

Brussels, 20 July 2026
(OR. en)

12085/26

ENV 980
CLIMA 410
ENER 532
TRANS 519
IND 504
COMPET 980
MI 805
ECOFIN 1035

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	17 July 2026
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2026) 197 final
Subject:	COMMISSION STAFF WORKING DOCUMENT EVALUATION Evaluation on the operating rules of the Modernisation Fund

Delegations will find attached document SWD(2026) 197 final.

Encl.: SWD(2026) 197 final



EUROPEAN
COMMISSION

Brussels, 17.7.2026
SWD(2026) 197 final

COMMISSION STAFF WORKING DOCUMENT

EVALUATION

Evaluation on the operating rules of the Modernisation Fund

{SWD(2026) 198 final}

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Glossary

<i>Term or acronym</i>	<i>Meaning or definition</i>
BMS	Beneficiary Member State(s)
EIB	European Investment Bank
ETS	Emissions Trading System
GHG	Greenhouse Gas
MF	Modernisation Fund
NPI	Non-Priority Investment
PI	Priority Investment
RSB	Regulatory Scrutiny Board

1. INTRODUCTION

The Modernisation Fund (hereafter MF) was established in 2021 through the 2018 revision of Directive 2003/87/EC ⁽¹⁾ (hereafter referred to as “EU ETS Directive”) to support the modernisation of energy systems and the improvement of energy efficiency in low-income Member States over 2020-2030. It aims to help the beneficiary Member States (BMS) achieve their climate targets and the objectives of the European Green Deal, in particular the EU Climate law ⁽²⁾ which sets out the climate neutrality objective by 2050 and intermediate targets by 2030 and 2040. The MF currently supports 13 beneficiary Member States, as Portugal, Greece and Slovenia were added to the original 10 ⁽³⁾ through the 2023 revision of the EU ETS Directive ⁽⁴⁾.

The Commission must carry out a review of the MF based on the mandate in Article 10d(11) of the EU ETS Directive ([link](#)) and Article 15 of the MF’s Implementing Regulation ((EU) 2020/1001), hereafter referred to as “the Fund’s Implementing Regulation”). After four years of implementation, it is the appropriate time to conduct a first evaluation of the operating rules of the MF, also in view of the wider evaluation of the Emissions Trading System (ETS) Directive. This evaluation fulfils the Commission’s obligation to perform a review. Conducted at a relatively early stage since the creation of the MF (halfway through the MF’s lifetime of ten years, based on data for the first four and half years ⁽⁵⁾), the evaluation’s focus is the operating rules of the MF. It covers the five compulsory criteria included in the Better Regulation Guidelines. More specifically, it assesses:

- Effectiveness: how successful the MF has been achieving its objective to support Member States with a GDP per capita below 75% of the EU average to deploy investments that modernise energy systems and improve energy efficiency;
- Efficiency: how the MF resources have been used to obtain outputs and results and whether the governance process and operating rules of the MF have led to efficient decision-making on investment proposals and the efficient implementation of investments. This criterion considers a quantitative assessment of actual costs and benefits and potential actions for simplification and burden reduction in the implementation of the MF;

¹ Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814.

² Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’).

³ Bulgaria, Czechia, Estonia, Croatia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia.

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.

⁵ For what concerns disbursement data. For data stemming from the Member States’ annual report (such as data on implementation of investments or on climate impact, only data up for the first four years, i.e. up to end 2024, was available at the time of writing).

- Coherence: how the different elements of the MF (e.g. the distinction between priority investments (PIs) and non-priority investments (NPIs)⁶, the delineation of PIs, the process for confirming or recommending investments, the role of beneficiary Member States in financing and monitoring investments) operate together to achieve the objectives of the MF (internal coherence) and how they operate in a coherent way with the EU's policy objectives and other EU funding programmes;
- EU added value: how the results and impacts of the MF contribute to changes that are due to EU intervention;
- Relevance: the relationship between the EU's current and future needs, any mismatch between the MF's objectives and the wider EU climate policy and goals, and how the activities and design of the MF suit the current needs of lower-income Member states.

Considering that halfway through the lifetime of the MF more information is available on procedures and inputs (i.e. budget execution) than on outputs and results, the evaluation will focus on the design and governance of the MF. In particular, the MF being newly established in 2021, it was not until mid-2023 that all original 10 BMS had their first investments confirmed. As of last reporting by BMS (end 2024⁽⁷⁾), there were only two investments which had been fully completed. In addition, this evaluation will be followed by a final evaluation of the MF at the end of its lifetime, which is planned for 2030 under the EU ETS Directive. In line with Article 15(2) of the MF's Implementing Regulation, that final evaluation will review the progresses towards achieving of the MF's objectives.

In accordance with Article 10d(11) of the EU ETS Directive and Article 15(1) of the MF's Implementing Regulation, the present evaluation reviews: (i) the areas for PI projects, (ii) the process of confirmation by the EIB of PIs; (iii) the assessment by the Investment Committee of NPIs; (iv) financing and monitoring of investments by the BMS; and (v) any relevant procedural aspects regarding the implementation of the MF. The results of the evaluation will inform the impact assessment of the upcoming revision of the EU ETS Directive. Its findings will help identify relevant policy options for consideration in the impact assessment and Commission proposal.

1.1 Methodology applied

This evaluation builds on multiple sources. It is informed by an evaluation report⁸ (hereafter referred to as “the support study”) developed by external consultants in the framework of a contract with DG CLIMA which was concluded in December 2025 (See Annex I). The evaluation draws on several resources including an extensive literature review and a comprehensive database (hereafter referred to as “the Modernisation Fund

⁶ See later in next section the explanation of both concepts.

⁷ The next Member States' annual reports, including data for 2025, will be submitted to the Commission by 30st April 2026.

⁸ A. R. Iliescu et al., *Evaluation of the operating rules of the Modernisation Fund, Final Report*, Publications Office of the European Union, December 2025
<https://data.europa.eu/doi/10.2834/5072291>

database”) which was developed specifically in the context of the support study. The database brings together 1) financial data provided by the European Investment Bank (EIB) on MF-supported investments; 2) data extracted from the annual reports submitted by each BMS, available up to end 2024 and 3) additional data provided by Member States on private and public co-financing.

The evaluation is further informed by the outcome of a comprehensive consultation strategy (see Annex V for further details) involving three targeted surveys (one developed for BMS, one developed for end beneficiaries, and one for other organisations such as civil society and trade organisations) and 43 semi-structured interviews with the EIB, all BMS (13) and the three non-beneficiary Member States represented in the Investment Committee of the MF, civil society organisations (five), trade organisations (five), end beneficiaries (or scheme coordinators in the case of schemes) (10) and other relevant Commission services (DG REFORM, DG COMP). Finally, a call for evidence without further public consultation gathered additional feedback from 44 respondents.

1.2 Methodological robustness and Limitations

The evaluation relies on a well-defined intervention logic that lays out the causal relations between the different inputs and 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 evaluation questions and sub-questions, judgement criteria and indicators that underpin the analysis. The robustness of the data used as a basis for the analysis, in particular the data compiled in the MF database faces several limitations stemming from inconsistencies in the way financial flows and investment monitoring data are reported across Member States. In the absence of a harmonised methodology for reporting on several metrics, these differences limit comparability and reduce the reliability of aggregated figures.

Time limitations:

At the time when the evaluation was conducted (i.e. halfway through the MF’s lifetime) more information is available on procedures and inputs (i.e. budget execution) than on outputs and results, findings regarding efficiency, which should assess the relation between inputs and outputs are necessarily limited. The evaluation therefore focussed on the efficiency of the MF’s operating rules.

Data limitations:

Most data stemming from Members States’ annual reports, including financial data (contracted amounts to end beneficiaries, amounts paid to beneficiaries) and Green Deal-related indicators (greenhouse gas (GHG) emissions, energy savings, abatement costs) lack harmonised definitions serving as a basis for calculation and reporting. This also applies to metrics which are not included in normal MF reporting and were asked to Member States specifically in the context of this evaluation (e.g. private and public co-financing). This led to discrepancies in the methodology adopted by different Member States and limits comparability. Wherever possible, data discrepancies were manually

corrected by the contractor in dialogue with the EIB and based on direct feedback from the Member States (for instance amounts contracted to final beneficiaries for two Member States).

Some metrics are based on ex ante estimates provided by the Member States either at the moment of submitting investment proposals to the EIB (total investment costs, planned support for the MF) or when reporting to the European Commission in the annual report (EU Green Deal-related indicators applied to investment lifetime) and are not always subsequently updated, which raises the question of their reliability. They have been included into this evaluation nonetheless, as they are the only source of data available for these metrics.

A specific case in point for data limitations is the indicator on GHG emissions avoided/to be avoided through the MF support. The figures for this metric are taken from the MF Annual Report, in which the Member States yearly must provide data on:

1. GHG emissions saved in t CO₂ by 31 December of the year preceding report per investment;
2. GHG gas emissions saved in t CO₂ expected cumulative amounts by the end of the investment lifetime per investment.

The methodology for estimating the GHG emissions saved is not harmonised and there is no guidance in how the number should be estimated. In using the data for the evaluation, quality checks were performed, such as comparing orders of magnitude between projects' GHG emissions reported. Where obvious discrepancies were found, these were, when possible, manually corrected in dialogue with the EIB and based on direct feedback from the Member States. Nonetheless, the comparability of data across Member States remains very limited. This has repercussions also for the abatement cost indicator, given that GHG emissions avoided is one component of how it is calculated.

Where investments are spread across several areas, in most cases Member States did not quantify how the investment would break down across the different areas. The contractor of the support study together with the EIB therefore had to estimate how to split these investments based on information included in the investment submission forms, follow-up clarification questions, and informed judgement. Several discrepancies across data sources were also noted: disbursement data and total investment costs provided by the EIB and reported by Member States in annual reports were not always consistent. Whenever an inconsistency was found, it was decided to rely on the data provided by the EIB as it is more comparable across Member States and reflects the data at application stage that justified the disbursement in the first place.

These different limitations call for analysing what additional indicators and data are required for conducting an informative evaluation at the end of the MF's lifetime (see in particular section 5.2).

2. WHAT WAS THE EXPECTED OUTCOME OF THE INTERVENTION?

2.1 Description of the intervention and its objectives

Problems/needs the EU was trying to address and their underlying causes

The creation of the MF was mandated by the European Council, which, in its October 2014 conclusions⁽⁹⁾ on the 2030 climate and energy framework, agreed that a reserve of 2% of the EU ETS allowances would be set aside between 2021 and 2030 to support lower-income Member States (with GDP per capita below 60% of the EU average in 2013⁽¹⁰⁾) in improving energy efficiency and modernising their energy system. This attention given to lower-income Member States was endorsed as part of efforts to deliver on the increased target of 43% GHG emissions reduction in the EU ETS sector in a fair way.

The reasons for the mandate are further explained in the impact assessment ⁽¹¹⁾ accompanying the 2015 Commission proposal for amending the EU ETS Directive⁽¹²⁾ (hereafter, “2015 ETS Impact Assessment”). More specifically, reaching the objectives of the 2030 climate and energy framework require significant investments, which are higher compared to the GDP for lower-income Member States. This reflects the relatively higher carbon intensity and lower energy efficiency of their economies and more limited financial resources.

Furthermore, according to the 2015 ETS Impact Assessment lower-income Member States face general and financial barriers (less liquid local financial markets, high risk profile and limited creditworthiness of several key actors) to mobilise the required investments which may have prevented full financing by the market and limited the potential to finance the needed investments without public support. Realising significant emission reductions in lower-income Member States was seen as contributing to cost-effective reductions from a European perspective.

The October 2014 European Council conclusions mandated several distributional mechanisms to counterbalance the potential effects of a more stringent carbon price signal resulting from the increased ambition of the EU ETS on carbon-intensive lower-income Member States. These included the creation of the MF; the continuation of conditional optional free allocation to the power sector⁽¹³⁾ which benefit countries with a GDP per capita below 60% of the EU average (i.e. a similar group to the MF¹⁴ minus Greece, Portugal and Slovenia) and the setting aside of allowances for auctioning for the purposes of solidarity, growth and interconnections within the Union which benefit countries with a GDP per capita below 90% of the EU average⁽¹⁵⁾ (targeting 16 Member States, ie a similar group to the MF plus Spain, Cyprus and Malta).

⁹ European Council (23 and 24 October 2014 - EUCO 169/14), Conclusions.

¹⁰ This corresponds to 10 beneficiary Member States. The 2023 EU ETS revision also included as beneficiary Member States those with the GDP per capita below 75% of the EU average between 2016 and 2018, bringing their total number to 13.

¹¹ Commission Staff Working Document (SWD(2015) 135 final) of 15 July 2015.

¹² Proposal for a Directive of the European Parliament and of the Council amending Directive 2003/87/EC to enhance cost-effective emissions reductions and low-carbon investments (COM(2015) 337 final) of 15 July 2015.

¹³ Article 10c of the EU ETS Directive.

¹⁴ With the 2023 EU ETS Directive revision, the threshold to benefit from the MF has been increased to 75% of EU GDP average.

¹⁵ Article 10(2)(b) of the EU ETS Directive.

The MF complements the flexibility offered by Article 10c and 10(2)(b) of the EU ETS Directive on free allocation to the power sector for lower-income Member States. Most notably, Member States can choose to transfer part or the totality of allowances referred to in Article 10c and Article 10(2)(b) of the EU ETS directive to the MF. Six Member States have decided to do so, some of them (most notably RO, CZ and SK) for substantial volumes of EU ETS allowances which considerably increase their allocation to the MF (see table 1). The motivation of these Member States for these transfers was linked to ensuring their ringfencing within the state budget for decarbonation purposes.

Table 1: Transfers from Article 10(2)(b) and 10c of the EU ETS Directive to the MF

Member State	Number of EU ETS allowances stemming from distribution key in Annex IIb parts A and B (mn)	Number of EU ETS allowances stemming from voluntary transfers from Article 10(2)b and 10c (mn)	Total number of EU ETS allowances (mn)	Share of voluntary transfers in total number of EU ETS allowances
Czechia	63	129	192	67%
Croatia	12	5	17	29%
Lithuania	10	7	18	39%
Hungary	29	4	33	12%
Romania	48	144	192	75%
Slovakia	24	30	54	56%
Total	186	319	506	63%

The MF was designed to address specific financial barriers faced by lower-income Member States in the energy sector. The 2015 ETS Impact Assessment identified barriers concerning the rehabilitation of district heating networks which suffer in these Member States from high heat losses, while investments are limited due to the difficult financial situation of the district heating companies, aggravated by falling demand as users may switch to other sources like individual boilers. For energy efficiency, too long pay-back time make investments unattractive even if they generate return. Cash constraints and limited creditworthiness in lower-income groups implied that loans cannot be provided on terms agreeable to financial institutions without public intervention. In addition, projects were highly fragmented across multiple and often small beneficiaries, which could be mitigated through national schemes to help municipalities and other responsible public sector entities to pool investments. For power generation (including renewables), lower-income Member States had increasingly obsolete conventional generation fleets and relative underdevelopments of financial markets and hence possible scarcity of financiers.

Expected achievements of creating the MF

The economic impacts of creating the MF, as described in the 2015 ETS Impact Assessment, include triggering important investments in the beneficiary Member States

that contribute towards creating a strong European Energy Union with a forward-looking climate policy. Through investments in relevant areas to modernise the energy systems of the beneficiary Member States, including deployment of renewable energy, energy efficiency improvements, storage and modernisation of energy networks, the MF was expected to contribute not only towards cost-effectively reaching the 2030 climate and energy objectives, but also towards diversifying the energy mix, improving security of supply and lowering import dependency.

The creation of the MF was also expected to trigger positive environmental and health benefits for BMS. The MF would contribute to lowering GHG emissions in the BMS under both the EU ETS (through investments to modernise the power sector) and the non-ETS sectors (through energy efficiency investments in sectors such as buildings or transport). Additionally, lowering fossil fuel consumption would contribute to improving air quality leading to health benefits in the BMS and lower costs related to controlling emissions of air pollution. Since the MF would facilitate energy sector modernisation investment and improve energy efficiency in the BMS, it would also have a positive impact on industrial decarbonisation. The final impact would depend on the number of realised investments and the specific sectors these were implemented.

