Response to the evaluation of the Modernisation Fund

Eurelectric response to Public Consultation

May 2025

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

WG Climate Change and Decarbonisation

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Eurelectric response – Modernisation Fund Evaluation

A Eurelectric response to Public Consultation May 2025

The Modernisation Fund (MF) is a central instrument in supporting the energy transition in lower-income Member States. It has already proven its effectiveness and concrete impact; since its launch in 2021, it has already confirmed or recommended investments in 215 projects and schemes across the 13 countries in scope of this fund. With EUR 15.5 billion disbursed to date, out of the estimated EUR 58 Bn envelope by 2030 (with a 75€ per ton assumption for carbon price), it is a relevant tool with clear added value.

In this context, Eurelectric strongly believes the **Modernisation Fund should be continued beyond 2030, considering its valuable support in accelerating the power sector's decarbonisation and the overall decarbonisation of end use sectors through electrification**. Large scale energy projects and applying for them takes time to plan; ending this programme after one financing cycle would put important energy projects at risk of not being financed. Moreover, the Member States eligible for this funding have invested much effort in getting calls and tenders off the ground. Momentum should not be lost; a swift decision on the post-2030 continuation of the fund is essential to ensure predictability and effective planning for policymakers and investors.

This is especially relevant as investment needs will remain consequential after 2030. Investments are projected by the European Commission at EUR 96 billion per year in grids, EUR 151 billion annually in generation from 2031 to 2040. Moreover, ENTSO-E points to increasing adequacy risks, with countries like Czechia, Poland and Lithuania expected to face some of the EU's highest Loss of Load Expectation (LOLE) values in 2030. While the MF only covers a fraction of global investment needs and concerns 13 of the 27 Member States, maintaining this Fund remains a vital step in securing critical investments –e.g. in energy storage, grids, etc-in regions that need them.

Another vital point is ensuring that MF **procedures** are **simplified and accelerated**. At the operational level, the Modernisation Fund's potential is often hindered by complex and lengthy state aid procedures and approvals. These bureaucratic complications delay projects' implementations and reduce the MF's effectiveness. This simplification and acceleration effort should be made a priority. Accelerated and simplified state aid approvals, along with the flexibility to submit projects exceeding the annual allocation, would allow for more effectiveness of the MF.

We also believe that, as this is an issue raised in the ongoing EC ETS consultation, the **current scope** of the Modernisation Fund should be maintained and should not be expanded to other sectors, as it is sufficient to address decarbonisation challenges in lower-income Member States**.**

With the tightening of ETS allowance supply, MF revenues risk shrinking at times when investment needs are projected to soar. In this sense, we believe that the **volume of allowances for the MF should be increased**. We emphasise that the additional 2.5% of the ETS cap allocated to the Fund should be calculated over the full 2021–2030 period to increase available resources. Moreover, an increased volume of allowances should be considered if the MF is to be extended post-2030.

Finally, in the context of the upcoming **Industrial Decarbonisation Bank**, we believe that there should be further interactions between existing funds, as proposed in our position on the establishment of a European Electrification Bank. These funds should be effectively used to both advance energy transition and the achievement of Clean Industrial Deal objectives. We suggest having this upcoming, EC-proposed bank organised as a centralised access point for funding, without depriving Member States of their capacity to decide how to use the Modernisation Funds efficiently.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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