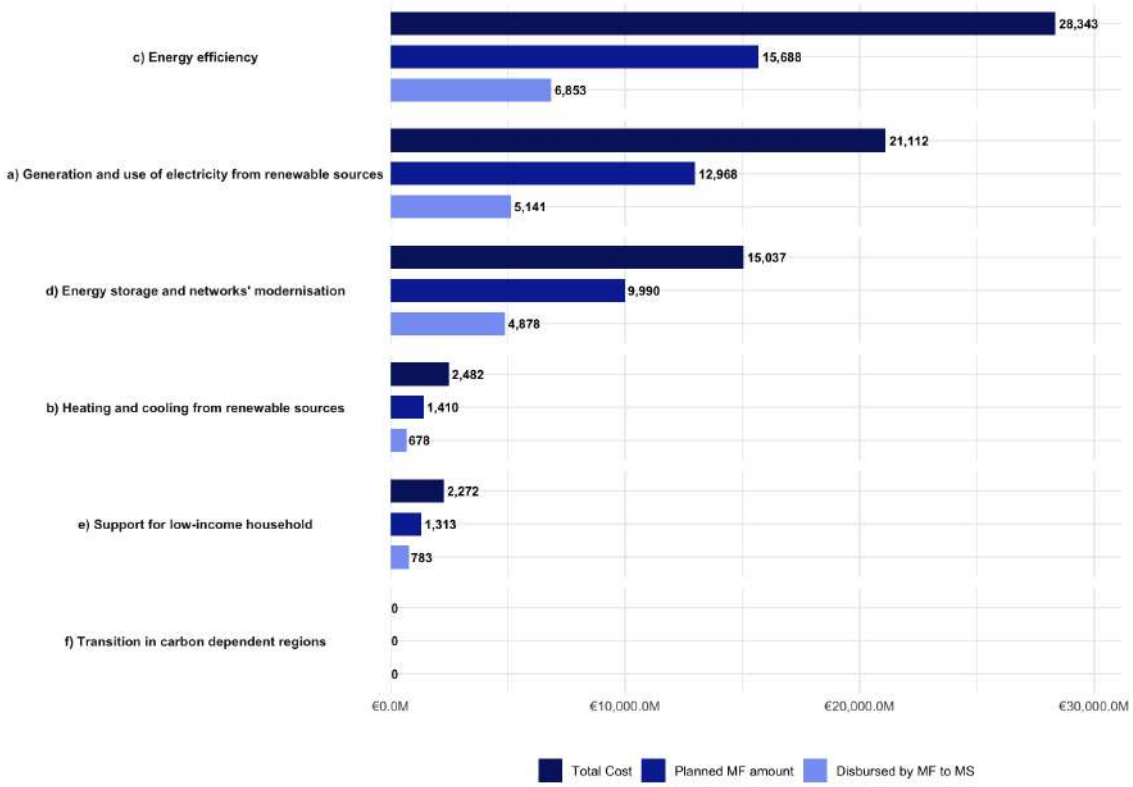
a) generation and use of electricity from renewable sources, including renewable hydrogen;
b) heating and cooling from renewable sources;
c) reduction of overall energy use through energy efficiency, covering sectors such as buildings, transport, agriculture, industry, and waste;
d) energy storage and modernisation of energy networks, including district heating, demand-side management, and infrastructure for zero-emission mobility;
e) support for low-income households to address energy poverty; and
f) just transition in carbon-dependent regions.

It is important to note that investments may fall under multiple priority areas, meaning that the number of investments presented here can overlap and should therefore be interpreted with caution. Despite this methodological caveat, the available data paints a clear picture of funding concentration and thematic preference.

The Modernisation Fund's investment portfolio from 2021 to mid-2025 is strongly oriented toward a subset of the six defined priority areas, with a pronounced imbalance in terms of both financial volumes and number of supported investments. The data reveals a clear preference for investments in energy efficiency (c), electricity and heating/cooling generation and use from renewable sources (a and b), and energy storage and modernisation (d), which collectively absorb the vast majority of funding and project activity.

The preference for these areas may be explained by the fact that they are typically characterised by high investment readiness, known technologies, and measurable returns on climate and energy performance, which makes them particularly attractive to both investors and national authorities. In parallel, this concentration of MF resources may also reflect a strategic choice by BMS to channel and prioritise MF funding toward areas not adequately addressed by other EU instruments. Categories such as support for low-income households or transition in carbon-dependent regions, while essential, are more often targeted through other funding streams like the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+). In this sense, the observed distribution likely results from a broader, multi-source investment strategy aimed at maximising complementarities across available financial instruments.

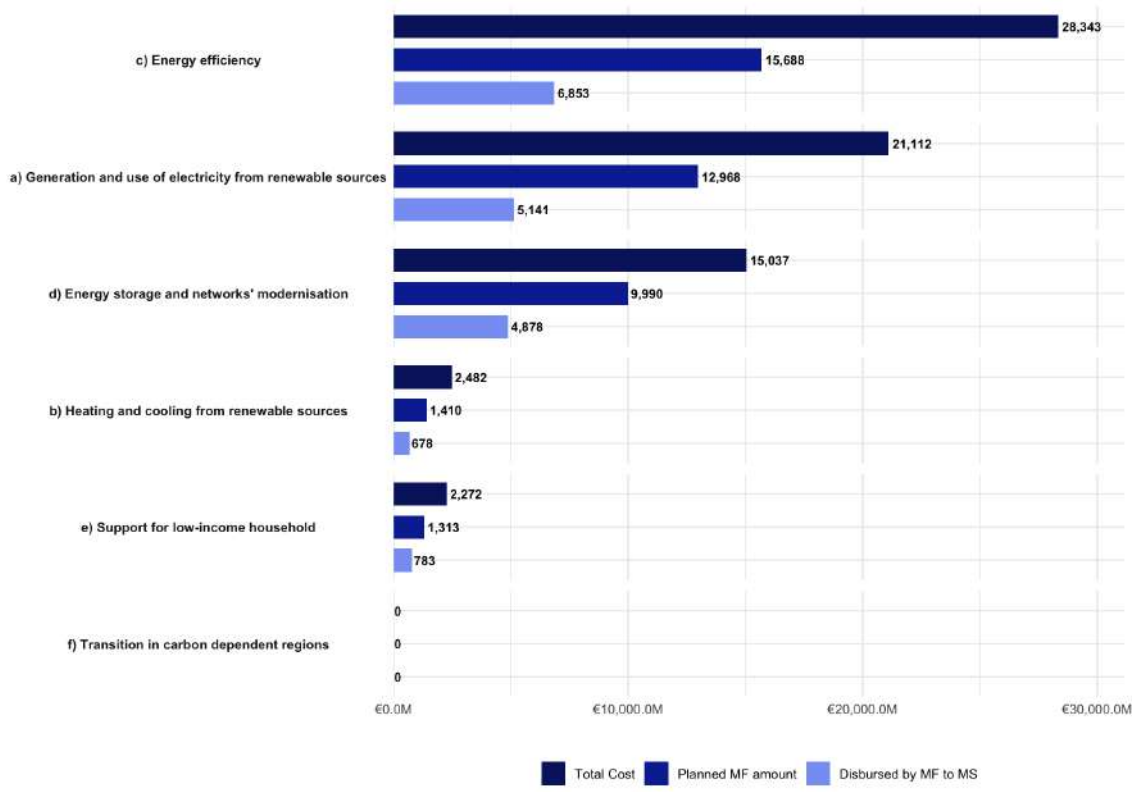
Figure 59 Total cost, planned support and disbursed amount by the EIB by priority area (2021- mid-2025)



Source: Modernisation Fund database – EIB data

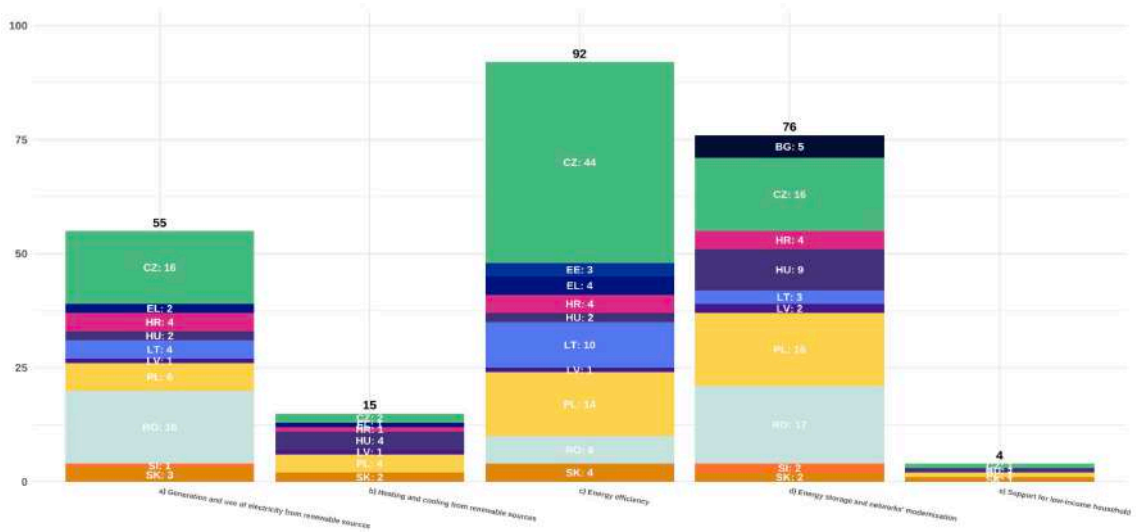
Among all priority areas, energy efficiency (priority area c) stands out as the largest in both volume and activity. It attracted the highest number of investments, with 92 projects implemented across several Member States. Financially, this category mobilised over EUR 28 billion in total costs, of which nearly EUR 15.2 billion was planned as support from the MF and approximately EUR 6.8 billion disbursed. Notably, Czechia played a dominant role in this area, having submitted 44 of the 92 projects, supported by smaller but still substantial contributions from countries like Poland, Romania, and Lithuania.