Description of the intervention

In a nutshell: the MF's intervention logic (see also Figure 1)

The MF provides support to lower-income Member States through ETS revenues generated from the auctioning of a set percentage of allowances from the EU ETS cap as well as voluntarily transferred additional EU ETS allowances, 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) facilitates 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 CO₂ emissions, reduced fossil fuel imports and modernised energy systems.

The MF features pre-established national envelopes of EU ETS allowances set aside from the ETS cap (438 million allowances) set according to a key fixed in Annex to the EU ETS Directive. Six beneficiary Member States complemented their national envelope with additional allowances voluntarily transferred to the MF (in total 320 million allowances¹⁶). At an estimated carbon price of EUR 75 per ton of carbon, the total amount available to the 13 beneficiary Member States is EUR 56.8 billion between 2020 and 2030. According to the EU ETS Directive, the beneficiary Member States are

¹⁶ Romania: 143.6 million; Czechia: 129.3 million; Slovakia: 30.1 million; Lithuania: 7.5 million; Croatia: 5.1 million; Hungary: 4 million).

responsible for the MF's implementation, who identify the investments on which to spend their national envelopes, within the boundaries set by the MF's rules and in accordance with State aid rules. Among others, State aid rules ensure that the aid is necessary, appropriate and proportionate. In particular, State aid rules reduce the risk of overcompensation by verifying that that public funding provided to the projects is limited to the minimum necessary for achieving their objectives.

The EU ETS Directive distinguishes between PIs and NPIs. Investments in generation and use of energy (electricity, heating and cooling) from renewable sources; energy efficiency; energy storage and the modernisation of energy networks (including demand-side management, district heating pipelines, grids for electricity transmission, the increase of interconnections between Member States and infrastructure for zero-emission mobility); support for low-income households to address energy poverty; and a just transition in carbon-dependent regions are listed in the EU ETS Directive as PIs. Following the 2023 revision of the EU ETS Directive, at least 80% of the MF resources must be used for PIs. They are subject to a simpler approval process, including confirmation from the EIB that the activities supported fall under a priority area, a verification of costs and State aid compliance check.

BMS also have the possibility to support investments falling outside priority areas that modernise energy systems and bring GHG emission reductions. No more than 20% of the MF resources can be used for such NPIs. Like PIs, NPIs are also subject to State aid compliance and in addition aid intensity is limited to 70% of the relevant costs. NPIs are also subject to a stricter review process by the EIB, involving a technical and financial due diligence and a more stringent approval process including a positive recommendation of the MF's Investment Committee, at which next to the BMS, the Commission, the EIB and three non-beneficiary Member States are represented.

Approval by the Investment Committee is therefore only needed in the confirmation process of NPIs, which represent only 6% of total MF-support volume. Given that the vast majority of investments submitted are PIs, decision-making of the Investment Committee acts as a backstop to prevent approval of investments, which would not be impactful in terms of the objectives of the MF. While the Investment Committee rarely rejects investments, the constructive discussions within this forum can encourage Member States to further reflect on and refine their submissions before formal consideration.

Outside of the Investment Committee, the current system ensures that the most impactful projects are selected through giving predominance to a certain type of investments, i.e. priority ones, as those have the highest impact in terms of GHG savings. In addition, all investments supported must be state-aid compliant, which means that, by nature, they address market failures. Finally, the EIB proceeds to a verification of investment costs, when this is not covered by the State aid assessment.

The governance system deliberately leaves important room for discretion to Member States in implementing the MF, which is notably why the evaluation does not assess how

end-beneficiaries are selected. The MF does not select end beneficiaries, Member States do (for instance through running national calls for proposals after a scheme has been approved under MF for instance). This is done according to national procedures, and subject to national auditing procedures.

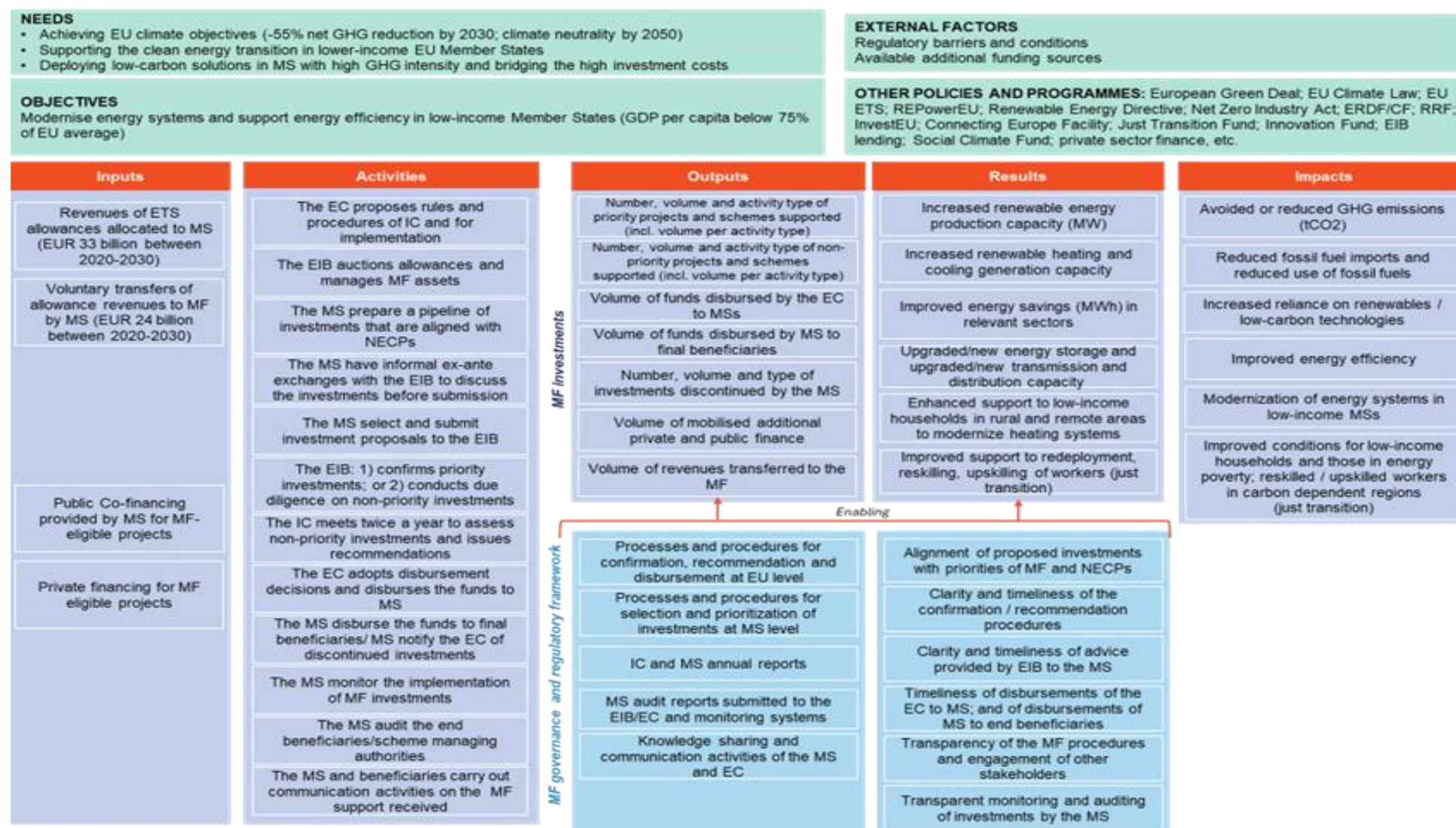
There is a diverse landscape of end-beneficiaries across Member States including, based on the replies to the survey conducted for the evaluation, mostly companies from the energy / industry sector, public sector institutions and, to a smaller extent, services and research sectors. There are no classification or official groups of end-beneficiaries in the MF governance structure, hence making a structured analysis fully covering the end beneficiaries and drawing conclusions is not possible.

Member States can submit investments to the EIB all year round, and they are assessed by the EIB within fixed deadlines. The Investment Committee meets twice a year and adopts recommendations on NPIs submitted by Member States. Disbursements from the MF for the approved investments take place a few weeks following the Investment Committee meetings, based on a corresponding decision issued by the European Commission. Member States then proceed with implementing the investments approved. This often involves calls for proposals, selecting projects, contracting end beneficiaries, transferring funds to them and monitoring project implementation. Audits are also a responsibility of the Member States. Every year, Member States submit an annual report to the European Commission taking stock on implementation, including as regards results and impacts of investments.

How are expected achievements assessed

Member States report annually to the European Commission on investments financed by the MF. This includes financial information about each investment supported, allowing to track implementation on the ground (such as the amount contracted and paid out to final beneficiaries), an assessment of the added value of each investment supported in terms of energy efficiency or modernisation of the energy system (the energy saved in Megawatt hour (MWh), the GHG emissions saved in tCO₂, the additional renewable energy capacity installed and the abatement costs in EUR/tCO₂) and additional information about the implementation of investments (milestones achieved, expected entry into operation, identified or expected delays). The Investment Committee adopts its own report every year, aggregating the findings from individual Member States's reports.

Figure 1: Intervention logic of the Modernisation Fund



2.2 Point(s) of comparison

As the MF was newly established with the 2018 revision of the EU ETS Directive, the main point of comparison to assess its implementation and expected impact relates to the counterfactual situation of what would have happened in its absence, in relation to the needs that it aims to address.

Initial investment needs and MF contribution to them

The 2015 ETS Impact Assessment quantifies the investment needs of the initial ten beneficiary Member States of the MF. In the context of the 2030 climate and energy framework, these needs (excluding the transport sector) amount to EUR 28.6 billion per year for the decade 2021-2030. Out of this amount, *“approximately € 8.4 billion per year is additional due to the 2030 climate and energy framework while the remaining amount reflects the need to energy system modernisation to replace ageing infrastructure, even without ambitious climate and energy policies.”*

In the 2025 ETS Impact Assessment, the expected achievements of the MF were not quantified, and can hence not serve as a quantified point of comparison. Nonetheless, the primary objective is to modernise the energy system. To date, several investments aligning with this objective have been initiated and are in progress. However, it is currently too early to assess their impact.

When taking into account only the MF revenues stemming from a share of the ETS cap, as set aside for the MF by Article 10(1), paragraphs 3 and 4, of the EU ETS Directive, the MF provides 398 million allowances to the ten original MF beneficiaries (EUR 29.9 billion over 2020-2030 at EUR 75 per ton of carbon) for relevant investments to attain the climate and energy targets, or EUR 3.0 billion annually. This represents 8% of the total climate and energy investments needs referred to in the 2015 ETS Impact Assessment or 27% of the additional need in the context of the 2030 climate and energy framework ⁽¹⁷⁾.

When adding also the voluntary transfers of EU ETS allowances to the MF from six beneficiary Member States, these figures are much higher. Including these voluntary transfers, the MF provides an estimated EUR 53.8 billion (at EUR 75 per ton of carbon) for the period 2020-2030 to the ten original MF beneficiary Member States, or EUR 5.4 billion per year, corresponding to 49% of the additional investment needs identified for the 10 original beneficiary Member States in the 2015 Impact Assessment. Adding Greece, Portugal and Slovenia joining later, the MF provides an estimated EUR 56.8 billion for the period 2020-2030, or EUR 5.7 billion annually

¹⁷ Impact Assessment 2015 numbers corrected with the 2025 deflating factor to adjust for inflation.

It should be noted, however, that the estimated investment needs based on the 2015 ETS impact assessment do not fully capture the additional requirements resulting from subsequent legislative initiatives, notably the Fit for 55 package and REPowerEU, which have further increased investment needs towards 2030. Using model-based estimates ⁽¹⁸⁾ based on the 2040 climate target Impact Assessment ⁽¹⁹⁾, which take into account the achievements of 55% GHG emission reduction by 2030 and the 2050 climate neutrality target, as well as an 85% domestic reduction of GHG emissions by 2040, the estimated investment need is even higher than the initial 2015 Impact Assessment. The total average annual investment need in the energy system for the 13 BMS between 2021-2030 is estimated to be EUR 75 billion (rounded to the nearest EUR 5 billion) ⁽²⁰⁾. The MF, including voluntary allowance transfers, covers 8% of the total investment needs for the 13 BMS needed based on the 2040 Impact Assessment.

MF's impact on the number of ETS allowances available to beneficiary Member States

The MF is a solidarity mechanism that redistributes a certain share of the EU ETS cap to lower-income Member States ETS allowances for auctioning. It de facto increases their auction share and their revenues from the EU ETS and as such improves their ability to invest in low-carbon projects. It is estimated that the MF increases the total number of allowances that beneficiary Member States receive by 11% (13% for the original 10 beneficiary Member States) (table 1).

Table 1: Number of EU ETS allowances received by beneficiary Member States with and in the absence of the MF (Baseline = total EU ETS allowances available for auctioning)

	ETS allowances outside of MF (mn) [1]	ETS allowances corresponding to MF (mn) [2]	Total ETS allowances: [1] + [2]	Baseline: Total ETS allowances (in the absence of MF)	% Change between baseline and situation with MF
Total MF beneficiaries	2251.1	438.0	2693	2417.7	+11%
Total non-MF beneficiaries	3865.3	0	3865.3	4140.6	-7%

The MF corresponds to a total of 438 million allowances (excluding the additional voluntary transfers by six beneficiary Member States). If this number of allowances was distributed based on the general distribution key for Member States' auction volume

¹⁸ PRIMES' model 85% scenario

¹⁹ European Commission, Staff Working Document, "Impact Assessment Accompanying the Document: Proposal for a Regulation of the European Parliament and of the Council on Establishing the Framework for Achieving Climate Neutrality by 2040," {SWD(2021) 602 final}, ([link](#))

²⁰ (1) Energy system investment needs exclude all transport investment needs, (2) Investment needs in the residential and services sector include only thermal uses (heating and cooling) and renovations. They exclude investment in appliances, which have been reported in previous IAs but are not relevant for the MF, (3) Model-based estimates with risk of changing due to finetuning of PRIMES model (4) Figures in EUR are rounded to the nearest EUR 5 billion.

(aligned with the number of verified emissions of ETS installations in each country), beneficiary Member States would receive 161 million allowances, and non-beneficiary Member States would receive 277 million allowances. The relative gain for the beneficiary Member State therefore corresponds to 277 million allowances to the beneficiary Member States, leading to an increase of 171% of the amount that these would otherwise receive (see Table 2).

The MF is mobilising resources at a scale far above recent private investment trends in beneficiary Member States. Total private investment in climate change mitigation across beneficiary Member States amounted to only EUR 12.6 billion in 2020, falling to EUR 10 billion by 2023 ⁽²¹⁾. 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%). 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. Against this backdrop, the MF makes available to beneficiary Member States EUR 5.68 billion per year until 2030 on average, i.e. 110% of the total private amount spent on both electricity, gas, steam and air conditioning and construction in beneficiary Member States in 2020 (EUR 5.2 billion) and more than twice the private amount spent in these sectors in 2023 (EUR 2.8 billion). This suggests that it is filling a financing gap to deliver investments useful for meeting the EU's 2030 climate and energy targets that the private sector would not be able to deliver.

3. HOW HAS THE SITUATION EVOLVED OVER THE EVALUATION PERIOD?

3.1. Current state of play

Economic and policy developments since the start of MF

When the MF started operating in 2021, the EU's economy was recovering from the COVID-2019 pandemic. The robust rebound in economic activity brought the EU economy back to its pre-pandemic output level in the third quarter of 2021, and economic growth prospects were optimistic for the following years. However, the resilience of the EU economy was subject to a major shock as a consequence of Russia's war of aggression against Ukraine which exacerbated the supply-side disruptions that had started to push up global commodity prices in 2021. The EU avoided recession by a margin, but the economic momentum slowed down significantly at the end of 2022.

The EU experienced a severe energy and a cost-of-living crisis in 2022, with long-lasting ripple effects. The increasing price of energy resulted in exceptionally high inflation figures in autumn 2022, subsequently declining but remaining still high. Furthermore, credit conditions tightened importantly in 2022 and 2023. This crisis has underlined the need for reliable and clean energy sources and prompted the adoption of the REPowerEU plan, with the objective to end the EU's dependence on Russian fossil fuels and to speed

²¹ Eurostat, Investments in climate change mitigation by NACE Rev. 2 activity ([link](#))

up the clean energy transition. REPowerEU's main pillars of boosting energy savings and efficiency and accelerating the roll-out of renewable energy are fully aligned with the investments promoted by the MF.