Figure 60 Total cost, planned support and disbursed amount by the EIB by priority area (2021- mid-2025)([208])



Source: Modernisation Fund database – EIB data

Figure 61 Distribution of investments by priority area and BMS (2021- mid-2025)



Source: Modernisation Fund database – EIB data

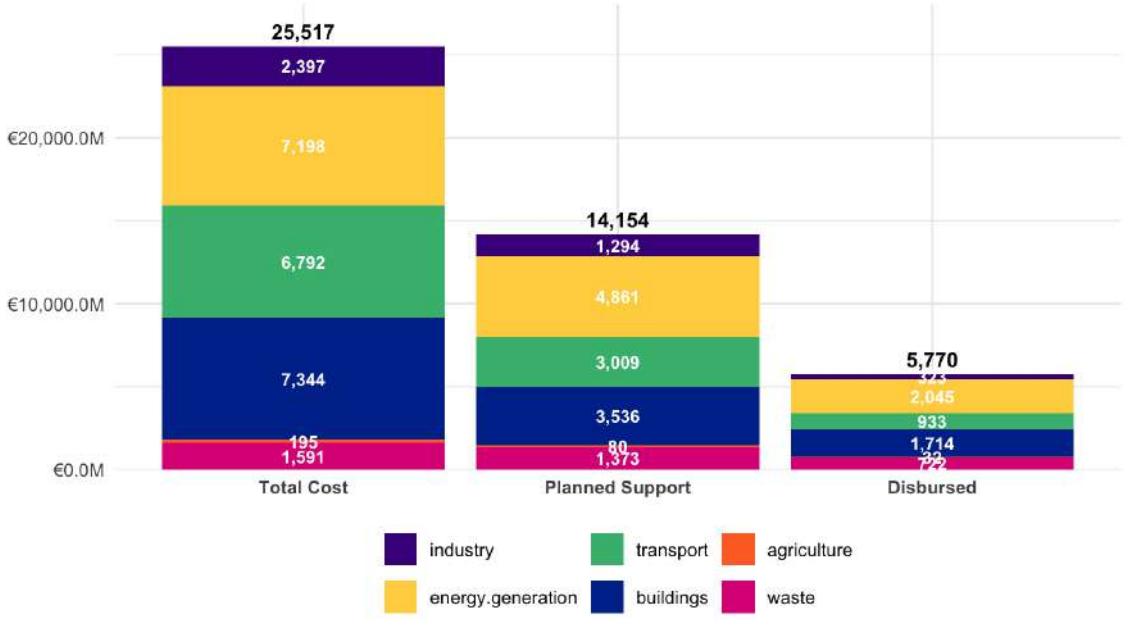
([208]) Investments may fall under several categories, each priority area was a share of the total investment according to what was mentioned in the approved documents. When not available as estimated according to the description provided.

Within the dominant priority area of energy efficiency (priority area c) (Figure), the Modernisation Fund's investments between 2021 and mid-2025 are further disaggregated into six key subsectors: buildings, transport, industry, energy generation, waste, and agriculture. This more granular analysis reveals how the dominance of this priority area is largely driven by investments concentrated in a limited number of subsectors – most notably energy generation (EUR 2 billion), buildings (EUR 1.7 billion) and transport (EUR 933 million).

The energy generation, buildings and transport subsectors are clear front-runners, mobilising the highest total costs. In terms of disbursed amounts, the EIB disbursed EUR 2.04 billion for energy generation investments, EUR 1.7 billion for energy efficiency in buildings and EUR 933 million for energy efficiency in transport.

Waste and industry follow, with EUR 722 million and EUR 323 million disbursed by the EIB, respectively. Agriculture saw only two projects with an approximate total cost of EUR 195 million and EUR 32 million disbursed.

Figure 62 Total cost, planned MF support and disbursed amounts by the EIB for investments in c) energy efficiency by subcategory (2021-mid-2025)

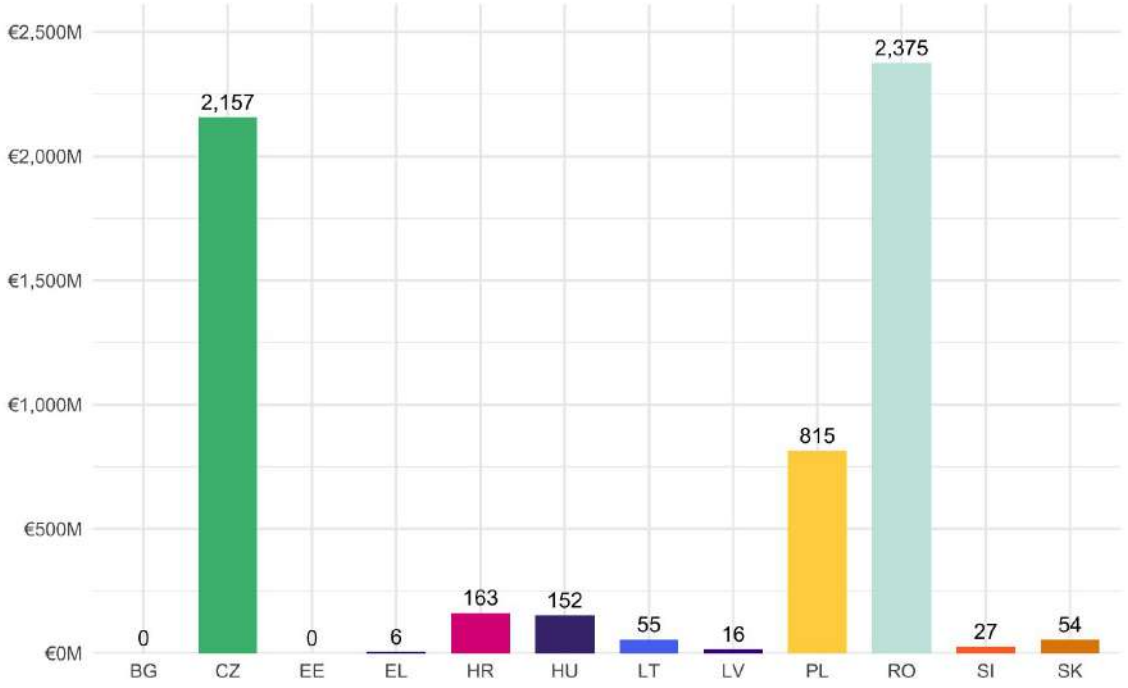


Source: Modernisation Fund database – EIB data

Generation and use of energy from renewable sources (priority areas a and b) involved 60 investments (58 investments for renewable electricity, 12 for renewable heating), for EUR 5.8 billion disbursed by the EIB (EUR 5.1 billion for electricity, EUR 677.5 million for heating). This represented about 32% of total PI disbursements by the EIB. Czechia and Romania were the main contributors for renewable electricity (about EUR 2 billion disbursed for each) and Poland and Czechia the main contributors for heating (EUR 393 million, EUR 120 million disbursed by the EIB). In addition, three investments (totalling EUR 456 million disbursed by the EIB) dedicated to renewable heating were approved as NPIs before the change of categorisation of this type of investments to PI introduced by the 2023 revision of the EU ETS Directive. This brings the total amount spent on

renewable heating to EUR 1.1 billion and total investments dedicated to renewable energy to EUR 6.3 billion.

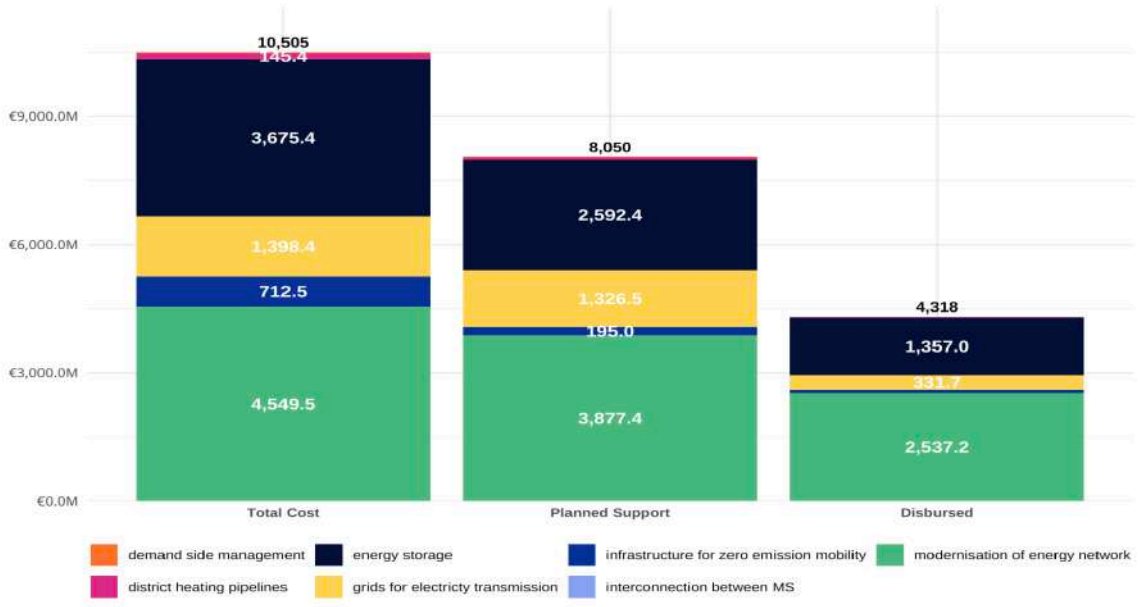
Figure 63 Total cost, planned MF support and disbursed amounts by the EIB for investments in d) energy storage and modernisation (2021-mid-2025)



Source: Modernisation Fund database – EIB data

Energy storage and modernisation (priority area d) received the third largest share in terms of financing, with 75 investments accounting for an estimated total investment cost of approximately EUR 15 billion, planned MF support of about EUR 9.9 billion, while disbursements totalled EUR 4.8 billion. Romania (17 investments), Poland and Czechia (16 investments respectively) account for 65% of investments in this area. The investments under this priority area were distributed across several distinct subcategories, including energy storage, grid and network modernisation, infrastructure for zero-emission mobility, district heating, and demand-side management.

Figure 64 Total cost, planned MF support and disbursed amounts by the EIB for investments in d) energy storage and modernisation by subcategory (2021-mid-2025)



Source: Modernisation Fund database – EIB data

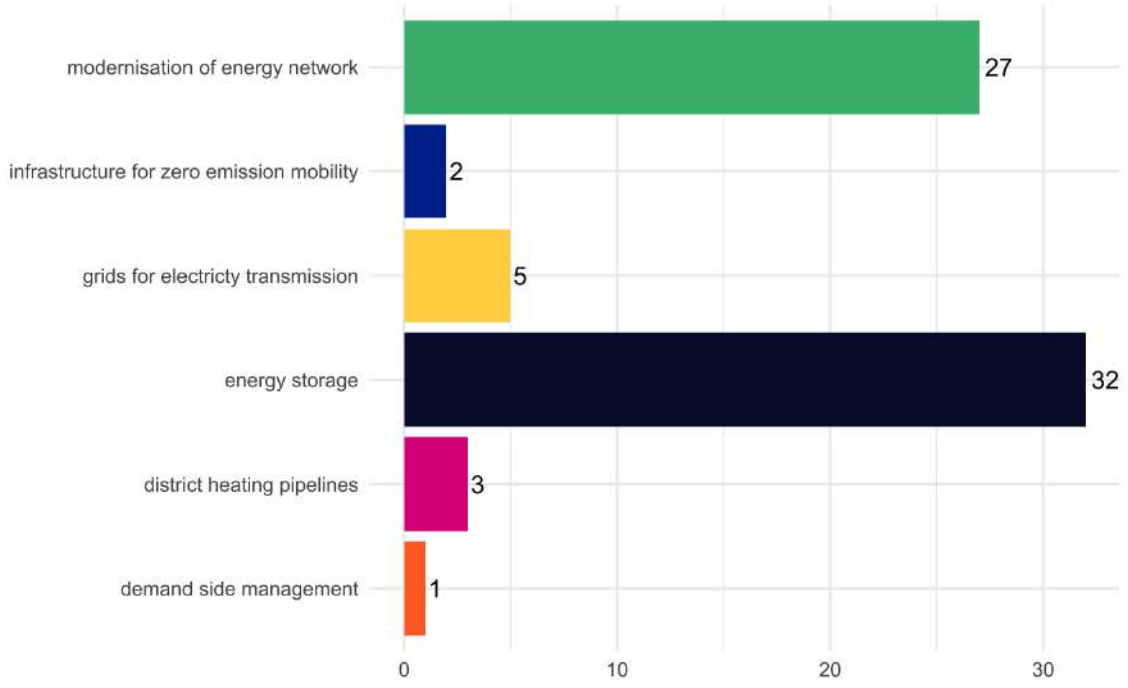
The modernisation of energy networks represents the most dominant subcategory both in financial terms and project count. With 27 individual investments ([209]), this area alone mobilised EUR 4.5 billion in total investment cost. Of this, EUR 3.8 billion was the planned support from the Modernisation Fund, and EUR 2.5 billion had been disbursed by mid-2025. This concentration of financial resources in network modernisation suggests a strong emphasis among Member States on upgrading core infrastructure to enable large-scale decarbonisation and ensure resilience in national energy systems.

In parallel, energy storage also figures prominently within this priority area. A total of 32 investments were deployed in this domain, reflecting its growing strategic importance in balancing variable renewable energy supply and enhancing grid flexibility. Although being part of more projects, energy storage featured much lower financial levels: these investments accounted for approximately EUR 3.7 billion in total cost, with a planned EUR 2.6 billion in MF support and EUR 1.3 billion disbursed.

Other subcategories were considerably less prominent. For instance, grids for electricity transmission saw 5 investments, while district heating pipelines were covered by only 3. Additionally, 2 investments were directed towards infrastructure for zero-emission mobility, and a single investment focused on demand-side management. Financial volumes for these smaller subcategories remained modest in comparison to the two dominant areas.

([209]) Examples of investments under this sub-priority area include i) Digital transformation and development of the information systems and physical infrastructure of the electricity distribution grid in south-eastern Bulgaria to enable smart grids for accelerated electrification of transport storage, ii) Support for the construction or upgrade of a publicly accessible recharging station for heavy-duty transport in Poland, iii) Support for the modernisation /rehabilitation of the smart district heating network in Romania

Figure 65 Number of investments by subcategory of energy storage and networks modernisation



Source: Modernisation Fund database – EIB data

The remaining two priority areas, support to low-income households (e) and just transition in carbon-dependent regions (f) – were much less utilised. Support to low-income households (priority area e) featured just 4 projects with minor disbursements (EUR 782 million). The just transition area (priority area f) did not receive any investments during the 2021–2025 period.

8.2.9. Fossil fuel-related investment proposals

Between 2021 and mid-2025, a total of 49 investment proposals submitted under the Modernisation Fund involved elements related to fossil fuel. These operations were concentrated in a limited number of Member States, with Czechia (30 proposals) accounting for over 61% of all fossil-related submissions during the period. Other contributors included Poland (8 proposals), Romania (7), Slovakia (3), and Croatia (1). No other beneficiary Member State reported fossil fuel-related proposals in the reference period.

From a temporal perspective, the number of fossil fuel-related proposals remained relatively stable over the years, with moderate annual fluctuations. In 2021, 6 such proposals were submitted, including cases from Czechia, Poland, and Slovakia. In 2022, the number rose to 16, with the highest single-year count from Czechia (10). In 2023, 13 proposals were submitted, while 2024 saw 14. As of mid-2025, no investment involving fossil fuel was approved.

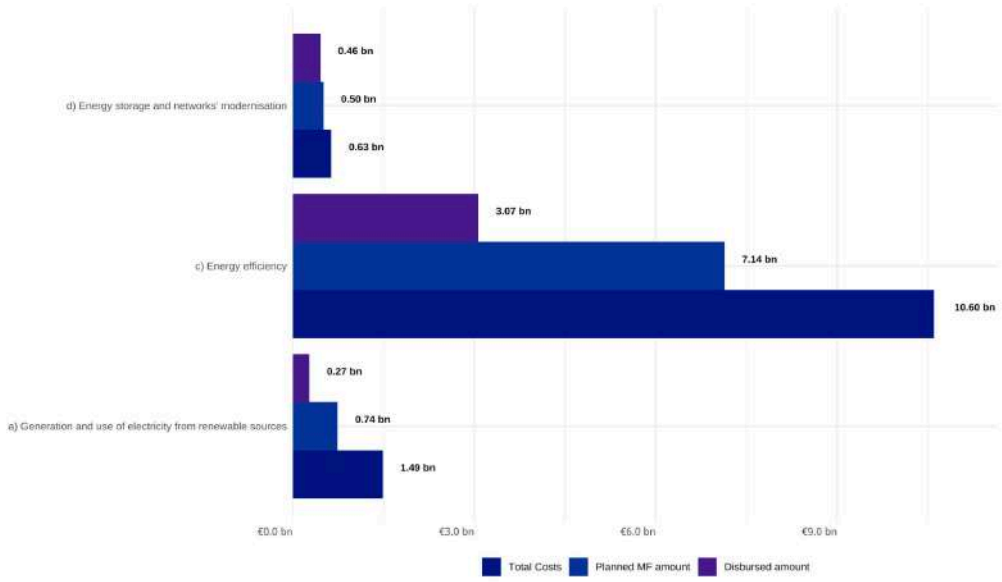
Figure 66 Evolution of investments that involve fossil fuel by BMS, per year (2021-mid-2025)

Source: Modernisation Fund database – EIB data

Most of the investments containing fossil-fuel elements were PIs (38), mobilising a disbursed support from the EIB of about EUR 3.8 billion. Only 11 of them were NPIs, with approximately EUR 678 million of support distributed by the EIB to Member States. Over the years, the number of investments involving fossil fuels has fluctuated. In 2021, there were 6 approved investments, while in 2022, that number increased to 16. However, the trend then plateaued in 2023 and 2024, with 13 and 14 investments approved, respectively. Notably, in the first half of 2025, the number dropped to 0. The revision of the ETS Directive restricting the conditions for supporting investments involving gas and which entered into force in 2024, may have influenced this recent decline in the trend.

Within the different priority areas, investments with fossil-fuel-related components are mainly present in energy efficiency investments (priority area c) – concerning energy efficiency improvements in the context of high efficiency combined heat and power – and, to a much lower extent, in investments concerning the energy storage and modernisation of energy networks (priority area d) and generation and use of energy from renewable sources (priority area a) – these investments concern the substitution of fossil fuel sources with renewable sources to produce electricity (e.g., biomass).

Figure 67 Total cost, planned MF support and disbursed amounts by the EIB by priority area for priority investments involving fossil fuel (2021-mid-2025)



Source: Modernisation Fund database – EIB data

8.2.10. Discontinued investments

Between 2021 and mid-2025, a total of 8 investments financed through the Modernisation Fund were reported as discontinued partly (2 investments for EUR 105 million) or totally (6 investments for EUR 86.4 million) for an amount of EUR 191.4 million discontinued. In terms of number, discontinued investments account for 4.1% of the 194 total MF-supported operations and 1% of the total disbursed amount to BMS.

Figure 68 Discontinued amounts by BMS and type of investment (2021-mid-2025)

Note: Number of projects inside the bar. Projects & LSP = Projects and Large-scale projects; Schemes & LSS = Schemes and Large-scale schemes. Source: Modernisation Fund database – EIB data

Discontinued investments were distributed across five Member States. The largest single withdrawal, amounting to EUR 95.7 million, occurred in Bulgaria. Other significant discontinued amounts were registered in Hungary (EUR 45.7 million across three investments), Czechia and Slovakia (both EUR 20 million discontinued across two and one investment respectively). Lithuania recorded one discontinued case totalling EUR 10 million.

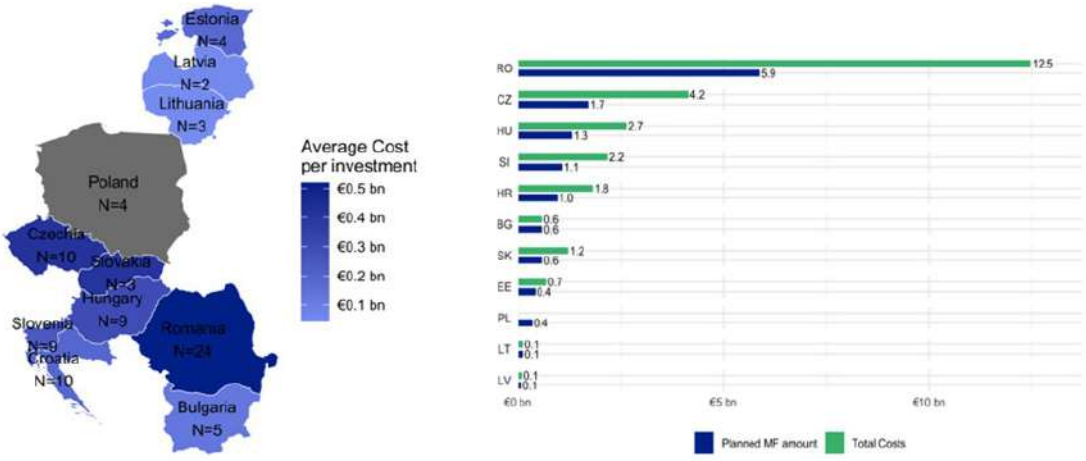
As shown in the figure above, a total of seven out of eight discontinued investments were schemes. Despite this concentration, the overall share of discontinued schemes relative to all schemes financed (7 out of 122) remains limited. Similarly, the discontinued project accounts for only 1 of 71 total projects. This suggests that the overall stability of the Fund's implementation pipeline remains high across both formats.