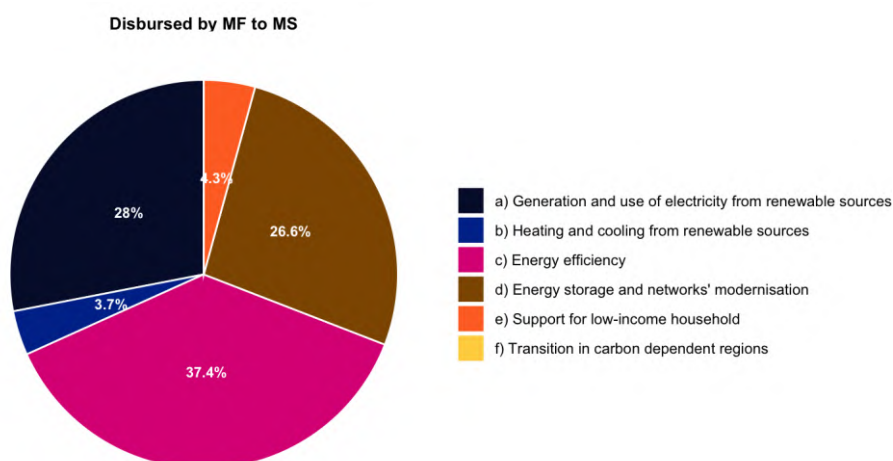
State of play of MF implementation

At this early stage of MF implementation, the report analyses MF implementation state of play and efficiency through a number of input indicators such as: the rate of disbursement to total fund amount per Member State, the year-on-year evolution of the number of investments approved per Member State, the rate of contracting and of payments to end beneficiaries and the year-on-year evolution of amounts paid-out to end beneficiaries per Member State. Some impacts have been attained, as reported in the annual reports by the end of 2024 and analysed in section 4.1.1.2 (GHG emissions saved, energy savings, additional renewable capacity installed), but they are admittedly modest given the early stage of implementation, especially at the time Member States last reported on these (by the end of 2024).

Of the estimated EUR 56.8 billion of MF support, EUR 18.9 billion (33%) have been, as of mid-2025, disbursed to 12 beneficiary Member States for 194 approved investments, with important discrepancies across Member States (43% in RO, 8% in EL). An additional EUR 2113.7 billion (42%) have been indicated by beneficiary Member States as earmarked for already approved schemes. When implemented, these investments are expected to represent EUR 71.7 billion of total investment costs.

Of the EUR 18.9 billion disbursed to beneficiary Member States, 94% fell under the PI category. The approved PIs were mostly dedicated to energy efficiency (37%), renewable energy (32%) and energy storage and networks' modernisation (27%), with only a small amount dedicated to support for low-income households and no investment falling under the just transition category (see Figure 2).

Figure 2: Amounts disbursed to BMS by priority area, share of total PIs amounts disbursed (2021 - mid-2025)



15 NPIs representing EUR 1.1 billion of support disbursed to beneficiary Member States (6% of total amounts disbursed) had been approved by mid-2025 in four Member States (RO, CZ, PL and LT). Six were devoted to the development of gas infrastructure, five to energy efficiency investments involving a switch to natural gas, three to renewable heating (now categorized as PI following the 2023 EU ETS revision) and one to electrification of an LNG terminal.

On the ground, there were, as of Member States last reporting (by end 2024), two investments that were fully completed (1%), while 44% were under construction, 29% in tendering and 26% had not yet started yet. By end of 2024, 58% of the amounts disbursed to Member States had been contracted and 11% paid out to final beneficiaries, both figures sharply increasing compared to 2023.

Evolution of the MF legal framework

The 2023 revision of the EU ETS Directive brought about a number of changes such as an increase in the total number of allowances dedicated to the MF (+192 million allowances), its extension to three new beneficiaries (EL, PT and SI) and an expansion of the activities falling under the PIs area (e.g. to renewable heating and cooling and support to low-income households to address energy poverty). Its scope has been aligned with the most recent EU climate objectives by requiring that investments are compatible with the objectives of the European Climate Law ⁽²²⁾. In that context, investments supporting gas were excluded from support, with some exceptions, especially with regards to allowances assigned to the MF prior to the reform (investments involving gas must fulfil a number of conditions such as qualifying as environmentally sustainable under the EU Taxonomy and are subject to a sunset clause) and voluntarily transferred allowances. In addition, the minimum share of PIs was increased to 80% from 70%, and compliance with the ‘Do No Significant Harm’ criteria of the EU Taxonomy ⁽²³⁾ was introduced.

The Implementing Regulation (EU) 2020/1001 laying down rules for the operation of the MF (hereafter referred to as “the MF Implementing Regulation”) ⁽²⁴⁾ was subsequently amended²⁵ to implement the changes introduced by the revised EU ETS Directive and improve the governance of the MF. The amended MF Implementing Regulation laid down a distinction between several categories of revenues from the MF in the procedures for submitting and assessing investment proposals in order to implement provisions of the EU ETS Directive specifying which revenues from the MF can be used for

²² Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 (‘European Climate Law’).

²³ Criteria set out in Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

²⁴ 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.

²⁵ 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

investments involving gaseous fossil fuels or which revenues are to be used in accordance with the ‘do no significant harm’ criteria of the EU Taxonomy. It also updated rules governing the operation of the Investment Committee to reflect the extended membership of the Committee that includes representatives of new beneficiary Member States.

Additionally, the amended MF Implementing Regulation introduced provisions to enhance sound financial management of the MF, such as the obligation for large-scale projects (for which MF support exceeds EUR 70 million) to be subject to a staggered disbursement and for all schemes and large-scale projects to provide information on implementation when requesting subsequent disbursement. It also limited the duration of schemes to five years to ensure that they continue to meet the objectives of the MF. It relaxed the rules applicable to discontinued investments, with investments no longer deemed discontinued if no support has been provided to end beneficiaries within two years from the disbursement of Funds by the EIB to the beneficiary Member States. Instead, it is now sufficient for the Member States to enter a binding legal commitments with the final beneficiaries within that deadline.

It also introduced measures to increase transparency, with the obligation for investment pipelines, but also large-scale schemes (for which MF support exceeds EUR 100 million) and large-scale projects to be subject to stakeholder consultation. It also made the provision of information on the GHG emission reduction potential and related abatement costs mandatory for all investments upon submission.

Finally, to strengthen the coherence of investment financed with the MF with the Union climate and energy objectives, Member States’ annual reports should explain the relation between planned investments and the National Energy and Climate Plans (NECPs) under Regulation (EU) 2018/1999 ⁽²⁶⁾. The relevant stakeholders should be consulted on the draft overview of the planned investments.

4. EVALUATION FINDINGS (ANALYTICAL PART)

4.1. To what extent was the intervention successful and why?

4.1.1. EFFECTIVENESS

4.1.1.1. THE MF IS PROVIDING FINANCE AT SCALE FOR RELEVANT INVESTMENTS

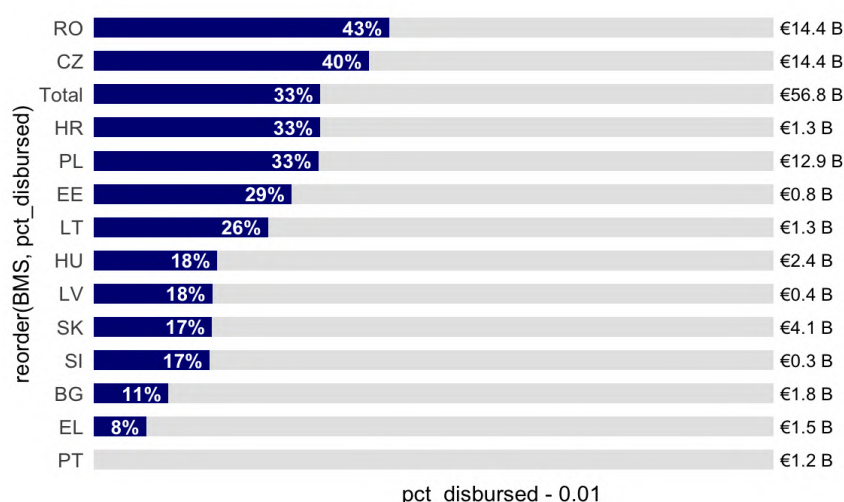
In the 2025 ETS Impact Assessment, the expected achievements of the MF were not quantified, and can hence not serve as a quantified point of comparison. Nonetheless, the primary objective is to modernise the energy system. To date, several investments aligning with this objective have been initiated and are in progress.

²⁶ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328 21.12.2018, p. 1).

By mid-2025, the MF is supporting 194 individual investments across 12 beneficiary Member States, representing EUR 18.9 billion disbursed to them. Czechia, Romania, and Poland, which are the three largest beneficiaries to the MF (representing 73% of the total MF envelope), account for over 86% (EUR 16.3 billion) of all disbursements to beneficiary Member States by the EIB. In addition to the amounts disbursed to the BMS, EUR 23.7 billion in MF contribution have been signalled by the BMS to the EIB as indicatively earmarked for already confirmed/recommended schemes or large-scale projects (planned MF amount). These investments correspond to a total estimated cost of EUR 71.7 billion.

At mid-2025, 33% of the total MF envelope ⁽²⁷⁾ of EUR 56.8 billion had been disbursed to BMS by the EIB. Czechia (40%), Romania (43%), Croatia (33%) and Poland (33%) had the highest rate. In contrast, Bulgaria (11%), Greece (EUR 8%) and Portugal (0%) had 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 MF – with Greece and Portugal having only joined the MF in 2024. The limited uptake by new beneficiary Member States can partly be explained by the fact that the allowances which provide the resources for the national envelopes under the MF are auctioned in equal annual volumes from 2021 to 2030 in accordance with the Auctioning Regulation; Member States can only request the amounts which are available on their accounts.

Figure 3: 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)



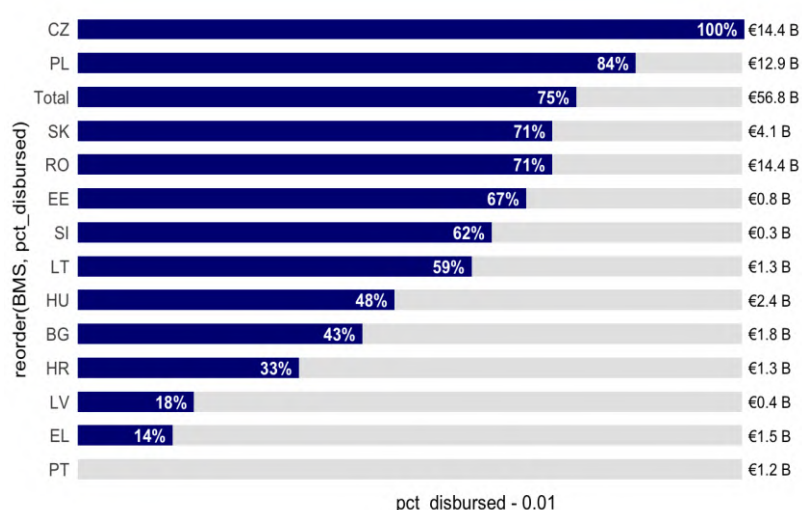
Note: Total envelope displayed at the end of each bar.

Source: Modernisation Fund database – EIB data

²⁷ The auctioned EU ETS allowances that form the national Modernisation Fund envelopes (a percentage of the EU ETS cap allocated among BMS 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).

75% of the total MF envelope has been either disbursed or signalled by BMS as indicatively earmarked to already approved schemes or large projects, again with a large disparity across BMS. These figures take into account the amounts that Member States signal as intended to constitute future tranches of a given scheme when submitting the first tranche. Based on these (non-binding) indications, Czechia had fully earmarked its envelope and Poland 84% of it, indicating a long-standing strategy for how to use their MF envelope. At the other end of the spectrum, Greece and Latvia had earmarked respectively 14% and 18% of their envelope. Member States may however still decide to redirect the earmarked (indicative) 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 MF offers a flexible governance framework allowing Member States to have a dynamic management of their MF envelope and to adapt 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, not even informing the EIB ⁽²⁸⁾. The Member State just needs to submit a new investment proposal aimed at a different activity than previously indicated.

Figure 4 Share of planned support from 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

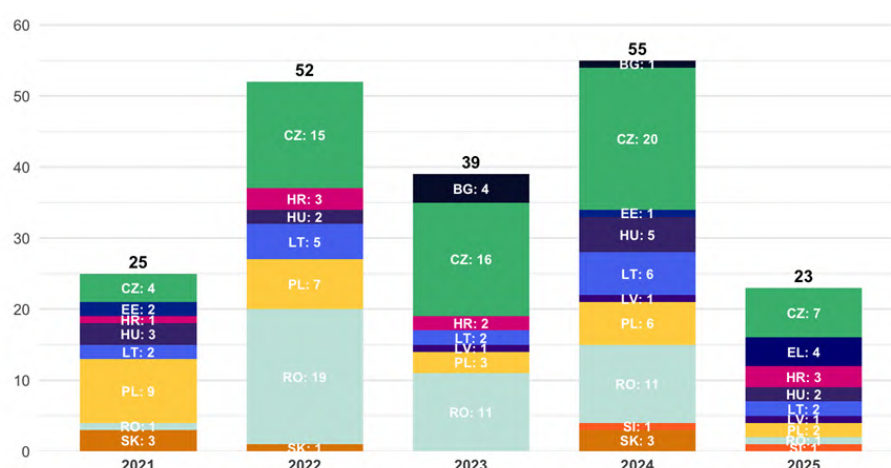
The yearly evolution of approved investments shows steady activity since the MF's inception. 25 investments were approved in 2021 in eight beneficiary Member States, a number which doubled to 52 in 2022 across seven BMS. In 2023, the pace slowed to 39 approved investments across seven BMS. This may suggest a consolidation phase when

²⁸ 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 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 for which the Member States wishes to use the liberated funds).

BMS might have focused on implementing previously approved investments. Activity peaked in 2024 with 55 investments approved across 11 BMS, and, by mid-2025, 23 further investments had already been approved in 9 BMS (Figure 5). The evolution of corresponding financial flows to Member States shows a somewhat different picture, with a peak taking place in 2022 (EUR 6.2 billion) and still substantial but lower disbursements in 2023 (EUR 4.9 billion), 2024 (EUR 3.3 billion). In the first cycle of 2025 alone, EUR 2.5 billion were disbursed. The decorrelation between the peak in number of investments approved (2024) and the amounts disbursed (2022) suggests that Member States have tended to favour smaller projects/schemes in later years.

The MF implementation shows progressive geographical expansion while early starters maintain steady activity. Poland, Czechia, Slovakia, Hungary, Lithuania, Estonia, Romania and Croatia were early starters with investments already in 2021 and 2022 ⁽²⁹⁾. 2023 saw the first investment approved in Latvia and Bulgaria. At the end of 2023, i.e. three years into Fund implementation, all ten historical beneficiary Member States had some investments approved under the MF. Historical beneficiaries continued to be active in subsequent years, with two of the three Member States having joined the MF following the 2023 EU ETS revision having their first investments approved in 2024 (Slovenia) and the first investment cycle of 2025 (Greece) (figure 5).

Figure 5 Number of confirmed/recommended investments by Member State, 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

The MF consistently gears investments towards priority areas, which represented 94% of funds disbursed to Member States at mid-2025, well above the regulatory minimum of 80%³⁰. By mid-2025, 179 individual PIs (including 39 subsequent

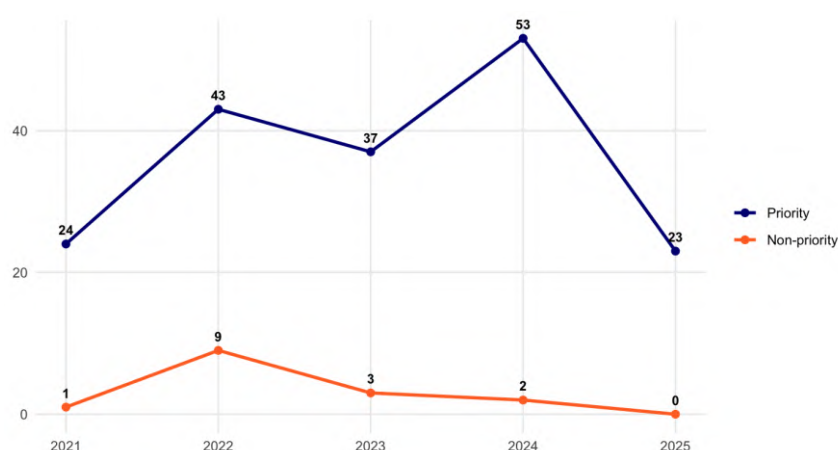
²⁹ In 2022, except for Estonia.