8.3. Overview of future planned investments under the Modernisation Fund

The pipeline of investments is submitted by BMSs with their annual report. It summarises the investments that BMSs plan to submit to the EIB in the forthcoming cycles. The pipelines presented in the 2024 annual report include 83 planned investments, representing a total investment cost of approximately EUR 26.05 billion, out of which an planned EUR 13.18 billion is expected to be supported by the Fund.

Romania and Czechia together account for more than half of the future planned MF support included in the investment pipelines.

Figure 69 Number, total cost and planned MF support of future planned investments by BMS (investment pipeline) (2024)



Note: Missing data for Greece and Portugal
Source: Modernisation Fund database – 2024 Annual reports

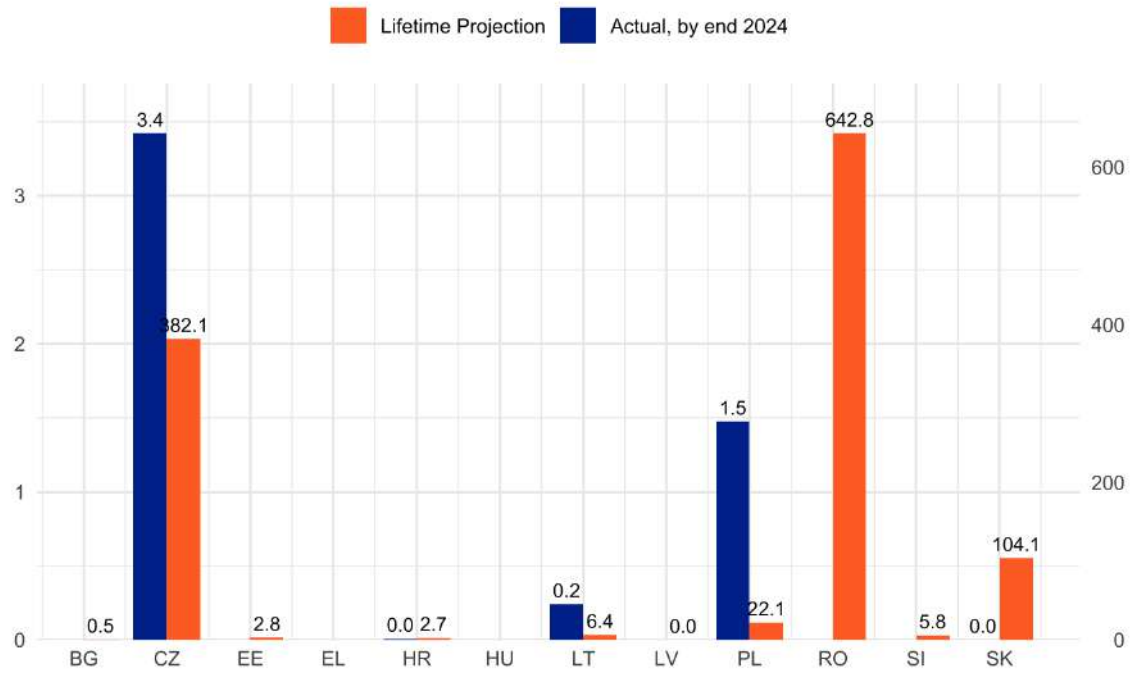
Romania stands out with 24 investments planned, representing a larger total investment volume of EUR 12.47 billion compared to other BMS. The corresponding future planned support from the MF amounts to approximately EUR 5.88 billion, implying a co-financing rate of about 47%. Czechia follows with a substantial pipeline of 10 projects and a total

investment value of EUR 4.15 billion, supported by EUR 1.72 billion of planned MF contributions. Poland lists 4 investments in its pipeline with a future planned support from the MF estimated at EUR 352 million.

8.4. Environmental impacts of Modernisation Fund's investments

The environmental outcomes of the Modernisation Fund are captured through a set of key indicators, namely energy savings, GHG emissions reductions, the deployment of renewable energy capacity, and associated abatement costs.

Figure 70 Energy savings realised through MF-supported investments (in TWh) by BMS

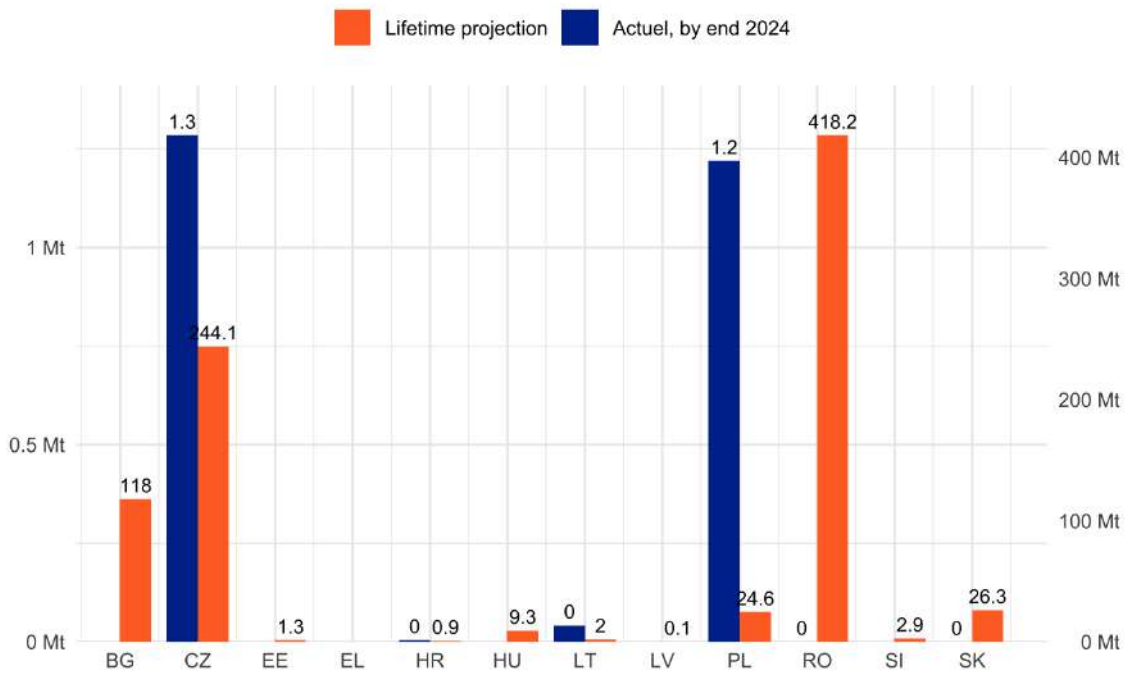


Note: By year end data is missing for most investments. Lifetime data is mostly complete.

Source: Modernisation Fund database – 2024 Annual reports

As of end-2024, a total of 5.15 million MWh of energy savings had already been achieved. This represents a meaningful initial impact, particularly for countries such as Poland, Czechia, and Lithuania, which reported the highest year-end energy savings (1.47 million MWh, 3.42 million MWh, and 240,918 MWh respectively). Over the full lifetime of MF-supported investments, the expected cumulative energy savings amount to a significant 1.17 billion MWh. Notably, Czechia, Poland, and Romania together account for most of the lifetime energy savings potential, since they account for the majority of investments in energy efficiency (64 investments out of 92).

Figure 71 GHG savings (in MtCO2) realised thanks to MF-supported investments

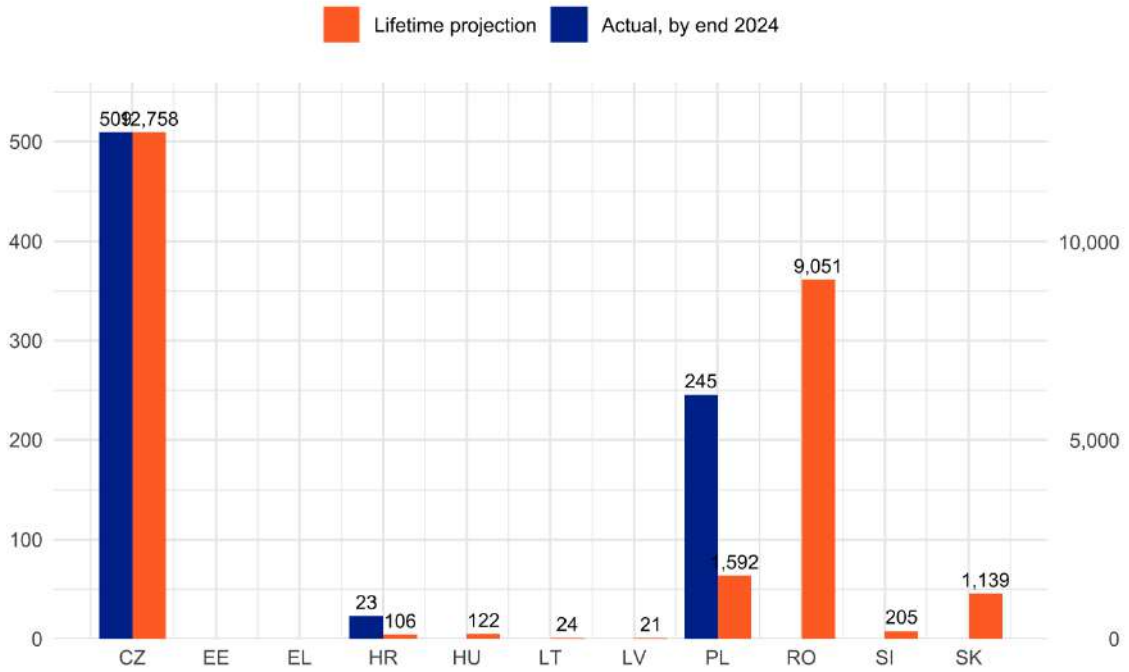


Note: Figures are to be taken with caution, investments have missing data when it comes to environmental impact data, mainly for year end. Lifetime figures are mostly complete.