³⁰ Or 90% for revenues covered by Article 10(1) fourth paragraph of the EU ETS Directive.

disbursements) had been confirmed across 12 Member States and 15 individual NPIs (including one subsequent disbursement) have been recommended. The EIB had disbursed EUR 17.8 billion to Member States for PIs (94% of all disbursements), well above the regulatory minimum of 80%. By contrast, NPIs accounted for just EUR 1.1 billion, or 6% of all disbursements. Furthermore, 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 investments (totalling EUR 456 million disbursed by the EIB), the number of 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.

NPI approvals decreased over the years, and are concentrated in four BMS. The number of approved NPIs and corresponding MF support amounts peaked in 2022, to substantially decrease in 2023 and 2024. In the first cycle of 2025, none was recommended for funding (graphs 6 and 7). All 12 BMS that were implementing MF-supported investments as of mid-2025 were implementing PIs. NPIs, by contrast, were limited to four BMS: 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).

Figure 6: Evolution of the number of approved investments by type of proposal (2021 - mid-2025)



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

Figure 7: Evolution of amounts disbursed to BMS by type of proposal (2021-mid 2025)



Source: Modernisation Fund database - EIB data

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

PIs have a twice higher approval rate than NPIs and are more likely to be approved upon the first submission. 63% of submitted PI proposals were confirmed (179 out of 283), and only 32% of NPI proposals (15 out of 47). PIs also require far fewer resubmissions until they get approved: 58% of PI proposals (103 of the 179) were returned for revisions and had to be resubmitted to get approved, compared with 200% of the recommended NPIs (30 out of 15). This higher likelihood of rejection or postponement for revision reflects the more demanding approval process faced by NPIs (technical and financial due diligence by the EIB and a decision by the Investment Committee) as opposed to as streamlined confirmation process of PIs.

Member States prioritise PIs to secure faster fund absorption and because they are more aligned with national priorities. During interviews conducted for the Support Study, several Member States highlighted that PI approval is faster and simpler, making them the preferred route. Croatia and Estonia stressed that PIs enabled quick absorption of funds and higher aid intensity ⁽³¹⁾. Slovakia pointed to practical staffing reasons for focusing on PIs, while Poland expressed that the heavy administrative burden of NPIs (complex calculations, EIB due diligence) pushed them toward focussing on PIs. Hungary, Latvia, Croatia, Estonia and Lithuania noted that PIs match domestic energy needs and policy priorities, avoiding the need for NPIs.

Rejection of PIs stem from issues related to regulatory compliance or compliance with the MF's own rules. In some cases, Member States failed to demonstrate compliance with State aid rules which led to the rejection of proposals. This highlights the need for Member States to anticipate the state aid clearance process. Proposals are

³¹ 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 rules.

also returned when they are not compliant with the MF's own rules, but there is a lack of data as regards the respective prevalence of these two causes. In this case, reasons specific to PIs include failure of a proposal to fall under priority status or lack of information to demonstrate its priority status, whereas for NPIs, a typical reason for rejection or withdrawal is insufficiently demonstrated GHG reductions. This is illustrated by two NPIs from Romania dedicated to gas transmission infrastructure which could not be endorsed because GHG reductions could not be proven. According to Czechia, demonstrating the eligibility of NPI proposals is difficult, especially for complex or innovative projects. This has led to withdrawing investment proposals related to schemes where the emissions intensity could not be clearly demonstrated.

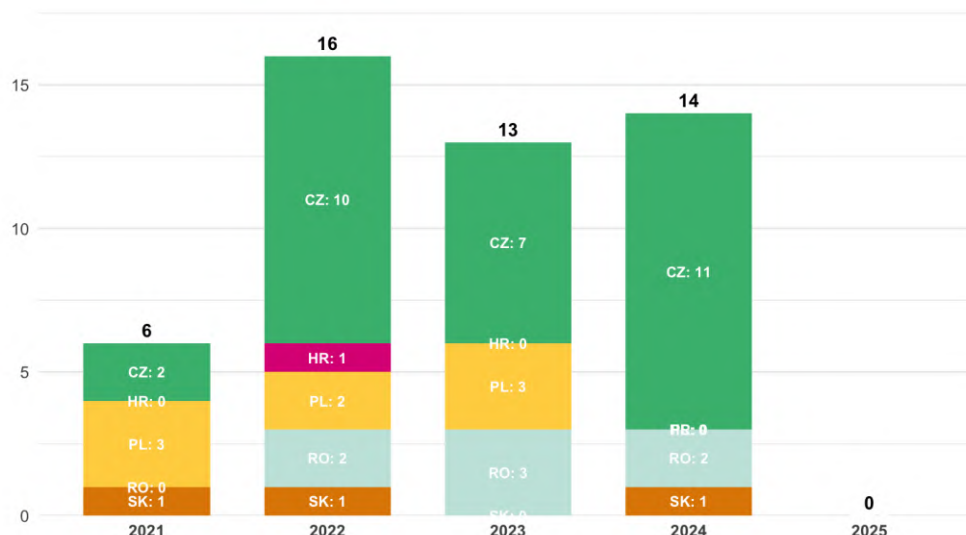
Future investments planned by Member States are predominantly PIs. Beneficiary Member States' 2024 annual reports indicate intention to submit 74 PIs versus 10 NPIs. By planned MF support volume, PIs would amount to EUR 11.31 billion compared to EUR 1.87 billion for NPIs – about 86% versus 14% of the total planned MF support in the pipeline. This composition confirms that the MF is strongly geared towards priority areas.

21% of priority and 73% of NPIs involve gas, with high concentration in a few Member States and a somewhat declining trend. Between 2021 and mid-2025, 49 proposals involving support to gas were approved (25% of all confirmed proposals), including 38 PIs and 11 NPIs. The corresponding MF support represented EUR 4.37 billion (24% of total amounts disbursed to beneficiary Member States), covering EUR 3.7 billion for PIs and EUR 649 million for NPIs. These were highly concentrated in five Member States, with Czechia, Poland and Romania (7 proposals) accounting for the largest amounts. The number of approved investments involving gas peaked at 16 in 2022, to decrease slightly to 13 and 14 in 2023 and 2024 respectively. In the first investment cycle of 2025, the number dropped to 0. The revision of the ETS Directive restricting the conditions for supporting investments involving gas (See Section 3) and which entered into force in 2024, may have influenced this recent decline in the trend. Furthermore, in most cases for Czechia and Romania, such investments were supported from the revenues generated from allowances voluntarily transferred to the MF, which are subject to less strict rules regarding this type of investments.

Investments involving gas supported energy-efficiency improvements through fuel switch from coal (all PIs and almost half of the NPIs supporting gas) and gas infrastructure (just over half of NPIs supporting gas). PIs supporting gas could be approved as they bring energy efficiency improvements, typically through coal-to-gas or lignite-to-gas switch in high efficiency combined heat and power generation. The sectors targeted are primarily energy generation (20 PI, for EUR 1.4 billion disbursed by the EIB), followed by those concerning industry (5 PI, for EUR 150.2 million disbursed by the EIB), buildings (2 PI, for EUR 23.6 million disbursed by the EIB) and waste (2 PI, for EUR 661.2 million disbursed by the EIB). NPIs involving natural gas targeted energy efficiency improvements, typically through a switch from coal- or lignite-to-gas, but without highly efficient heat and power generation in Czechia (5 NPIs) and the

deployment of gas-fired power generation facilities (as part of the phase out of the Oltenia coal power plant) and gas transmission pipelines needed to supply gas to these facilities (6 NPIs) in Romania.

Figure 8 Evolution of confirmed investments involving fossil fuel by BMS, per year (2021 – mid-2025)



Source: Modernisation Fund database - EIB data

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

4.1.1.2. ENVIRONMENTAL RESULTS AND PLANNED IMPACTS OF THE MF

Lack of a harmonised reporting methodology limits the quality of data related to environmental results and impacts of the MF. Member States' annual reports include indicators related to GHG emission savings, abatement costs, energy savings and installed renewable capacity thanks to the MF, by end of the year preceding reporting and over investments' lifetime. The figures included are based on the declaration of the Member States, which are developed in the absence of a harmonised methodology. The available data of this subsection should therefore be interpreted with caution.

Over their lifetime, MF-supported investments are expected to generate substantial transformative climate benefits compared to the baseline. The 2024 annual reports indicate estimations of 1.15 billion MWh of cumulative energy savings over the MF's lifetime, 837 MtCO₂eq in terms 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 ⁽³²⁾) and a yearly average representing 28% of the installed renewable capacity between 2020 and 2024 (118.3 GW) ⁽³³⁾. On

³² Eurostat, [Air emissions accounts by NACE Rev. 2 activity](#)

³³ Ibid.

GHG emission reductions, the MF would generate an annual average of approximately 84.8 MtCO₂eq⁽³⁴⁾, over the lifetime of the ongoing investments, which corresponds to about 32% of total emissions of the BMS electricity, gas, steam and air-conditioning sector in 2020 (264.7 million tonnes⁽³⁵⁾) and 31% of the annual average GHG emissions reduction in the electricity, gas, steam and air conditioning sector over 2020-2023 (270 MtCO₂eq)⁽³⁶⁾. Czechia, Romania, and Poland alone account for the majority of these gains⁽³⁷⁾: Czechia is expected to contribute over 12.7 GW of new renewable capacity, followed by Romania (4.1 GW) and Poland (3.4 GW). This concentration differs from baseline dynamics, where Poland, Portugal, and Hungary were the main contributors to renewable energy source (RES) growth between 2020 and 2024.

Early results remain modest, in line with the relatively early stage of implementation and reporting gaps. According to Member States' annual reports, by end of 2024, investments supported by the MF had already achieved 5.15 million MWh of energy savings (0.4% of the 1.15 billion planned) and 2.55 MtCO₂eq (0.3% of the 837 MtCO₂eq planned) abated, alongside the installation of 778 MW (3.1% of the 25 GW planned) of renewable capacity. The modesty of these results compared to lifetime projections can be explained by the fact that, by end of 2024, only 18% of the total MF envelope has been contracted out to final beneficiaries and only 3.6% paid out to them. At the same date, only two supported investments had been completed, and projects were predominantly still under construction while many schemes were still in the process of selecting projects.

The reported project abatement costs vary significantly across Member States. In the absence of harmonised methodology for calculating GHG emissions reductions, it is difficult to analyse the reasons. In the annual reports, BMS report average lifetime abatement costs for each project, calculated as the total investment cost per project over the expected cumulative GHG emission reduction by the investment's end of life. Drawing the unweighted average of the projects' abatement costs results in significant differences between BMS, as shown in the support study. This unweighted average of the abatement costs is influenced by the share of certain small investments with high abatement costs in the overall country portfolio. These artificially inflate the average abatement cost of MF investments.

Whereas the support study presents the unweighted average, the numbers presented in Figure 9 shows the weighted average per BMS, calculated as the total investment cost over the cumulative GHG emissions saved by the end of the lifetime of the supported projects. This gives a more comparable picture across BMS.

Furthermore, in most cases, the MF aims to cover the elements of the total investment costs related to the funding gap, in accordance with the applicable State aid procedures.

³⁴ Annual reports.

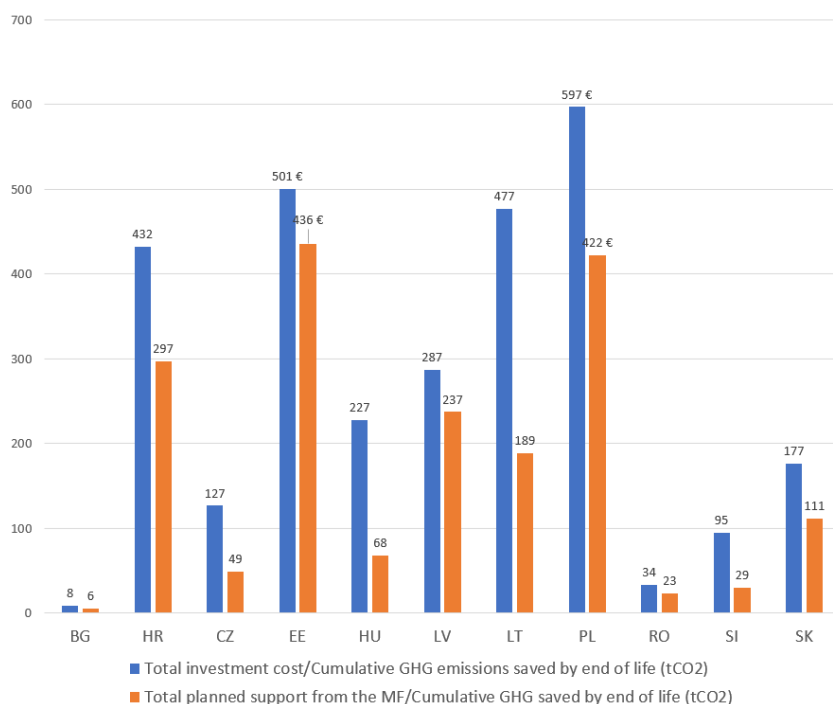
³⁵ Eurostat, [Air emissions accounts by NACE Rev. 2 activity](#)

³⁶ Eurostat, [Air emissions accounts by NACE Rev. 2 activity](#)

³⁷ Annual reports.

The abatement costs calculated based solely on the total planned support from the MF hence provides a more accurate representation of this indicator in relation to the amounts expected to be disbursed and the overall impact of the MF. In Figure 9 the total planned MF support over the cumulative GHG saved per BMS is represented in the orange bars.

Figure 9 Total investment costs and planned support from MF over cumulative GHG emissions saved by end of life, weighted average (EUR/tCO₂)



Note: 9 (4 in PL, 4 in LT, 1 in RO) outliers were removed for having an abatement cost above 10,000 €/tCO₂.

In the absence of a harmonised methodology, it is not possible to fully explain the noticeable variation in the average abatement costs across BMS in Figure 9 due to lack of comparable data. The abatement costs, both between investments and Member States, are also not fully comparable given the different nature of investments: some invest more in renewables, others in energy efficiency, others in grid modernisation with more limited effect on greenhouse gas emission reductions, and technology costs also differ between countries.

Analysing the BMS 2024 Annual Report, some explanations for the difference in between Member States could be understood. For Poland, several large-scale schemes in grid and fuel infrastructure modernise the energy system. Moreover, the planned MF support for these large-scale schemes is significantly lower than the total investment costs, leading to the noticeable difference between the blue and orange bars. Similarly, Lithuania has several projects in renovation of buildings as part of energy efficiency where the majority of investment are not from the MF, leading to the significant difference between abatement costs based on total investment costs and MF contribution.

Bulgaria currently has five investments, of which four smaller (three below EUR 37 million, one EUR 150 million) and one significantly larger investment of EUR 757 million in grid capacity for enabling 4000 MW renewable energy capacity. This large investment, with a significantly lower abatement cost (EUR 6 per ton CO₂) drags down the Bulgarian average.

In Estonia, two investments in energy efficiency programmes in public transport and buildings see low expected GHG emission reduction, partly due to the nature of GHG emission reduction of this kind of investments. As with Poland and Lithuania, they also have significantly higher total investments than planned MF support.

It should be noted that comparing MF's abatement costs and the EU ETS price is a less suitable metric to assess the efficiency of the MF for a number of reasons. Firstly, some projects (e.g. grid upgrades) enable future decarbonisation but may have little direct GHG abatement estimates, thus depending on how the estimate is made a low or high cost per unit of GHG abatement. Secondly, the MF partly serves to bridge the delta between the carbon price signal and the costs of investments in low-carbon technologies. The MF abatement costs, expressed as investment cost per ton abated, typically exceeding the price of carbon is therefore natural. Thirdly, the MF has broader goals than solely achieving cheapest emission reduction. It is designed to modernise energy systems, improve energy efficiency and support lower-income Member States' transition, as explained in section 2 of this report.