Source: Modernisation Fund database – 2024 Annual reports

By the end of the reporting year, 2.55 million tonnes of CO_2-equivalent (tCO_2eq) had already been abated across BMSs. Again, Poland and Czechia lead this metric, with 1.22 million and 1.28 million tCO_2eq saved, respectively. Over the projected lifetime of the investments, the cumulative GHG abatement is expected to reach 847.6 million tCO_2eq.

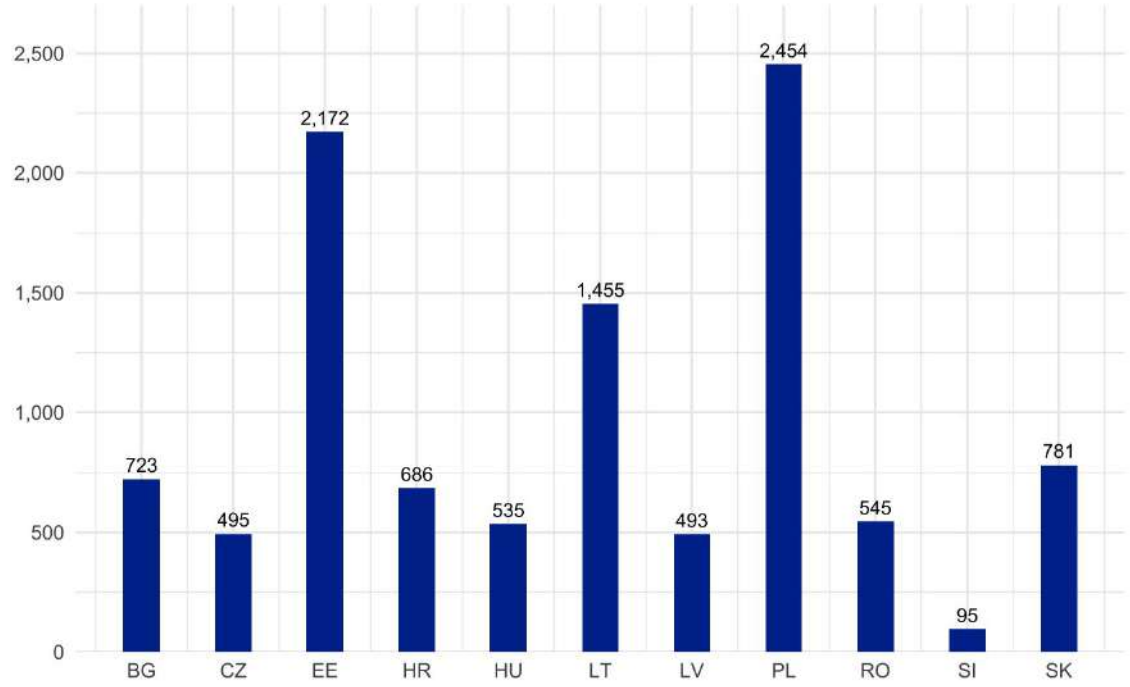
Figure 72 Renewable capacity installed thanks to MS-supported investments (in MW)



Source: Modernisation Fund database – 2024 Annual reports

In terms of renewable energy infrastructure, 777.74 MW of new capacity had been installed by end 2024. Poland (245.5 MW), Czechia (505.23 MW), and Hungary (23.03 MW) account for the bulk of these early results. More importantly, the expected lifetime contribution of these investments to the EU's renewable energy capacity stands at 25GW. Czechia is expected to install close to half of this amount, with over 12.7 GW of new renewable capacity planned, followed by Romania (4.1 GW) and Poland (3.4 GW).

Figure 73 By year end and lifetime abatement cost (€/tCO$_2$) by BMS



Source: Modernisation Fund database – 2024 Annual reports

These average figures represent the cost (in EUR) required to abate one tonne of CO_2 equivalent, based on both reported data at year-end and expected performance over the lifetime of the investments. A lower abatement cost indicates that less public funding is required to achieve each unit of GHG r%eduction.

The data reveals wide disparities across countries, with several Member States achieving relatively cost-effective mitigation, while others face disproportionately high costs per tonne of abated emissions.

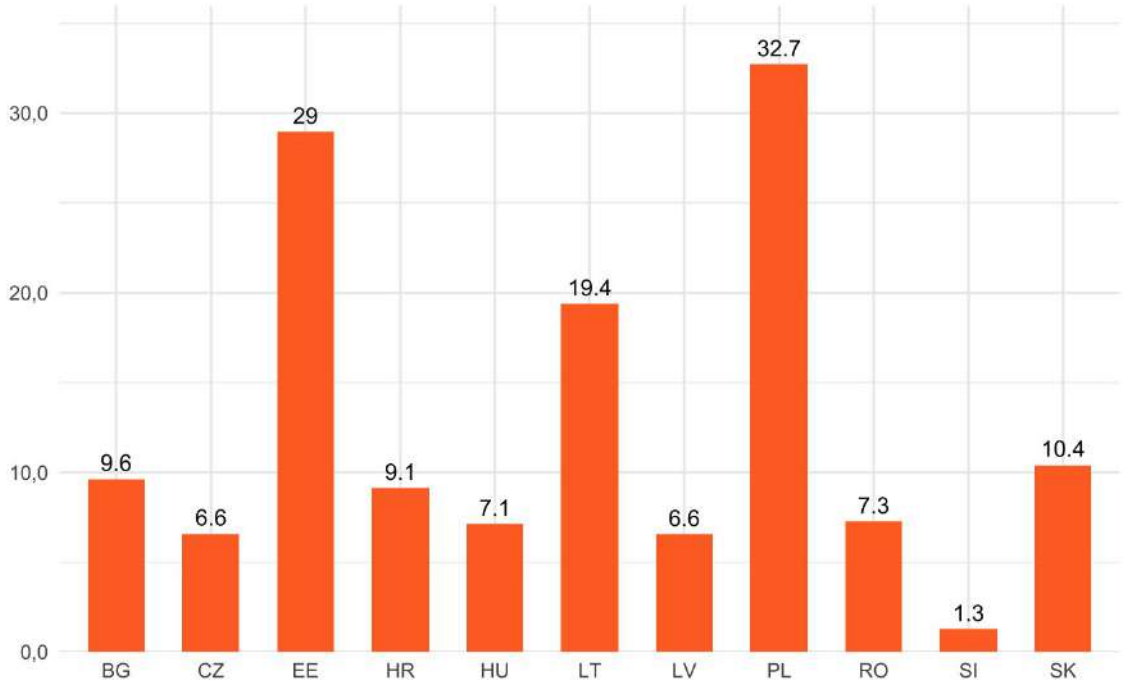
At the lower end of the cost spectrum, Slovenia reports an average lifetime abatement cost of EUR 95/tCO_2, the most efficient among all participating countries. It is followed by Latvia (EUR 493/tCO_2), Czechia (EUR 495), Hungary (EUR 535) and Croatia (EUR 686). These values suggest that in these countries, the investments supported by the Modernisation Fund are, on average, yielding higher mitigation returns per euro spent. Bulgaria (EUR 723) and Slovakia (EUR 781) also fall within a comparatively efficient range, indicating strong alignment between financial support and measurable GHG reductions.

In contrast, Poland (EUR 2,454) and Estonia (EUR 2,172) emerge as clear outliers. These countries report very high average costs per tonne, raising questions about the structure or nature of the funded investments. Lithuania (EUR 1,455) and Slovakia (EUR 781) also display elevated cost values relative to peers.

Given that the Modernisation Fund is capitalised through the auctioning of EU ETS allowances at an assumed carbon price of EUR 75 per tonne, we can assess how many allowances must be sold to finance the reduction of one tonne in each country, based on

their lifetime abatement cost. This metric translates climate efficiency into financial burden equivalency, providing a tangible measure of funding efficiency.

Figure 74 ETS allowances that must be sold now (at €75/tCO_2) to abate one tonne of CO_2 over the project lifetime (2021-mid-2025) ([210])



Source: Modernisation Fund database – 2024 Annual reports

This comparison brings stark differences into view. For instance, to finance the abatement of a single tonne of CO_2 in Poland, the equivalent of nearly 32.7 tonnes must be taxed – nearly 5 times more than in Czechia, where only 6.6 tonnes need to be taxed for the same result. Similarly, Estonia's investments appear 22 times less efficient than those in Slovenia, where every tonne of CO_2 reduced is achieved with minimal fiscal burden on the ETS.

In conclusion, while the headline impact figures across energy savings, GHG abatement, and renewable capacity deployment show progress, they must be interpreted cautiously when considered in relation to the actual level of fund disbursement to date. As of the latest reporting, only approximately 37% of the total planned Modernisation Fund support has been disbursed. Yet, even within this share, the realised impacts appear to be relatively modest, particularly when viewed against the Fund's long-term climate ambition.

This suggests that, although projects are progressing administratively and financial flows are being mobilised, a significant share of disbursed funding has not yet translated into measurable environmental outcomes. The reasons likely include the long implementation lead times typical of energy infrastructure and efficiency projects, as well as the lag between disbursement and actual physical deployment on the ground. It also reflects the fact that impact monitoring is tied to ex-post project milestones, and not all disbursed

([210]) The computation is abatement cost / ETS allowance price = EUR 75.

investments may have reached the operational or reporting stage, especially in the case of schemes.

Therefore, the current level of reported impact should be regarded as early-stage and partial, and not yet reflective of the full environmental return on the resources already committed. As implementation accelerates and more investments move from contractual to operational phases, an increase in measurable impacts is expected. However, the current discrepancy raises an important point for monitoring and evaluation: ensuring that disbursed funds are tracked not only financially, but also in terms of their timely translation into environmental results.

9. Appendix C: Baseline

In line with the European Commission's *Better Regulation Guidelines*, establishing a clear and evidence-based baseline is a critical step in any evaluation exercise. The baseline provides the reference point against which the intervention's relevance, effectiveness, efficiency and EU added value can be assessed. To construct a baseline for this evaluation, several indicators were established, which are treated in the paragraphs below.