4.1.1.3.EFFECTIVENESS AT MEMBER STATE LEVEL

Effectiveness of funding vis-à-vis the local needs is ensured by the MF design, according to which at least 80% of investments supported must be chosen within the list of priority areas, specifically defined in the EU ETS Directive. More specifically, this concerns investments in renewables deployment and use, energy efficiency, grids, support to low-income households. Section 4.3 (Is the intervention still relevant?) explains how these intervention fields are relevant to the MF beneficiary Member States, given their specific needs. Furthermore, within this pre-defined list of activities, Member States choose the mix of investments that they wish to be supported by the MF, based on their own analysis of the most pressing national and local needs, internal decision-making processes and public consultations.

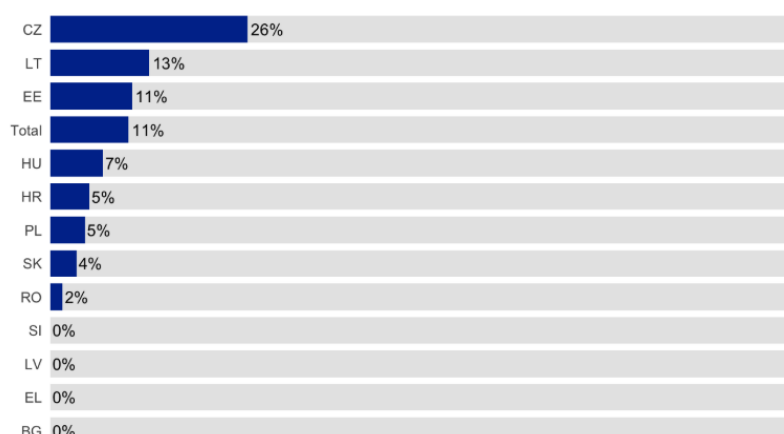
Implementation of investments on the ground is taking place, with a sharp increase in its pace in 2024. By end 2024, 55% of the amount disbursed by the EIB to BMS had been pledged through a legal commitment to end beneficiaries (EUR 10.4 billion ⁽³⁸⁾) and 11% (EUR 2 billion) paid out to them (figures 10 and 11). This shows that Member

³⁸ Bulgaria's reported contracted amount has been capped to EUR 196.57 million, corresponding to the disbursed amount by the EIB to Bulgaria.

States have taken concrete steps to implement investments on the ground, and in line with the normal implementation cycle of projects, financial flows to beneficiaries take place at a more advanced stage of the implementation. Both contracted amounts and disbursements to final beneficiaries have increased steeply in 2024: an additional EUR 5 billion (+ 96%) has been contracted and EUR 1.3 billion (+185%) disbursed to end beneficiaries. This trend shows that investments are progressively entering construction and delivery phases.

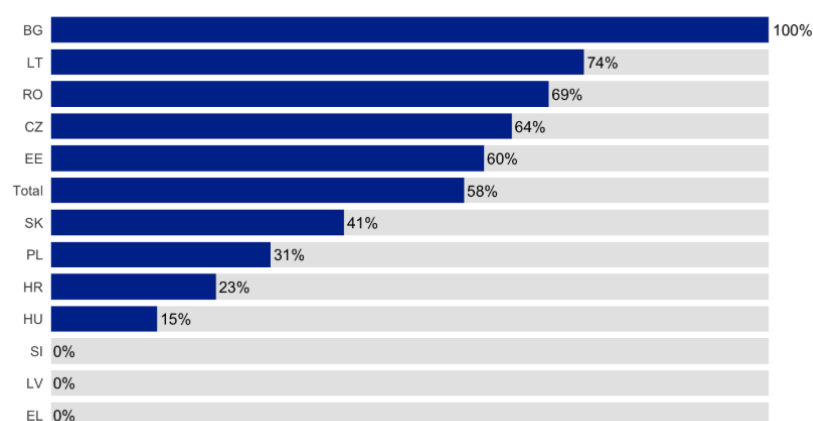
The pace of implementation at national level is uneven. Bulgaria, Lithuania and Romania were the most advanced in implementing their approved investment, having contracted to final beneficiaries respectively 100% (EUR 196.57 million), 74% (EUR 249.5 million) and 69% (EUR 4.3 billion) of the amount disbursed to them by the EIB. At the other end of the spectrum, Latvia, Slovenia and Greece had not contracted any amount. As regards disbursement to end beneficiaries, Czechia, Lithuania and Estonia were the countries that had paid out the highest shares by end of 2024 – respectively 26% (EUR 1.5 billion), 13% (EUR 44.6 million) and 11% (EUR 26 million) of the amounts disbursed to them by the EIB. By contrast, Romania (2%), Slovakia (4%) Poland and Croatia (both 5%) had paid out relatively low amounts of the support disbursed to them by the EIB (figures 10 and 11). These differences may be partly explained by differing performance, but also by different rules governing implementation or country specific contexts. For Bulgaria, for example, the 100% commitment rate can be explained by the fact that the five investments ongoing at the end of 2024 are all projects, not schemes, implemented by public entities. Regarding payments, some Member States apply pre-financing while others only pay out upon completion of the investment.

Figure 10 Disbursement amounts to final beneficiaries over disbursed amount by EIB, per BMS (2021-2024)



Source: Modernisation Fund database - 2024 Annual reports

Figure 11 Contracted amounts to final beneficiaries over disbursed amount by EIB, per BMS (2021-2024)



Source: Modernisation Fund database - 2024 Annual reports

Implementation of approved investments at national level takes place over several years. There is a natural time lag between disbursements from the EIB and the 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 (administrative requirements, staffing shortages, and weak prioritisation of MF ⁽³⁹⁾), delays in permitting and procurement, late calls for proposals ⁽⁴⁰⁾, delayed permitting and coordination ⁽⁴¹⁾), (ii) the integration with broader ory ory or EU processes (e.g., regulatory consultation cycles, approval of investments, streamlining with state budget) causing long lead times before projects break ground ⁽⁴²⁾, (iii) uneven pipeline maturity ⁽⁴³⁾, and (iv) political and context-related factors (e.g., government instability, economic disruptions) ⁽⁴⁴⁾.

45% of investments approved by end-2024 are under construction or completed, and 55% in early implementation phases. According to data from 2024 Member States' annual reports, only two (1%) approved investments have been completed, while 44% are under construction and 29% are in tendering. A further 26% have not yet started. For 23 investments approved in the first investment cycle of 2025, information is not yet available. Czechia stands out with 25 investments at advanced or final stages, with Croatia and Hungary also showing strong progress. By contrast, Poland and

³⁹ RES Croatia.

⁴⁰ Slovak Association of Renewable Energy (SAPI) and FoE Slovakia.

⁴¹ Romania.

⁴² Latvia, Croatia, Estonia.

⁴³ Slovenia, Bankwatch, EREF, Hungary.

⁴⁴ Bulgaria, Estonia, Slovakia.

Romania have fewer projects near completion, and Lithuania and Bulgaria remain largely in early phases.

Monitoring frameworks of investments are in place across most beneficiary Member States and national audits have been initiated or completed in six of them.

All ten historical MF beneficiary Member States plus Slovenia have put in place structured approaches, with regular progress reports. In contrast, Greece and Portugal are still setting up or formalising their monitoring systems, reflecting the early stage of MF implementation in those Member States. Six Member States reported having conducted or initiated national audits of MF operations according to the Member State survey conducted in the context of the Support Study. Only one is planning to make the results publicly accessible. Based on the interviews conducted for the Support Study, Czechia and Hungary seem to be the most advanced, with several audits already finalised. However, this was not reported in their 2024 Member State annual report. Other Member States are still in the process of developing formalised audit systems (more details are available in the Support Study).

Member States are adopting solutions to address slow or lacking implementation.

National authorities primarily support beneficiaries in overcoming hurdles through direct coordination, targeted assistance, and exploring alternative solutions. Where difficulties persist, investments are declared discontinued and corresponding funds reallocated to other investments, ensuring continuity of implementation. 81% of the beneficiaries surveyed for the Support Study expressed confidence that their projects would fully achieve their objectives.

Discontinuation of investments under the MF are rare, with low volumes impacted.

Between 2021 and mid-2025, eight investments (4% of the 194 supported investments), representing EUR 191.4 million (1% of the EUR 18.9 billion disbursed to BMS in that period) were reported as discontinued across five Member States. As provided for by the MF Implementing Regulation, the liberated funds were reallocated to other investments. Bulgaria (EUR 95.7 million) and Hungary (EUR 45.7 billion) registered the largest discontinued amounts, while Czechia, Slovakia and Lithuania reported smaller ones (between EUR 10 and 20 million). The marginal occurrence of discontinued investments and low volumes involved suggest stability in MF implementation. With the 2024 revision of the MF Implementing Regulation, legal deadlines that Member States must respect to avoid an investment being discontinued have been relaxed (See Section 3, Evolution of the MF legal framework), allowing for more flexibility in managing MF investments when delays occur.

Two thirds of end beneficiaries report compliance with MF visibility rules and Member States provide guidance to them.

Most beneficiary Member States have put in place communication requirements, complemented by practical support directed towards end beneficiaries. This is confirmed by the end beneficiary survey: 86% of respondents declared receiving clear national guidance about visibility obligations, while 13% did not know about them. Furthermore, 67% of beneficiaries surveyed confirmed that they

display the label “co-funded by the MF, EU ETS”, while only 14% reported not doing so and 19% stated they did not know. Beneficiaries typically use a broad set of communication tools. The most commonly used are plaques at project sites and dedicated references on websites, followed by social media activity, press releases, and municipal communication channels.

4.1.1.4. LEVERAGE EFFECT OF MF ON ADDITIONAL PRIVATE CO-FINANCING

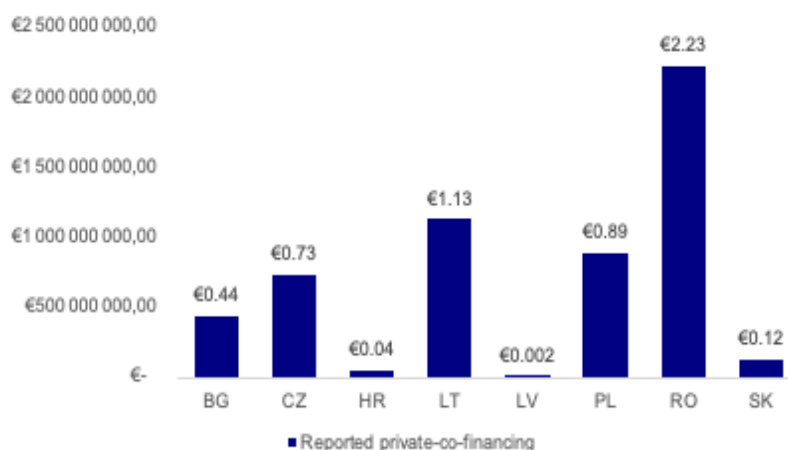
Available data on private co-financing is subject to limitations. Private-cofinancing amounts are not tracked as part of mandatory MF reporting. Related data has been requested to Member States for this evaluation, and Member States have resorted to practices (actual or estimated amounts, calculation method) differing markedly across Member States (see Support Study for more details), hampering viability and comparability.

Using the figures supplied by national authorities, the amount of private co-financing remains limited. This is consistent with the fact that private co-financing is not a requirement under the MF. Subject to State aid rules, aid intensity can be up to 100% for PIs (70% for non-priority ones). An MF aid intensity of 100% is for instance the norm for investments dedicated to network modernisation, considering that related operators typically are in a situation of natural monopoly. Private co-financing to MF-supported investment would amount to EUR 5.5 billion, but that amount is importantly underestimated as a number of Member States have not provided estimates for the entire lifetime of investments, but amounts pledged through a legal commitment as of the first quarter of 2025. Romania and Lithuania report the highest amounts, with EUR 2.23 billion and EUR 1.13 billion respectively, followed by Poland (EUR 890 million), Czechia (EUR 731 million), and Bulgaria (EUR 436 billion). Smaller amounts were reported in Slovakia (EUR 122.6 million), Croatia (EUR 45.6 million) and Latvia (EUR 2.2 million). In Estonia, the MF is fully channelled through two multiannual schemes targeting public buildings and public transport. As a result, all co-financing comes from state or municipal budgets rather than private actors.

The levels of private co-financing involved in MF investments are in line with State aid rules. All investments must be state-aid compliant, which means that they must address market failures and not crowd out private investments. When this is not covered by the State aid assessment (when the investment represents no aid), the EIB proceeds to a verification of costs to avoid over-spending. NPIs are subject to a full-fledge due diligence by the EIB, and subject to a vote in the Investment Committee of the MF. In addition, the EU ETS Directive requires NPIs to be supported by a minimum of 30% of co-financing stemming from private legal entities.⁴⁵

⁴⁵ Article 10d(6),

Figure 12 Private co-financing amounts (billion EUR) reported by BMS (2021 - mid-2025)



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

Most MF resources are spent through grants, but some Member States resorted to financial instruments to increase the catalytic potential of the MF. By default, Member States use MF resources as non-repayable grants. For certain types of investments however, MF resources are sometimes used as financial instruments. In Czechia, commercial banks provide long-term financing for schemes dedicated to energy efficiency in residential buildings, with MF covering 50% and private loans covering the remaining 50% (⁴⁶). Poland also reported experimenting diverse financial instruments such as loans, equity, and ESCO financing (⁴⁷), rather than relying solely on grants while pointing to the limited maturity of national financial markets. These practices suggest that the MF can trigger innovative financing mechanisms when national authorities design schemes to attract private capital. However, these specific implementation modalities (e.g. grant, partial grant, loan, financial guarantees) are not specifically tracked in the MF reporting system and it is difficult to provide a complete overview of their use and results achieved.

The MF design does not consider financial instruments as a specific point of attention for the MF. There is no target governing the use of such instruments. The EIB is only required to consider including in its recommendation suggestions regarding appropriate financial instruments. Instruments such as loans, guarantees, and equity often offer scalability benefits over grants, as they encourage financial discipline, leveraging of additional resources, and can stimulate private sector investment. However, depending on financing conditions in a given Member State and market readiness, grants can also unlock important levels of private investments. This may be particularly the case in lower-income Member States which benefit from the MF. Furthermore, the nature of some activities supported (i.e. grids, networks which can benefit from 100% State aid intensity) does not allow for other types of financing than grants.

⁴⁶ Interview with Czechia conducted in the context of the Support Study.

⁴⁷ 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.

Poland is the beneficiary Member State which resorts most extensively to financial instruments. The choice of such instruments is motivated by the analysis of the most optimal financial conditions for each sector or technology type taking into account the maximum aid intensity allowed by State aid rules and the need to ensure synergies under different support programmes. On this last point, Poland reported that the design of instruments developed under Cohesion Policy was often reproduced in the context of the MF so that funding conditions are equally appealing and these different support programmes complement rather than compete with each other. The MF taking over subsidy schemes designed under Cohesion Policy can also ensure continuity of funding over time. In other cases, the decision to resort to financing instruments resulted from the specific procedure of programming under MF, involving public consultation. Financial instruments are often used for mature technologies such as renewables, where technologies that are CAPEX intensive such as geothermal or specific sectors such as public buildings typically still need grants.

Poland estimates that the benefits of financial instruments outweigh the cons but an evaluation of their impacts is not yet available. As most of Poland's envelope has been earmarked to already approved schemes, financial instruments enable to provide support to more projects than by only resorting to grants. In addition, this constitutes a sustainable way of supporting the modernisation of the energy system as support provided in the form of loans goes back to the national authorities. In addition, financial instruments tend to increase project maturity as promoters have to share risks with the subsidy granting authority by providing a share of funding from their own resources. However, financial instruments are not always easy to put in place as the market has to be mature enough to share the risks. They are also more challenging to manage administratively. Poland is currently conducting an audit of the results of different types of support under the MF.

4.1.2. EFFICIENCY

Since the report can at this time mostly only provide data regarding inputs in terms of the intervention, findings regarding the efficiency of the intervention are necessarily limited. For this reason, this section mainly analyses the efficiency of the implementation processes at EU and national level, and the related costs. The possibility to analyse the relation between inputs and outputs will only materialise over time.