Total investments in renewable energy, energy efficiency and GHG emission reduction across beneficiary Member States

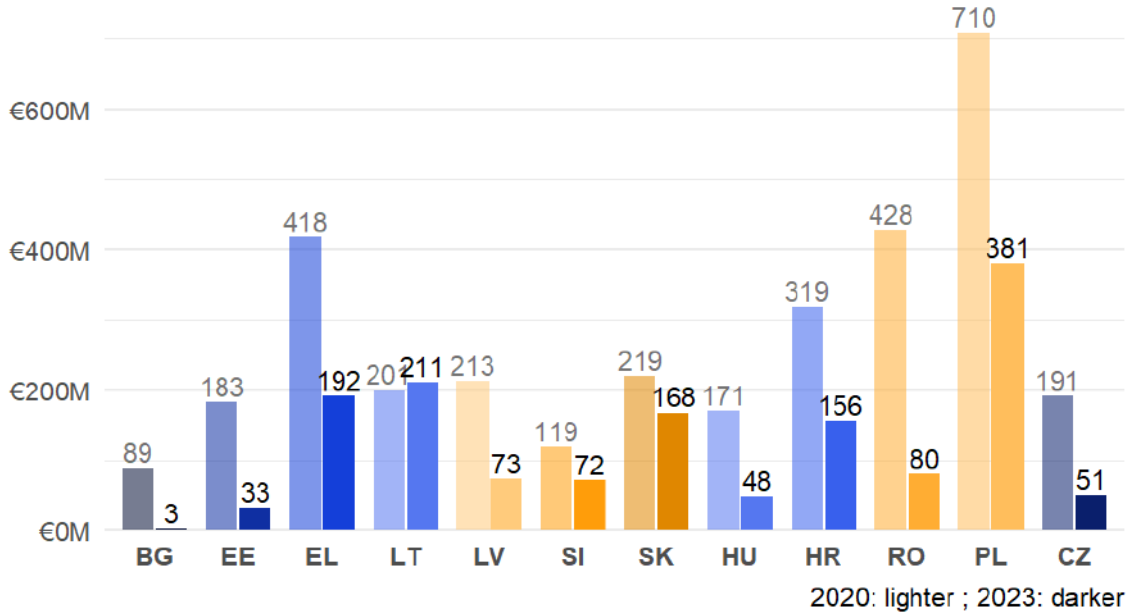
This indicator provides insight into the scale of financial resources mobilised in sectors that are directly relevant to the objectives of the Fund, in particular the energy and buildings sectors. To address this indicator, the most comparable and comprehensive dataset available is the Eurostat database on private investment in climate change mitigation by NACE Rev. 2 activity. This dataset records private investments directed towards climate mitigation across a range of sectors, covering renewable energy deployment, energy efficiency improvements, and emissions reduction measures.

In 2020, total investments across all NACE activities ([211]) in the beneficiary Member States (BMS) amounted to EUR 12.6 billion. By 2023, this figure had declined to EUR 10 billion.

Among the BMS, Poland recorded the highest investment volume in 2020, with EUR 3.2 billion, followed by Hungary with EUR 2.1 billion and Romania with EUR 1.5 billion. By 2023, Poland's investments had decreased slightly to EUR 2.9 billion, though it retained its leading position. Hungary and Romania also experienced declines, falling to EUR 1.4 billion and EUR 1.2 billion respectively. Overall, investments in climate change mitigation across the BMS fell by about 24% between 2020 and 2023, with Bulgaria experiencing the largest reduction (-55%). The only exception was Lithuania, where investments grew by 16% over the same period.

([211]) Agriculture, forestry and fishing, Mining and quarrying, Manufacturing, Electricity, gas, steam and air conditioning supply, Water supply; sewerage, waste management and remediation activities, Construction, Transportation and storage, Services (except transportation and storage)

Figure 75 Total amount of private investment in climate change mitigation in electricity, gas, steam and air conditioning by BMS (2020 and 2023)

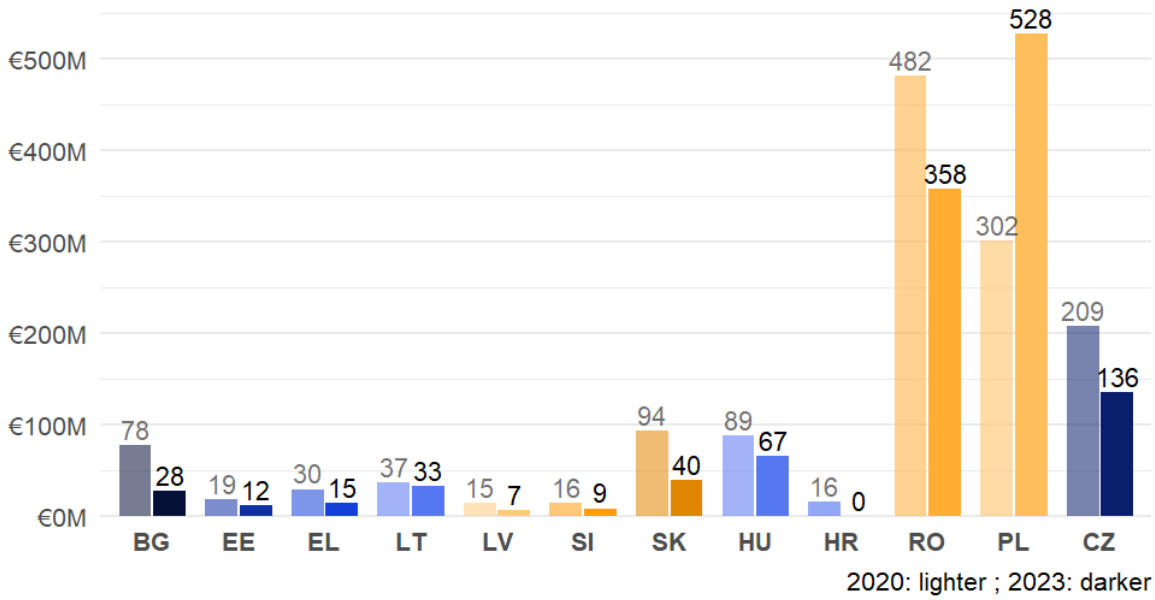


Source: Eurostat

Turning to the electricity sector ([212]), which is a central focus of the Modernisation Fund, total investment volumes across the BMS amounted to approximately EUR 1.5 billion in 2023. This represents a sharp decrease of around 60% compared to 2020, when investments reached EUR 3.7 billion. Poland again stood out with the highest electricity-related investments, though these declined from EUR 709 million in 2020 to EUR 381 million in 2023. Portugal was an exception, recording growth between 2020 and 2022 of about 45%, from EUR 432 million to EUR 627 million, although data for 2023 are not available. Romania showed one of the steepest reductions, with investments dropping from EUR 427 million in 2020 to only EUR 80 million in 2023 (-81%). On average, electricity-sector investments in the BMS decreased by about 49%, with Bulgaria registering the most dramatic fall (-97%), while Lithuania registered a modest increase of 5%.

([212]) Electricity, gas, steam and air conditioning supply

Figure 76 Total amount of private investment in climate change mitigation in construction by BMS (2020 and 2023)



Source: Eurostat

In the construction sector, investments in climate change mitigation across the BMS declined from EUR 1.5 billion in 2020 to EUR 1.3 billion in 2023. The overall reduction in this sector, averaging -35%, was less pronounced than in electricity. Within the beneficiary group, Poland registered an increase in construction-related investments, rising from EUR 301 million in 2020 to EUR 528 million in 2023. This made Poland the largest investor in the sector in 2023 and the only Member State to register growth (+75%). Romania, which had the highest investment level in 2020 (EUR 482 million), and Czechia (EUR 208 million in 2020), both saw declines of 26% and 35% respectively.

Taken together, these findings underscore both the diversity of investment dynamics across Member States and sectors, and the overall insufficiency of current trends when measured against the scale of the transition challenge. Looking ahead, the European Commission estimates that more than EUR 584 billion of investment will be required this decade to achieve the Fit for 55 targets of deploying 42.5% renewable energy into the grid by 2030. This places the observed baseline into stark perspective: while the Modernisation Fund and national investment efforts have provided a foundation, significantly greater mobilisation of public and private finance will be essential to close the gap to 2030.

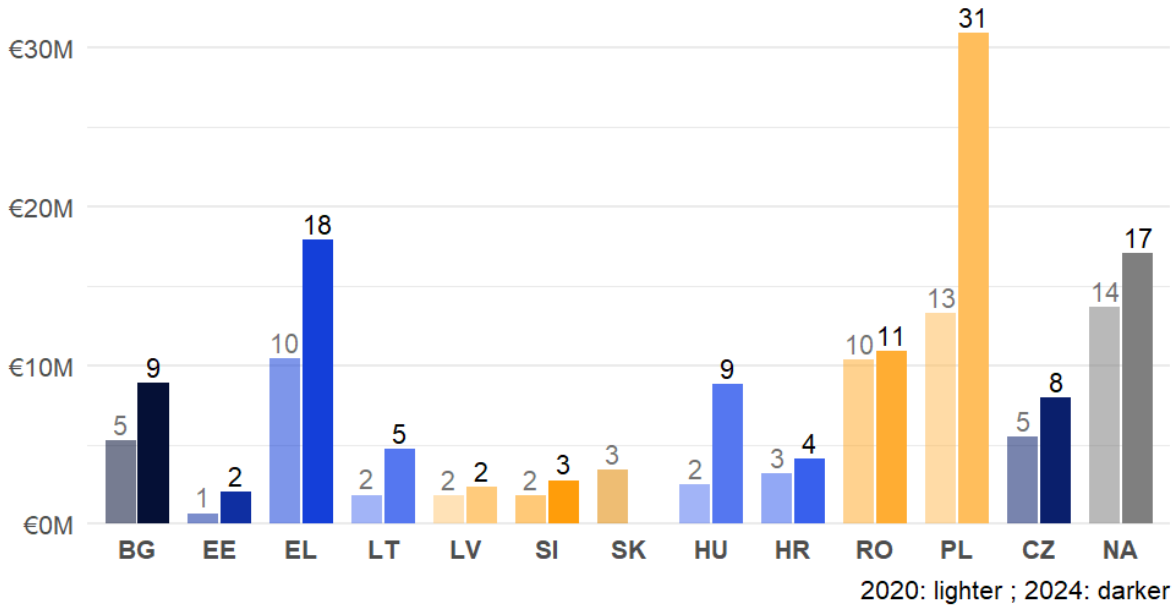
Furthermore, the report ‘The Future of European Competitiveness’, prepared by former Italian Prime Minister Mario Draghi, emphasises that Europe must significantly step up its investment in key sectors, including energy innovation, flexibility and infrastructure, to remain competitive. The report highlights that the EU’s general investment-to-GDP ratio would need to rise by 5% annually to meet the twin challenges of decarbonisation and digitalisation. By contrast, investments in climate change mitigation in the EU represented just 0.64% of GDP in 2021, 0.56% in 2022, and 0.55% in 2023. This widening gap between current efforts and the required scale of investment illustrates the urgency

of reinforcing climate-related spending to secure Europe's climate objectives and competitiveness in the global economy.