4.1.2.1. EFFICIENCY OF EU-LEVEL PROCESSES

The process of confirming PIs is streamlined and light. According to the MF Implementing Regulation, PI proposals are confirmed or returned by the EIB within 28 days (4 weeks) of submission if submitted on the last possible day of an investment cycle (see Figure 13). Beyond State aid compliance checks performed by the EIB with support of the Commission, the confirmation process mostly involves checking that the investment is in line with the MF's objective, falls under one of the priority areas listed by the EU ETS Directive, that the Member State has enough ETS allowances to finance it and has demonstrated how the investment will respect the Do No Significant Harm criteria of the EU Taxonomy (where applicable).

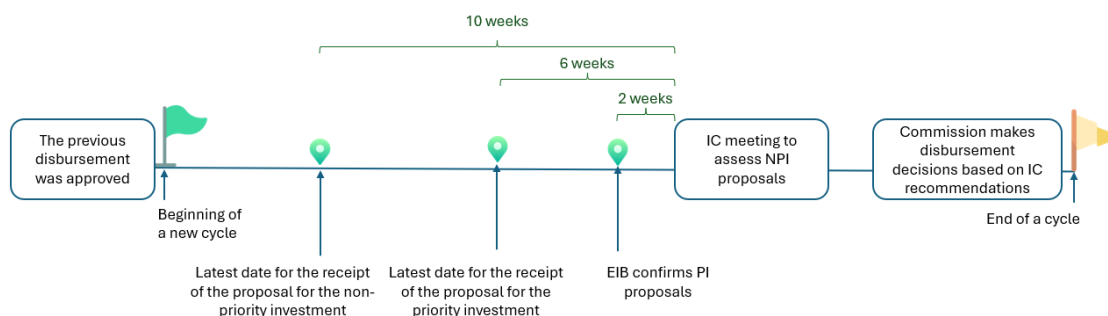
The light nature of the PI approval process is confirmed by Member States' perception. 92% of beneficiary Member States assess the process for confirming PIs as either adequate (38%), or very adequate (54%). In addition, five Member States explicitly mentioned that the timelines for approval of investments are appropriate. Two Member States mentioned that delays have taken place due to internal issues, not because of MF-related procedures. In the interviews conducted, many Member States noted that timelines are not restrictive, and that the process of preparing and applying is relatively easy. Regulatory deadlines for approving investments are respected. One Member State and one company commented that more flexibility for amending already approved schemes without the need for formal EU-level approval would increase efficiency.

Approval process is facilitated by constructive engagement of the EIB and Member States. All Member States positively assessed their dialogue with the EIB, rating it as either “constructive” or “very constructive”. This collaboration is widely seen as helpful, smooth, constructive and effective. Member States receive technical guidance which helps them enhance proposal quality or get feedback on the likelihood of a proposal to be approved. Consultations are seen as key for submitting a successful proposal, helping to save time and resources for both the EIB and Member States. The process has improved over time, with there now being more opportunity to ask questions or have informal discussions before proposal submission. Occasions to engage also include seminars held back-to-back with Investment Committee meetings, which serve to exchange best practices and provide guidance on specific issues. Finally, guidance documents developed by the EIB and available on the MF website are regarded as helpful and 92% of Member States use them when preparing and submitting investment proposals.

In line with MF rules, the process for approving a NPI is more complex and takes twice and a half as long as approving a PI. If a Member State submits a NPI proposal on the last possible day of an investment cycle, it will be subject to an Investment Committee recommendation 70 days later ⁽⁴⁸⁾ (see Figure 13). The longer approval time for NPIs is explained by their a priori lower climate ambition, which requires further reassurances that the investments will contribute to the MF objectives. In addition to the elements required for PIs, the NPI approval process includes a technical and financial due diligence and assessment of the expected GHG emission reductions by the EIB. The investments must also be subject to a positive recommendation by the MF's Investment Committee, at which sit three non-beneficiary Member States.

⁴⁸ Articles 6 and 7 of the MF Implementing Regulation.

Figure 13 General timeline for proposal submission



Based on MF Implementing Regulation (EU) 2020/1001

The process for confirming NPIs is generally perceived as adequate and time consuming, with the additional burden generally seen as justified. Six beneficiary Member States, including three out of the four who are currently implementing NPIs consider it adequate. Only one BMS believes it is not adequate. Three out of four Member States that have applied for NPIs estimate that administrative efforts for applying to NPIs are at least 30% higher than for PIs, while the fourth 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. One beneficiary Member State pointed to a lack of flexibility and that EIB's requirements are excessive. Three respondents also assessed that the additional burden was at least partly justified, and two assessed that it had sometimes deterred them from submitting NPIs.

The approval process may benefit from clearer guidance on the delineation between priority and NPIs. Four Member States pointed to insufficient guidance for Member States to make more robust decisions on borderline cases between PIs and NPIs, or borderline cases between NPI and non-compliance, and areas which are not covered by the EIB assessment guidance document. The Member State survey responses equally point to the fact that issuing guidance for NPI investments and the accompanying annexes (including feasibility study and CBA (Latvia, Romania), and especially borderline cases would alleviate procedural complexity and support a more efficient implementation of NPI investments.

23% of beneficiary Member States would favour rolling calls or more frequent disbursement cycles (three to four per year instead of two). According to the three BMS concerned, the biannual schedule of the Investment Committee does not allow for sufficient flexibility to meet the investment needs in time.

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 ⁽⁴⁹⁾. 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 proposal (reduced financing amount, limited to what is needed to achieve the objectives of the MF). 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 ⁽⁵⁰⁾. 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 Investment Committee 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 Investment Committee member that voted against (a non-BMS, Sweden) ⁽⁵¹⁾ 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 these proposals focused on natural gas infrastructure ⁽⁵²⁾.

Beneficiary and non-beneficiary Member States are generally appreciative of the Investment Committee's structure and processes. In the interviews, they describe the Investment Committee as efficient, collaborative and functional. Its format allows for cross-country dialogue and exchange of best practices. This helps Member States with improving coordination and the quality of their proposals. Two non-beneficiary Member States stated that the Investment Committee is well-managed, and where there are occasional disagreements, solutions are typically found through constructive discussions and negotiation. Only one beneficiary and one non-beneficiary Member States expressed reservations regarding the Investment Committee proceedings. The beneficiary Member State commented that its structure reinforces a conservative approval culture that may limit responsiveness to national innovation needs, particularly for emerging technologies, while the non-beneficiary Member State commented that voting rules should allow non-beneficiary Member States to veto an investment and that non-beneficiary Member States should also have more opportunities to influence PIs.

4.1.2.2. EFFICIENCY OF NATIONAL-LEVEL PROCESSES

Most beneficiary Member States have put in place stable implementation structures, with no “one-size-fits-all” way of running the MF. Most countries involve

⁴⁹ Investment Committee Meeting Minutes.

⁵⁰ Rules of procedure of the Investment Committee: <https://www.modernisationfund.eu/wp-content/uploads/2021/07/rop-mf-ic.pdf>

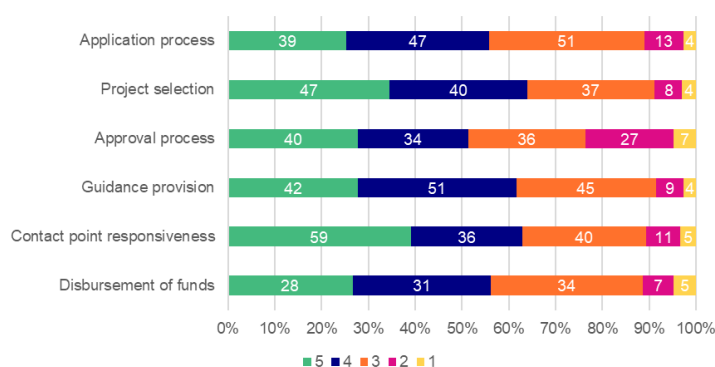
⁵¹ Another non-BMS, the Netherlands, abstained. Sweden objected to these proposals due to reservations on natural gas investments both from climate and financial sustainability perspectives.

⁵² Source – IC meeting minutes.

multiple ministries in the proposal selection process to ensure broad representation and policy coherence. National institutional arrangements in seven of the “historical” MF beneficiary Member States involve both ministries (with most often the Climate, Environment or Energy Ministries in the lead) and dedicated environmental agencies or state funds in charge of managing 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, ministries are wholly responsible for managing the MF. Processes for selecting MF priorities differ across Member States but they often include interministerial consultations, public consultations, and final approval by national authorities. The three Member States having joined the MF in 2024 are still building their institutional setups.

End beneficiaries are broadly satisfied with national implementation, with a majority rating different national processes positively. Almost two thirds have highly rated responsiveness of national administrations (63% rated them as either efficient or very efficient), guidance provision (62%) as well as the process of project selection (64%). At the lower end of the spectrum, the approval process (⁵³) was only seen positively by a short majority (51% of end beneficiaries rated it as effective or very effective) (Figure 14), due to delays in selection procedures and project completion timeline requirements. At the same time, end beneficiaries identified several ways to improve implementation at the Member State level. Digitalisation was the most common suggestion, with respondents in five Member States calling for online applications, digital submissions, and real-time guidance. The same number of end beneficiaries stressed the need to reduce administrative burden by streamlining documentation and simplifying reporting.

Figure 1 National-level implementation processes rated by activity type (1 = very inefficient and 5 = very efficient)



Source: End beneficiary survey

⁵³ Approval process refers to the period during which Member State authorities agree through internal procedures on which investments to submit to the EIB to get greenlight for MF support. Project selection refers to the period during which Member State authorities evaluate and shortlist applications submitted by potential end beneficiaries in response to a call for proposals.

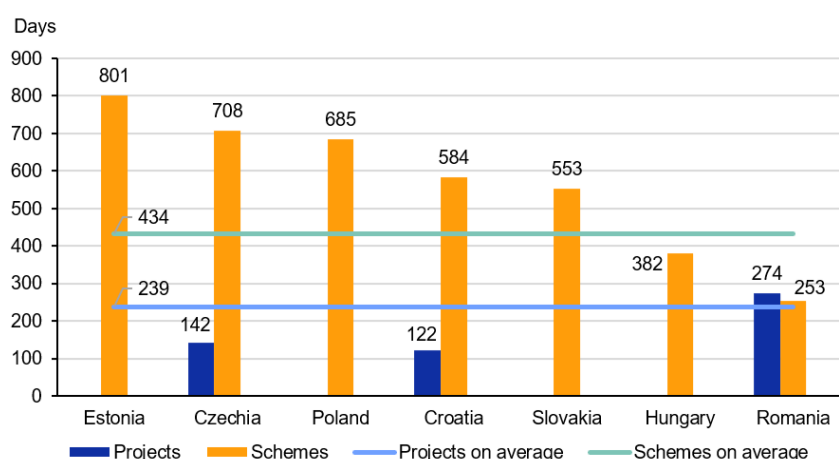
End beneficiaries are overwhelmingly satisfied with the transparency of project selection processes at national level. 80% of end beneficiaries positively assessed transparency of selection processes, referring to public calls, open scoring systems, and traceable application processes. Furthermore, the selection criteria for projects were clear to the majority (93%) of end beneficiaries, with some commenting that decisions were explained or published, although an issue of limited information due to the lack of direct access to authorities was sometimes raised. Ways of engaging stakeholders in the selection of investment vary across Member States and involve public consultations (often online), publication of details on project selection criteria, program implementation status, supported investments, application guidelines, and applicant lists. At the same time, consultations were not a consistent practice in all Member States or stakeholders were not always made aware of them, as only 54% of end beneficiaries indicated that they had taken place. This could be explained by a lack of MF-specific public consultations. In many cases, schemes/projects supported by MF were included in national strategic documents (such as the NECP or other relevant national strategic programming documents), with consultations taking place when these documents were being developed.

Some stakeholders call for earlier engagement and the possibility to weigh on long-term strategy for implementing MF. Some stakeholders, including trade associations, NGOs and companies (see Support Study for more details) found that they are being consulted too late in the process, e.g. after key decisions had already been made, and would like to be made aware of and consulted on the long-term strategy of MF implementation and be involved in the programme design earlier on. 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, and at the EU level, e.g. in the Investment Committee or via expert groups. Smaller, decentralised actors are also sometimes perceived as being disadvantaged in terms of access to information while larger companies have the resources and networks to have a bigger impact on the process.

End beneficiaries are satisfied about the publicly available MF-related information, whereas some stakeholders call for more. 92% of end beneficiaries indicated that relevant information was made available online or via other means. At the same time, some NGOs, trade associations and companies noted in interviews that the available information on investments is incomplete and outdated, with insufficient information about the activities supported, data on the results of applications or the percentage of funding going to various investment categories. A civil society organisation emphasised that EIB assessment documents and assessment documents of Member States should be available and another one that more coherence between national websites and MF website is needed (for instance on the GHG assessments for some investments involving gas).

Time between disbursement of funds to a Member State and conclusion of a contract with end beneficiaries is 80% longer for schemes than projects. Member States report on average one year and two months (434 days) for concluding contracts for schemes, and less than eight months (239 days) for projects, with large difference across Member States. The longer time needed to get schemes started can be explained by the time needed to run the call for proposals and select end beneficiaries, whereas in the case of projects, the final beneficiary is often determined already when a Member State submits a proposal to the EIB (⁵⁴). Member States spend on average, for PIs, 23% of all time spent dealing with these investments on selecting, submitting investments to the EIB, and awaiting disbursement decisions 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 all time spent. For NPIs, the split is on average 30% (investment selection and submission) versus 70% (investment implementation), as NPIs have stricter documentation requirements under the MF (see Effectiveness section).

Figure 15 Average number of days between disbursement from the EIB to Member States and contract conclusion of Member States with final beneficiaries, 2021-2025



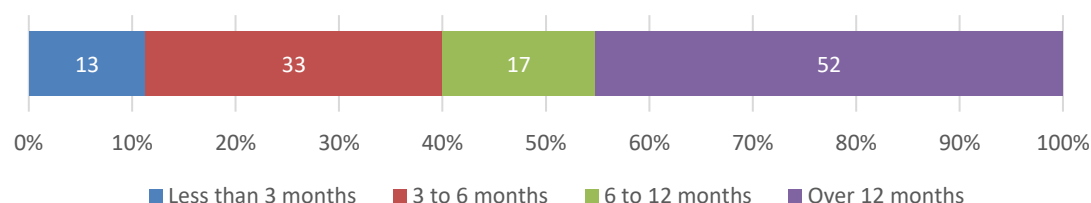
Source: Modernisation Fund database, data from Member States

First payments to final beneficiaries took place on average eight months after contract conclusion, with most end beneficiaries considering the process efficient. On average, according to Member States, it took Member States over eight months (247 days) to make the first disbursement to end beneficiaries after the contract conclusion (488 days for projects and 243 for schemes). This seems compatible with the declarations made by end beneficiaries in the survey conducted for the support study (see Figure 16). Time to second disbursement was on average over eight months from the first payment (250 days; 388 days for projects and 248 days for schemes) (⁵⁵). Finally, it took Member States on average just under a year (342 days) to make the third disbursement, which has only taken place for some schemes to date.

⁵⁴ 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.

⁵⁵ This number is not strongly representative for projects, as it only includes two projects – 110 and 666 days each.

Figure 16 Time between signing the contract with the Member State and receiving the first disbursement (N = 165)



Source: data from end beneficiaries survey

End beneficiaries broadly seem to consider the process leading to payment efficient, with some challenges encountered. 56% of end beneficiaries estimated the disbursement process to be efficient (figure 14) and 69% that the time needed until disbursement was expected. However, 60% signalled having met challenges in the process delaying the payment. The reasons concentrate around a few recurring problems mostly linked to administrative and regulatory hurdles (lengthy verification of payment requests to heavy reporting requirements, complex procurement rules) and to a less extent, financial challenges (see Table 3).

Table 3 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	Securing co-financing for ineligible costs	Permitting delays, changes to technical specification	Supply chains delays
Procurement/audit compliance	Manage cost increase	Public procurement	Political or institutional changes
Internal/external approvals			

Source: End beneficiary survey

Digitalisation, faster approval time, reduced administrative burden, 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 five Member States 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 five Member States, often linked to lengthy contracting procedures. 5.4% of respondents, especially in four Member States, 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 four Member States.