Installed renewable energy capacity and energy efficiency across beneficiary Member States

The data on renewable energy sources (RES) installed capacity across the BMS highlight a consistent upward trajectory between 2020 and 2024, with all countries expanding their installed capacity over the period. Total installed capacity in the group rose from 73.7 GW in 2020 to 118.3 GW in 2024.

Figure 77 Installed renewable capacity (in GW) by BMS (2020 and 2024)



Source: Energy-charts

At the country level, Poland stands out as the largest contributor to RES deployment. Its installed capacity more than doubled, increasing from 13.32 GW in 2020 to 30.95 GW in 2024. Looking forward, however, Poland's NECP foresees a RES share of only 29.8% in its 2030 energy mix, one of the lowest among BMS. Portugal and Romania follow as major actors, though their growth was comparatively modest and the slowest among all BMS. Portugal's capacity increased from 13.65 GW in 2020 to 17.03 GW in 2024, and its 2030 target foresees a RES share of 51% in the energy mix. Romania grew only marginally, from 10.36 GW to 10.87 GW, representing the slowest overall increase in RES capacity during the period, yet the country projects to reach a 36.7% RES share by 2030.

By contrast, Estonia, Hungary and Lithuania recorded the strongest relative increases in RES capacity. Hungary experienced the most substantial growth, expanding from 2.49 GW in 2020 to 8.80 GW in 2024, more than tripling its capacity, and is planning for a RES share of 61% by 2030, one of the highest ambitions among the BMS. Estonia's capacity rose from 0.69 GW to 2.01 GW, with a projected 65% RES share by 2030, while

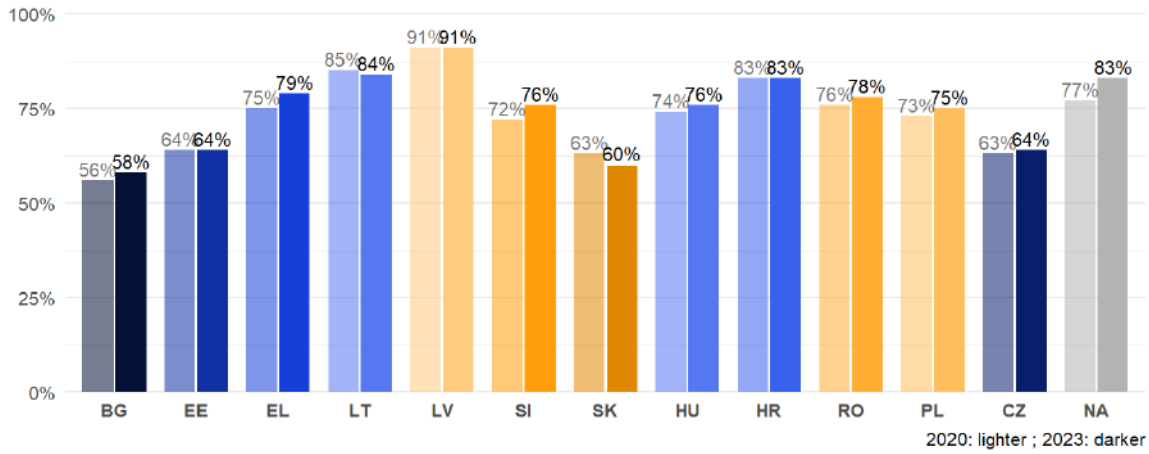
Lithuania increased from 1.84 GW to 4.70 GW, and aims to reach 55% by 2030. Both countries more than doubled their installed renewable fleets.

The 2030 projections from BMSs' NECPs confirm this heterogeneity, with national targets ranging from below 25% (Slovakia, Czechia, Poland) to above 60% (Estonia, Hungary). On average, the BMS count on having about 41.4% RES in their energy mix by 2030, generally in line with the EU's Fit for 55 target of 42.5% RES share.

Primary and final energy consumptions and energy efficiency evolution across beneficiary Member States

Primary energy consumption across the BMS amounted to 288.95 Mtoe in 2020 and declined to 282.43 Mtoe in 2023, representing a 2% reduction over the period. Final energy consumption remained broadly stable, standing at 206.52 Mtoe in 2020 and 207.27 Mtoe in 2023, with only minor fluctuations in the intervening years.

Figure 78 Energy efficiency level by BMS (2020 and 2023)



Source : Eurostat

The energy efficiency (EE) ratio, which expresses the relationship between final and primary energy consumption, provides a clearer indication of progress in energy efficiency evolutions. Across the BMS, the ratio improved slightly from 71% in 2020 to 73% in 2023, pointing to some efficiency gains. Significant variation, however, is visible across Member States. Croatia consistently demonstrated one of the highest efficiency levels, with its EE ratio stable at 83% in both 2020 and 2023. Lithuania and Latvia also performed strongly, maintaining ratios of around 85% and 91% respectively throughout the reference period. By contrast, Bulgaria (56% in 2020; 58% in 2023) and Slovakia (63% in 2020; 60% in 2023) recorded the lowest efficiency levels among the group.

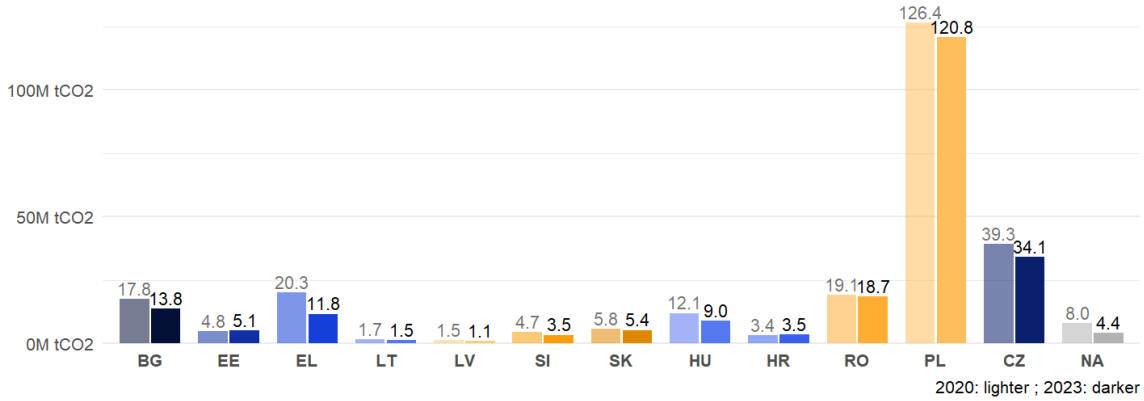
Looking forward, the NECPs set ambitious targets for 2030, with an average EE ratio of 82% projected across the BMS. Several countries aim for very high efficiency levels: Latvia expects to reach 99% by 2030, while Hungary (95%) and Poland (92%) also target some of the highest ratios in the group. Croatia and Portugal both plan to reach 86%, while Czechia and Slovenia set goals of 83%.

Among the Baltic states, Lithuania is projected to maintain strong performance with 81%, while Estonia foresees a somewhat lower 75%. Greece and Romania target efficiency

ratios of 72% and 78% respectively, slightly below the BMS average. At the lower end, Bulgaria (67%) and Slovakia (65%) project only modest improvements, remaining the least efficient among the group despite some expected progress.

GHG emissions savings in the energy and buildings sectors across beneficiary Member States

Figure 79 Total GHG emissions from the electricity sector by BMS (2020 and 2023)



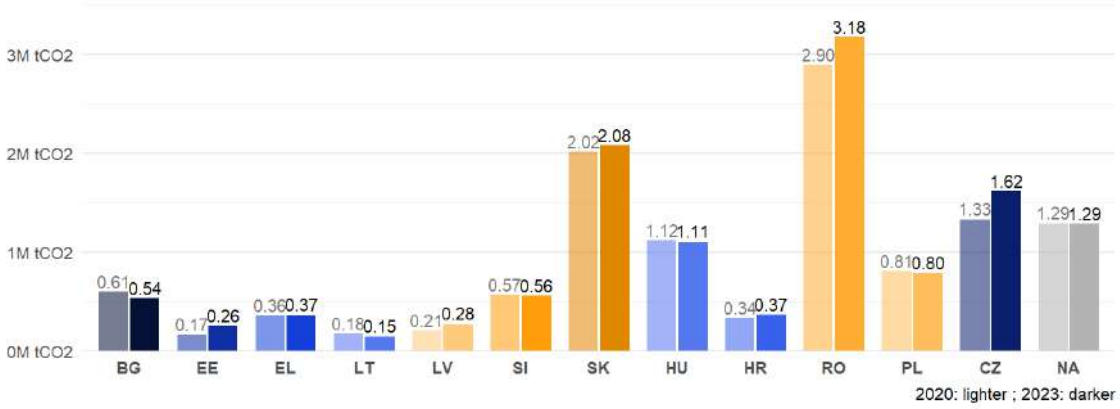
Source: Eurostat

In 2020, total GHG emissions from the electricity sector across the BMS amounted to 264.7 million tonnes of CO_2 equivalent. By 2023, this figure had declined to 232.7 million tonnes. On average, BMS' emission reduction rate was about 16%. The largest absolute emitters were Poland, Czechia and Romania. Poland alone accounted for almost half of total BMS emissions, with 126.4 million tonnes in 2020 and 120.8 million tonnes in 2023, a modest 4% reduction. Czechia reduced its emissions from 39.3 million tonnes to 34.1 million tonnes over the same period (-13%), while Romania recorded a smaller decline, from 19.1 million tonnes to 18.7 million tonnes (-2%).

Several BMS achieved significant reductions. Portugal cut emissions by almost half, from 8.0 million tonnes in 2020 to 4.4 million tonnes in 2023 (-45%). Greece also made substantial progress, reducing emissions from 20.3 million tonnes to 11.8 million tonnes (-42%). Hungary achieved a decrease of 26%, from 12.1 million tonnes in 2020 to 9.0 million tonnes in 2023, while Slovenia reduced emissions by 25%, from 4.7 million tonnes to 3.5 million tonnes.

However, progress was not universal. Estonia recorded an increase from 4.8 million tonnes in 2020 to 5.1 million tonnes in 2023 (+7%), while Croatia also saw a small rise, from 3.4 million tonnes to 3.5 million tonnes (+4%).

Figure 80 Total GHG emissions from the construction sector by BMS (2020 and 2023)



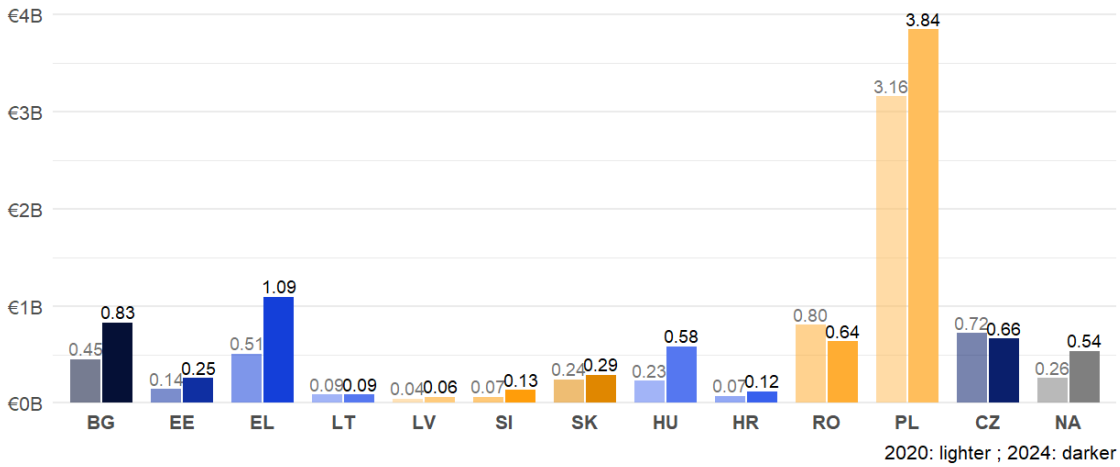
Source: Eurostat

By contrast, GHG emissions in the construction sector grew over the same period. Across the BMS, emissions rose from 11.9 million tonnes in 2020 to 12.6 million tonnes in 2023. The average emission growth rate among BMS was 7%. The largest emitters in this sector were Romania, Slovakia and Czechia. Romania's emissions rose from 2.9 million tonnes to 3.2 million tonnes (+9%), Slovakia from 2.0 million tonnes to 2.1 million tonnes (+3%), and Czechia from 1.3 million tonnes to 1.6 million tonnes (+21%).

The countries registering the sharpest increases were Estonia, where emissions grew by more than 50% (from 0.17 million tonnes in 2020 to 0.26 million tonnes in 2023), and Latvia, where they rose by 31% (from 0.21 million tonnes to 0.28 million tonnes). Czechia also ranked among the highest contributors to emissions growth in this sector. In contrast, Lithuania achieved the strongest decrease, cutting emissions from 0.18 million tonnes in 2020 to 0.15 million tonnes in 2023 (-16%), followed by Bulgaria, which reduced emissions from 0.61 million tonnes to 0.54 million tonnes (-11%).

ETS revenues available to each beneficiary Member State

Figure 81 ETS revenues by BMS (2020 and 2024)



Source: EEX data

Between 2020 and 2024, EU ETS revenues across the beneficiary Member States (BMS) grew significantly, increasing from EUR 6.77 billion in 2020 to EUR 9.13 billion in 2024, an overall rise of around 35%. In 2020, the highest revenues were recorded in Poland (EUR 3.15 billion), Romania (EUR 803 million) and Czechia (EUR 719 million). By 2024, Poland remained by far the largest recipient, with EUR 3.84 billion, followed by Greece with EUR 1.09 billion (up from EUR 507 million in 2020) and Bulgaria with EUR 826 million (up from EUR 448 million in 2020).

The strongest growth in ETS revenues over the period was observed in Greece, Hungary (from EUR 226 million to EUR 581 million), Portugal (from EUR 256 million to EUR 535 million) and Slovenia (from EUR 65 million to EUR 133 million). By contrast, Czechia and Romania were the only countries in the group to record a decline in ETS revenues between 2020 and 2024.

10. Appendix D: Costs and benefits

Table 13 Overview of costs and benefits identified in the evaluation

Type of cost/benefit	Type: one-off or re-curring	MS governments		EU level (Commission and EIB)		Businesses	
		Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
Costs							
Direct compliance costs (adjustment costs, administrative costs, regulatory charges)	Recurring	245 FTEs or EUR 5.7 million (annually)	This includes the costs of development and submission of investment proposals, and implementation of the approved investments.	1.75 FTEs or EUR 0.19 million for the Commission; 19 FTEs or EUR 2.4 million for EIB (annually)	For the EIB, tasks include assessment and confirmation of investments, technical and financial due diligence, organisation of IC work, communication with Member States, tasks related to auctioning and asset management, disbursement of funds and other.	The average number of staff members involved in preparing the application per respondent was 5 and around 10 days on average were spent ([213]). Insufficient data was available to derive a monetary estimate of resources spent on project implementation.	In preparing a proposal, a large share of efforts was dedicated to preparing technical and financial documentation. End beneficiaries did not provide data on other processes such as implementation, monitoring and reporting.
Enforcement costs: (costs associated with activities linked to the implementation of an initiative such as	Recurring	71 FTEs or EUR 1.7 million (annually)	This includes the costs of monitoring implementation of the financed investments.	Included in the numbers above, not assessed separately, as there was not enough data to		The administrative burden of complying with monitoring by MS was estimated by end beneficiaries as either	

([213]) Data is based on the end beneficiaries survey, where respondents could choose ranges. 28% of end beneficiaries chose '1-2 staff members', 40% of end beneficiaries – '3-5 staff members', 19% of end beneficiaries – '6-10 staff members', and 12% of end beneficiaries – 'more than 10 staff members'. For calculating the average number of staff, we took an average of each range (e.g. 1.5 staff members for the range '1-2 staff members etc.), for 'more than 10 staff members', we used a conservative number of 11 staff members (total number of respondents – 165).

Type of cost/benefit	Type: one-off or re-curring	MS governments		EU level (Commission and EIB)		Businesses	
		Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
monitoring, inspections and adjudication/litigation)				separate by type of task/activity.		moderate (41% of respondents) or very significant (35%). Insufficient data was available to quantitatively estimate monitoring and reporting costs.	
Indirect costs (indirect compliance costs or other indirect costs such as transaction costs)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefits							
		Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
Energy savings (expressed in MWh – through MF-funded investments by year end and over the full lifetime of the investment, expected based on Annual Reports)	N/A	5.15 million MWh (by year end) 1.17 billion MWh (lifetime)	N/A	N/A	N/A	N/A	N/A
Greenhouse gas emissions savings (expressed in tCO_2eq	N/A	2.55 million tCO_2eq (by year end)	N/A	N/A	N/A	N/A	N/A

Type of cost/benefit	Type: one-off or re-curring	MS governments		EU level (Commission and EIB)		Businesses	
		Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
– by year end and over the full lifetime of the investment, expected based on Annual Reports)		847.6 million tCO_2eq (lifetime)					
Renewable energy capacity installed (expressed in MW – by year end and over the full lifetime of the investment, expected based on Annual Reports)	N/A	777.74 MW (by year end) 25 GW (lifetime)	N/A	N/A	N/A	N/A	N/A
Abatement cost (expressed in €/tCO_2 – average by year and over the full lifetime of the investment, expected based on Annual Reports)	N/A	EUR 11,596/tCO_2 (by year end) EUR 867.3/tCO_2 (lifetime)	N/A	N/A	N/A	N/A	N/A

Table 14 Simplification and burden reduction

Type of cost saving	MS governments		EU level (Commission and EIB)		Businesses	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
Simplification and burden reduction (savings already achieved)						
	Simplification and burden reduction measure were not quantitatively assessed due to insufficient data.	The revision of the MF Implementing Act in 2023 relaxed the timeline for implementation of Funds by beneficiary Member States on the ground: within two years of disbursement from the EIB, the beneficiary MS no longer have to disburse payments to final beneficiaries, but it is enough that they contract some amount with final beneficiaries. If they do not, the investment is classified as discontinued.	N/A	N/A	N/A	N/A
Potential simplification and burden reduction (savings)						
Direct compliance cost savings (One-off / recurrent)	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Transparency could be improved, allowing stakeholder engagement early enough in the process (recurrent). Some stakeholders	Simplification and burden reduction measures were not quantitatively		Simplification and burden reduction measures were not quantitatively assessed	Some measures suggested at the EU and MS level could simplify the burden for end beneficiaries. In particular, through

Type of cost saving	MS governments		EU level (Commission and EIB)		Businesses	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
		have reported being consulted either too late in the process, e.g. after key decisions had already been made, programmes/schemes had been established, or early but without further involvement with unclear selection process. Furthermore, some stakeholders have reported having faced a lack of feedback after submitting a proposal, which could help them improve future proposals. Additionally, consultations were not a consistent practice in all Member States and / or stakeholders were not always made aware of them, as only just over half (54%) of end beneficiaries indicated that they had taken place.	assessed due to insufficient data.		due to insufficient data.	digitalisation (mentioned by 8.5% of respondents to end beneficiaries survey), streamlining documentation and simplifying reporting (5.4%), clearer guidance and better communication (2.4%). This would allow end beneficiaries to spend fewer administrative resources and implement projects faster.

Type of cost saving	MS governments		EU level (Commission and EIB)		Businesses	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
		The time it takes to disburse funds from MS to end beneficiaries could be reduced in some instances (recurrent).		Quantity and quality of publicly available information on the MF and its investments could be improved (recurrent).		
		The quantity and quality of publicly available information could be improved (recurrent). While the vast majority of stakeholders were satisfied that relevant information was publicly available, several industry associations and non-governmental organisations noted a lack of access to information about end beneficiaries, a more detailed description of investments, data on the results of applications, percentage of funding going to various investment categories, and recent annual reports. It was also conveyed that more		Increasing the frequency of disbursement cycles / shortening approval cycle (recurrent).		

Type of cost saving	MS governments		EU level (Commission and EIB)		Businesses	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
		coherence between the national websites and the MF website would be helpful.				
Enforcement cost savings		Several end beneficiaries indicated that reporting obligations for them could be streamlined, depending on the size of the project and share of the MF fundings (one-off). However, no further specific details were provided on exactly what should or could be streamlined (and requirements and views are expected to vary across Member States).				

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ML-01-26-052-EN-N

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