4.1.2.3.COSTS AND BENEFITS ASSOCIATED WITH MF IMPLEMENTATION

Administrative costs at Member States level represent a negligible fraction of the total MF envelope (0.13%). On average, Member States employ 24 FTEs to manage the

MF at the national level at a cost of EUR 566,000 per annum (ranging from EUR 41,000 to EUR 2.2 million or EUR 1.3 million when excluding one outlier Member State) with these FTEs being responsible for the development, submission, implementation and monitoring of investments (see Table 4). Based on their respective MF envelopes, the administrative costs for the MF per EUR million range from EUR 280 to EUR 2,800 (with two outlier Member States with significantly higher costs relative to envelope). For most Member States (8/13), the most resource intensive phase is the implementation of the approved investments. The costs vary across Member States, with smaller Member States tending to have higher costs relative to their MF envelope, as they ramp up their national MF processes and receive comparatively lower MF funding envelopes. In interviews, two Member States expressed concerns about high MF administrative costs and the absence of the MF funding allocated to administrative costs. Four Member States estimated in interviews that they have limited staff capacity and five other indicated that administrative capacity is a hindering factor for the achievement of the MF objectives for them. A trade association (⁵⁶) also mentioned in an interview the lack of resources in national authorities. Two Member States estimate that efficiency at the Member State level could be enhanced through allowing MF to finance administrative costs related to its implementation at the national level. This is different from many EU or national funds that allocate part of their budget (around 1-3%) for administrative support, e.g. the Social Climate Fund.

Table 4 FTEs dedicated to MF processes in Member States (⁵⁷)

BMS	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
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 and Member States' email communication

The evaluation of the Recovery and Resilience Facility (RRF) found that qualitative appreciation of costs based on FTE worked was the preferred method of estimating administrative costs, as assuming uniform costs over all six years of the RRF lifetime as less credible. Similar to MF, significant variations across countries in FTE declared by coordination bodies both for one-off activities and recurrent activities were found for the RRF (⁵⁸).

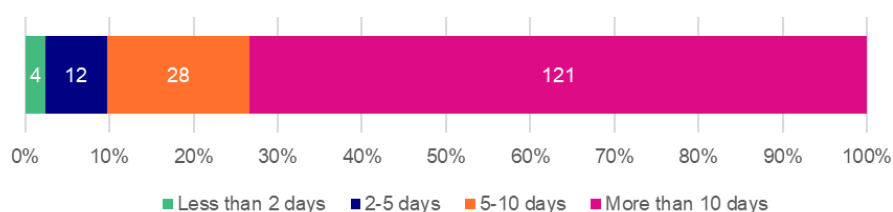
⁵⁶ Interview with Eurelectric.

⁵⁷ 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. ([link](#)) 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. ([link](#))

⁵⁸ European Commission, "Study Supporting the Mid-term Evaluation of the Recovery and Resilience Facility," ([link](#))

Most end beneficiaries spend more than 10 working days and up to 5 employees on applying to the MF, with costs linked to application processes, administrative tasks during project implementation, and monitoring requirements. 73% of end beneficiaries indicated that it took them more than 10 working days to develop an MF application (see Figure 17), including 10% who estimated a total preparation time exceeding 2–3 months, particularly where permitting, coordination with external consultants, or internal approvals were needed. 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 18). 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% dedicating more than 10 employees. Despite the documentation required for the application process, one (of the 10) end beneficiaries interviewed indicated 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 (⁵⁹). The latter depends on the size of the consortium.

Figure 17 Working days spent by end beneficiaries preparing the application for MF support (N=165)

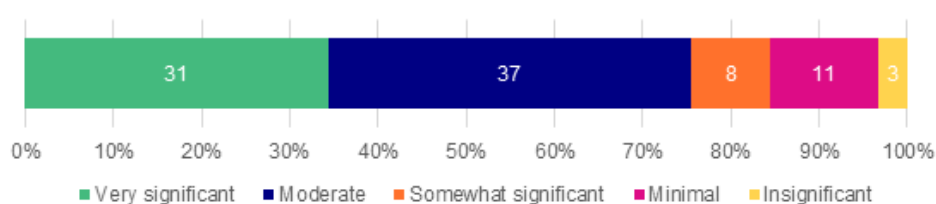


Source: Survey of end beneficiaries.

Most end beneficiaries find complying with national monitoring requirement moderately burdensome. 57% rated the significance of the administrative burden related to monitoring requirements at national level as moderate, limited or insignificant (Figure 17). A majority of beneficiaries spend less than 20% of total project time on MF-related administrative tasks (see Figure 18). 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. No specific challenges related to monitoring by the Member States were repeatedly mentioned by end beneficiaries, 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.

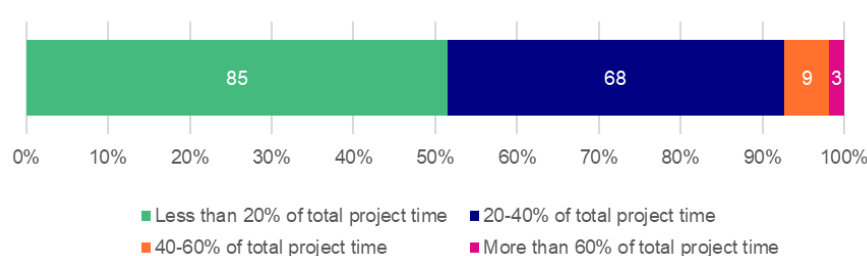
⁵⁹ European Commission (2025), Interim Evaluation of the Horizon Europe Framework Programme for Research and Innovation (2021 – 2024), SWD 110. See [link](#).

Figure 2 Significance of the administrative burden of complying with monitoring by the Member State (N=90)



Source: Survey of end beneficiaries.

Figure 18 Time spent by end beneficiaries on MF related administrative tasks during the implementation phase of projects/schemes as a share of total project time (N=165)



Source: Survey of end beneficiaries.

The total cost for EIB and the European Commission is EUR 132 million over MF lifetime. The EIB's role in the implementation of the MF is defined in the EU ETS Directive and the MF Implementing Regulation. The EIB reviews investments and confirms the status of investments submitted by BMSs and confirms or returns priority ones, conducts financial and technical due diligence of NPIs, including an assessment of the expected GHG emission reductions, provides the secretariat of the Investment Committee, transfers the respective resources to the beneficiary Member States, as well as auctions the allowances which provide the resources of the MF and manages its assets. Based on the fees paid to the EIB for the past two years, EUR 13 million for 2024 and EUR 12 million for 2023 and 2022 respectively, the projection of total expected cost for the EIB services would approximate to EUR 130 million for the 10-year lifetime. The European Commission dedicates 1.75 FTEs to the implementation of the MF. Its work is mainly shared between the Directorate-General for Climate Action and the Directorate-General for Competition, which provides opinion compliance of applications with State aid rules on the EIB request. 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 approximately EUR 132 million (0.23% of the MF's 56.8 billion budget).

Table 6 1 Breakdown of FTEs dedicated to the implementation of the MF at the European Commission

Directorate General	FTEs	Annual wage rate ⁽⁶⁰⁾	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

Benefits associated with the MF are manifold. Beneficiary Member States benefit from substantial relevant investments that help them modernise their energy systems and reach their energy and climate targets. End beneficiaries benefit from financing to develop projects that would otherwise not be funded, or at a lower scale (see Section 4.2). At investment level, the MF confirmation system provides a quality insurance: by being vetted for funding, projects and schemes get confirmation of their climate relevance, as defined by the EU ETS Directive.

4.1.3. COHERENCE

Within the broader ETS context, the MF is one of the different solidarity mechanisms designed for redistribution purposes, allowing different groups of lower-income Member States to benefit from a higher number of EU ETS allowances. The other solidarity mechanisms (stemming from Article 10c and Article 10(2)(b) of the EU ETS Directive) are further described in section 2.1. Coherence between these different mechanisms is ensured by the possibility for Member States to transfer part or the totality of allowances referred to in Article 10c of the EU ETS directive to the MF (as described in section 2.1). Channelling these additional allowances to the MF ensures that they are fully used for climate-related purposes and have gone through the additional level of scrutiny required by the MF rules.

96% of the volume of MF support dedicated to priority areas finances energy efficiency, renewable energy deployment, energy storage and the modernisation of networks. These areas are strongly aligned with the EU climate and energy framework, including the objective to reduce GHG emissions by at least 55% by 2030 and its roll-out through several EU policy initiatives and legislative texts.

Investments in energy efficiency contribute to deliver on the EU-wide target of 11.7% energy consumption reduction by 2030 included in the Energy Efficiency Directive ⁽⁶¹⁾. Such investments correspond to EUR 6.8 billion disbursed by the EIB to beneficiary Member States by mid-2025, representing 37.4% of total disbursements

⁶⁰ The annual wage rate estimate is based on the median monthly salaries (levels 8 and 9) published by the European Union. See: [link](#).

⁶¹ 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](#)

dedicated to PIs. Saving energy is also one of the main priorities of REPowerEU ⁽⁶²⁾ 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.

Deploying renewable energy contributes to meeting the 2030 EU target of 42.5% renewable energy share established by the Renewable Energy Directive ⁽⁶³⁾. The MF has disbursed EUR 5.8 billion by mid-2025 to support the deployment of renewable electricity in heating/cooling, representing 32% of total priority area disbursements. The Renewable Energy Directive also includes several sectoral targets which are in scope of MF support, regarding buildings (49% renewable energy share by 2030), transport (29% renewable energy share by 2030) and heating/cooling (annual increase of 1.1%). REPowerEU also emphasises the need to accelerate 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, by mid-2025, only eight confirmed projects/schemes specifically target the deployment of green hydrogen production ⁽⁶⁴⁾.

The importance of energy storage and modernising electricity networks is recognised by several EU policy initiatives such as the EU Action Plan for Grids, REpowerEU and the Net-Zero Industry Act. The MF supports this area to the tune of EUR 7.4 billion disbursed to beneficiary Member States by mid-2025, representing 27% of total priority-area disbursements. The EU Action Plan for Grids sets out a policy package to accelerate grid expansion and modernisation through amongst others, targeting faster permitting and financing conditions ⁽⁶⁵⁾. REPowerEU seeks to end dependence on Russian fossil fuels, supporting a higher share of electrification through major grid expansion and modernisation. In addition, it highlights energy storage as an essential system enabler to provide flexibility and security of supply ⁽⁶⁶⁾. The Net-Zero Industry Act explicitly covers energy storage with a view to support the availability of storage technologies needed for system flexibility ⁽⁶⁷⁾.

The remaining two areas of priority support are consistent with the objectives of alleviating energy poverty and a just transition in carbon-dependent regions. Supporting low-income households and alleviating energy poverty through the renovation of buildings (EUR 782.6 million disbursed to beneficiary Member States, or

⁶² European Commission (2022), REPowerEU. See [link](#).

⁶³ European Union (2023), Regulation 2018/2001. See [link](#)

⁶⁴ Modernisation Fund database.

⁶⁵ European Union (2023), Grids, the missing link - An EU Action Plan for Grids, COM (2023) 767. See [link](#).

⁶⁶ European Union (2022) REPowerEU Plan. See [link](#).

⁶⁷ Regulation 2024/1735. See [link](#).

4% of total MF volume dedicated to priority areas by mid-2025) is embedded in the Energy Performance of Buildings Directive (⁶⁸) and can also be justified in the context of the creation of the ETS2, in line with the principles governing the creation of the Social Climate Fund (⁶⁹). Finally, just transition in carbon-dependent regions (no investment supported by the MF as at mid-2025) can support redeployment, reskilling, education and job-seeking initiatives in line with the EU Just Transition Mechanism and consistently with the Territorial Just Transition Plans.

The MF's operating rules effectively ensure the heavy predominance of PIs, thereby ensuring coherence with the MF's decarbonisation objectives (See Section 4.1.1.1. for further details). As at mid-2025, NPIs accounted for only 6% of MF resources disbursed to BMS, corresponding to EUR 1.1 billion. This is well below the ceiling established in the EU ETS Directive (20% of total MF support). The number of approvals of NPIs is decreasing over the years and remains concentrated in four Member States. PIs have a twice higher approval rate than NPIs and are more likely to be approved upon the first submission. Finally, Member States strategically prioritise PIs to secure faster fund absorption and because they are more aligned with national priorities.

Fossil fuel investments supported by the MF can raise concerns of their coherence with the EU climate and policy framework. The 2023 EU ETS revision has tightened their approval conditions. 21% of PIs and 73% of non-priority ones involve gas, with high concentration in a few Member States and a somewhat declining trend (See Section 4.1.1.1). The eligibility of investments involving gas can be seen as a way of supporting transitional technologies in lower-income Member States that are currently heavily reliant on solid fossil fuels such as coal. Investments involving gas supported through the MF were approved mostly based on the fact they are bringing energy-efficiency improvements through a fuel switch from coal (all PIs and almost half of NPIs supporting gas). The remaining investments supporting gas (all of them NPIs) supported gas infrastructure also in a context of transition from coal to gas. The 2023 revisions of the EU ETS Directive introduced a ban on the support of projects involving gaseous fossil fuels, with some exceptions related to allowances voluntarily transferred by Member States to the MF, and also with regards to historical MF allowances. The latter can still finance investments supporting gas, but with a phase-out date, and conditional on justifying that the investment is needed for energy security reasons and alignment with the EU Taxonomy and the DNSH criteria (See section 3).

The design of the MF balances considerations of solidarity and the need for convergence. It is the outcome of political negotiations between co-legislators on the distribution of the decarbonisation efforts and income generated by the EU ETS across Member States. This explains why the MF includes the possibility to invest in NPIs and also in gas, but assorted with a number of safeguards to limit them.

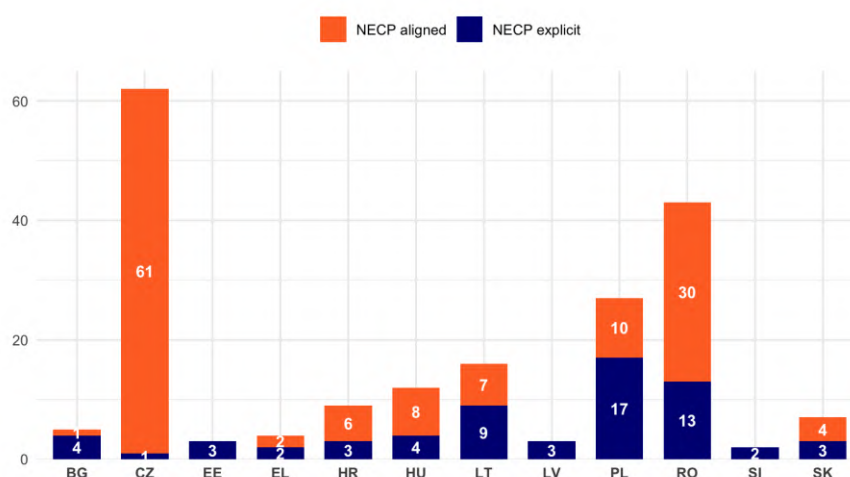
The MF investments are overall well aligned with Member States' NECPs, with one third explicitly referenced and the remainder generally consistent with NECP objectives. Out of 194 confirmed/recommended investments, 64 (33%) were found by

⁶⁸ Regulation 2024/1275. See [link](#).

⁶⁹ Regulation 2023/955. See [link](#).

the authors of the Support Study to be explicitly mentioned in NECPs. They 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 (see Figure 19). Importantly, no investments were identified as misaligned, while five investments (two gas-fired power plants and three gas transmission pipelines in Romania) raised questions about their alignment with the NECP. Romania's NECP includes multiple measures on gas transmission and security of supply but 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, one of the gas transmission pipelines in question 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.

Figure 19: NECP aligned/explicitly mentioned investments by BMS (2021-mid-2025)



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

Most beneficiary Member States confirm that project pipelines were intentionally structured around NECP objectives. Ministries in five beneficiary Member States 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. Two other beneficiary Member States 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. Another one has institutionalised this process through an inter-ministerial committee 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 MF into national planning and budgeting frameworks.

The MF is part of a broader funding ecosystem including RRF, Cohesion policy funds and national funding sources. These different instruments can partly finance

similar activities (for instance renewables deployment, energy efficiency improvement, electricity grid modernisation and electricity storage) but with different rules, timelines, and documentation requirements across instruments which can prove challenging. Effective implementation across these different funds depends on Member States putting in place strong internal coordination mechanisms. The Commission actively helps Member States streamline their project pipelines across RRF, Cohesion Funds and MF, in particular through the Technical Support Instrument (TSI) (see below).

BMS use the MF, Cohesion Policy and the RRF in complementary ways, either through a division of tasks contributing to the same broader policy objectives, or by financing similar activities with a time lag. The Cohesion Policy funds and RRF are the most complementary to the MF relative to other funding sources, with six beneficiary Member States rating them as either largely complementary or moderately complementary (See figure 20). While no double-funding of the same investment costs were identified⁷⁰, three BMS (⁷¹) reported supporting the same type of activities with Cohesion Policy funds and two BMS with the RRF as with MF. In practice, the MF often supports one dimension of a broader policy objective, while the RRF or the European Regional Development Fund/ Cohesion Fund/ European Social Fund address complementary aspects. For example, in Lithuania, the MF provides direct subsidies for electric cars, while the RRF finances charging infrastructure (⁷²). Similarly, in Slovenia, grid infrastructure is financed through the RRF, connection grids through the MF, and smart grids through Cohesion Policy funds (⁷³). In Romania and Lithuania, MF and RRF funding were used complementarily to finance different components of larger schemes for large renewable energy production deployment or schemes in the buildings sector requiring substantial funding volumes. In Czechia, some activities currently supported by the RRF could in principle also be financed through the MF; however, it is planned to transition to MF support only after the RRF expires (⁷⁴). Slovakia also used 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 (⁷⁵). In a similar vein, Czechia is currently supporting its House Energy Programme through both the MF and RRF (each providing finance to distinct projects) and plans using the MF to continue funding the components of this programme currently supported by the RRF after it expires (⁷⁶). Finally, Greece noted that the MF can provide funds on a continuous basis and can therefore bridge potential time gaps in cohesion policy funds (⁷⁷).

⁷⁰ BMS have to declare any possible co-financing from other EU sources when submitting MF investments proposals to the EIB.

⁷¹ During the survey conducted for the Support Study.

⁷² Case Study on energy efficiency investments.

⁷³ Interview with Slovenia.

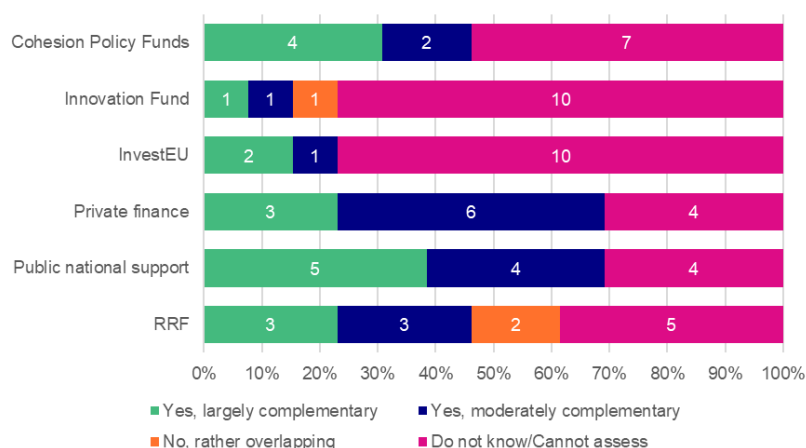
⁷⁴ Interviews with Czechia.

⁷⁵ Interview with Slovakia.

⁷⁶ Interview with Czechia (case studies).

⁷⁷ Interview with Greece.

Figure 20 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, eight of which qualified them as informal and three as formal (see examples in Table 7). Mechanisms included, among others, interministerial committees, joint planning efforts through the state budget strategy, or alignment within managing authorities coordinating several funding streams. BMS highlighted that having a single authority manage multiple funds was a significant advantage in ensuring complementarity. Portugal and Greece have no coordination measures in place yet, which is largely due to the fact that they are in an earlier stage of MF implementation compared to BMS that has been implementing the MF since 2021⁽⁷⁸⁾.

Table 7 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.
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.

⁷⁸ Survey of Member States.

Latvia	Ensures strategic coherence and prevent overlaps using a ‘double-funding avoidance matrix’
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Source: Interviews with Member States.

Technical assistance provided through the Technical Support Instrument (TSI) helps beneficiary Member States coordinate fundings instruments, including the MF. The dedicated TSI support tool managed by the Commission 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 ⁽⁷⁹⁾.

The absence of MF investments related to a just transition in carbon-dependent regions may indicate an overlap with the Just Transition Fund. The MF specifically includes a priority area dedicated to Just Transition, aiming to implement measures in carbon-dependent regions. More specifically, these measures seek 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 ⁽⁸⁰⁾. However, it is not further described by the EU ETS Directive how 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 to the EIB by MF beneficiary Member States. One NGO ⁽⁸¹⁾ raised the potential for overlaps with the Just Transition Fund as both funding instruments address the same objectives, whereas one industry stakeholder pointed to the Just Transition Fund being a more appropriate tool to address Just Transition objectives ⁽⁸²⁾.

Limited activity of the MF supporting low-income households to alleviate energy poverty could be interpreted as Member States expecting to address this issue with the Social Climate Fund. The Social Climate Fund and MF can partly finance similar activities, notably to support low-income households, to address energy poverty and modernise their heating systems, which are eligible as PIs under MF. However, other activities eligible to the Social Climate Fund, such as direct income support for households hit hardest by energy bills increase are not eligible under the MF. By mid-2025, only four schemes have been confirmed for this priority area in four Member States 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 schemes concerned focused on increasing energy efficiency and reducing greenhouse gas emissions in households of low-income groups; renovation with a guarantee of savings for single-family buildings; energy-saving measures of heating system installations and renewable energy sources in

⁷⁹ Interviews with the DG REFORM; [TSI 2025 Flagship - Making Energy Systems Fit for the Green and Digital Transition](#)

⁸⁰ Article 10d(2) of the EU ETS Directive

⁸¹ Interview with Bankwatch.

⁸² Interviews with Eurelectric.

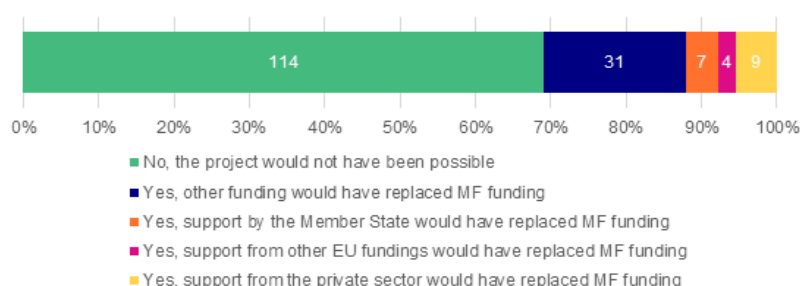
residential buildings ⁽⁸³⁾, and energy renovation of public buildings in the health care sector. Despite the strong interlinkages between the dedicated MF priority area and the Social Climate Fund, stakeholders did not report on any informal or formal coordination mechanisms to ensure coherence between the Social Climate Fund and the MF. This is probably because it was too early at the time of interviews ⁽⁸⁴⁾ to observe any potential overlaps, as the Social Climate Fund only became operational in January 2026. At the time of data collection for this evaluation, national implementation priorities had not yet been finalised. Any possible synergies or overlaps between the two funds can only start materialising in 2026.

4.2. How did the EU intervention make a difference and to whom?

The MF rules governing the approval of investments allow for achieving higher climate and economic benefits than if allowances were spent in the absence of these rules. First of all, all MF-supported investments must be State-aid compliant, which means that they cannot crowd-out private investments and that funding is limited to the level necessary to achieve its intended objectives. Furthermore, all investments are subject to EIB scrutiny, and in the case of NPIs, stricter rules apply (due diligence, approval by the Investment Committee necessary). This brings added value compared to allowances spent in line with the general rules.

End beneficiaries and Member States concur that the MF has enabled investments that would not have happened otherwise. In the survey, around 70% of end beneficiaries indicated that their investments would not have been possible without support from the MF (see Figure 43). 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 44). Eight beneficiary Member States also highlighted that, without MF support, many projects would have faced significant delays or might not have been implemented at all due to the high capital requirements. One non-beneficiary Member States also believe that many projects depended on the MF.

Figure 3 Modernisation Fund’s impact on project/scheme viability (N=165)

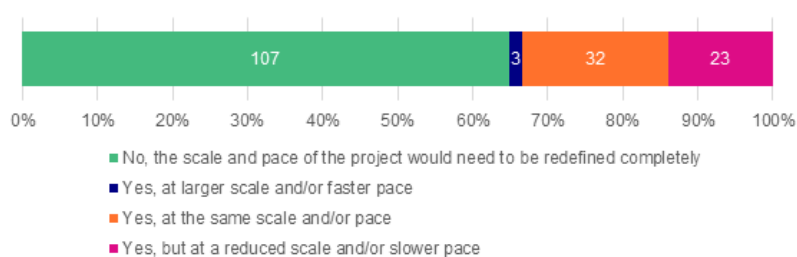


Source: Survey of end beneficiaries.

⁸³ Case study on energy efficiency investments.

⁸⁴ The interviews with beneficiary Member States were conducted in Spring 2025.

Figure 4 Modernisation Fund’s effect on the pace and scale of projects and schemes(N=165)



Source: Survey of end beneficiaries.

The MF contributed to bridging a sizeable investment gap to reach the 2030 target in BMS. Against the backdrop of high investment needs in lower-income Member States to reach the 2030 climate and energy targets, the MF has been essential for these countries to close the investment gap. It can be estimated that the MF is providing 49% of these additional needs based on the 2015 Impact Assessment ⁽⁸⁵⁾ (see section 2.2). Furthermore, the MF is mobilising resources at scale in a context of falling private investment trends in relevant sectors since the COVID-19 crisis ⁽⁸⁶⁾. 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 2.2), demonstrating the MF’s added value in these sectors. 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.

Additionally, as stated in section 2.2, the estimated investment needs based on the 2015 ETS impact assessment do not fully capture the additional requirements resulting from subsequent legislative initiatives, notably the Fit for 55 package and REPowerEU, which have further increased investment needs towards 2030. Using model-based estimates ⁽⁸⁷⁾ based on the 2040 climate target Impact Assessment ⁽⁸⁸⁾, which take into account the achievements of 55% GHG emission reduction by 2030 and the 2050 climate neutrality target, as well as an 85% domestic reduction of GHG emissions by 2040, the estimated investment need is even higher than the initial 2015 Impact Assessment. The total

⁸⁵ Impact Assessment 2015 numbers corrected with the 2025 deflating factor to adjust for inflation.

⁸⁶ Eurostat.com, investments in climate change mitigation by NACE Rev. 2 activity, ([link](#))

⁸⁷ PRIMES’ model 85% scenario.

⁸⁸ European Commission, Staff Working Document, "Impact Assessment Accompanying the Document: Proposal for a Regulation of the European Parliament and of the Council on Establishing the Framework for Achieving Climate Neutrality by 2040," {SWD(2021) 602 final}, ([link](#))

average annual investment need in the energy system for the 13 BMS between 2021-2030 is estimated to EUR 75 billion (rounded to the nearest EUR 5 billion) ⁽⁸⁹⁾.

MF funding aligns with national energy and climate priorities, and as such, it provides added value. MF's priority areas broadly reflect the main technological and climate action needs of the Member States. In the Member States' survey, all 13 BMS indicate a high level of alignment between MF investments and their NECPs' goals.

The MF EU added value has been strengthened through mobilising some additional co-financing. In 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 beneficiary survey respondents indicated that the MF had a catalytic effect in attracting private sector funding for their project. The MF has mobilised private investments (see Section 4.1.1.4), although data limitations impede a robust quantification of the extent to which this has been the case.

The MF provides strong EU added value by meeting the investment needs for the 2030 climate and energy framework in Member States with higher needs. Nonetheless, the scale of investment required exceeds the MF's capacity, implying the need for complementary EU instruments and stronger mobilisation of national and private investment. The MF provides additional EU ETS revenues to BMS which are spent in line with MF rules, according to which at least 80% of Member States' national envelopes are spent on energy efficiency improvement, deployment of renewable energy and grids, networks and storage. These investment categories are fully in line with the needs assessment in the 2015 Impact Assessment, which recalls that the analysis for the 2030 climate and energy framework estimates that *"approximately 15% of the total investment needs relate to power grids and networks, 26% of the investments are for power generation, including for renewable energy sources, while the remaining 59% are for energy efficiency improvements in buildings and in industry."* In the absence of MF, the additional auctioning allowances received by beneficiary Member States would have to be spent in line with the framework applying to the general pool of auctioning revenues benefitting all Member States, in accordance with Article 10(3) of the EU ETS Directive ⁽⁹⁰⁾.

⁸⁹ (1) Energy system investment needs exclude all transport investment needs, (2) Investment needs in the residential and services sector include only thermal uses (heating and cooling) and renovations. They exclude investment in appliances, which have been reported in previous IAs but are not relevant for the MF, (3) Model-based estimates with risk of changing due to finetuning of PRIMES model (4) Figures in EUR are rounded to the nearest EUR 5 billion.

⁹⁰ Article 10(3) of the EU ETS Directive lists the categories of spending on which Member States can spend their auctioning revenues. This includes, in addition to what can be supported by MF, adaptation, research and development and demonstration projects to reduce GHG emissions, including in energy efficiency and clean technologies, support to develop other technologies that contribute to the transition to a safe and sustainable low-carbon economy, measures to avoid deforestation and support the protection and restoration of peatland, forests and other land-based ecosystems or marine-based ecosystems, forestry and soil sequestration, carbon capture and storage including DACCS, investments in the shift to forms of transport which contribute significantly to the decarbonisation of the sector, energy bill support for low-income households, national climate dividend schemes, administrative expenses for the management of the EU ETS, climate action in vulnerable third countries, addressing residual risks of carbon leakage in some sectors.

4.3. Is the intervention still relevant?

The current priority areas of the MF still reflect the main climate and energy investment needs of the beneficiary Member States. This is particularly true of the deployment of renewable energy, energy efficiency and the modernisation of networks and storage. While support to low-income households and just transition in carbon-dependent are relevant policy areas, the MF only indirectly address these areas:

Renewable Energy: Although the progress in the deployment of renewables differs across Member States, there is an overall deployment gap for many 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% ⁽⁹¹⁾ still largely relying on coal and gas ⁽⁹²⁾. 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 (93). Decarbonising heating and cooling are 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 (94). 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.

Energy Efficiency: Improving energy efficiency – particularly in buildings and industry – is a pressing priority across all 13 BMS to reach the EED energy efficiency target (-11.7% final energy consumption) by 2030. These Member States 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 beneficiary Member States exceed this level - for example Czechia (101 PPS), Slovakia (109 PPS), Estonia (105 PPS), and Poland (86 PPS) ⁽⁹⁵⁾. The recommendations provided by the 2025 country-specific recommendations, align with this assessment and urge these Member States to progress on energy efficiency measures in buildings and industry ⁽⁹⁶⁾. For Slovakia, the quantified objective of reducing the building energy consumption by 17% by 2030 (compared to 2020) is put forward ⁽⁹⁷⁾. Energy efficiency, as the largest investment area of the MF (see Section 3), demonstrates how Member States use the MF to address these gaps.

⁹¹ Country NECPs of Bulgaria ([link](#)), and Poland ([link](#)).

⁹² EEA (2025), Share of energy consumption from renewable sources in Europe. See [link](#).

⁹³ European Commission (2025), Recommendation for a council recommendation (RO). See [link](#).

⁹⁴ EEA (2025), Share of energy consumption from renewable sources in Europe. See [link](#).

⁹⁵ Eurostat (2025), Energy Intensity. See [link](#).

⁹⁶ European Commission (2025), Recommendation for a council recommendation. See [link](#).

⁹⁷ European Commission (2025), Recommendation for a council recommendation (SK). See [link](#).

Energy storage and grid modernisation: integrating a high share of renewables will require significant energy storage capacity and smart grid upgrades in all 13 beneficiary Member States, the importance of which is also stipulated in the TEN-E regulation and the Renewable Energy Directive (RED III) ⁽⁹⁸⁾. 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 substantive investments in Romania's power grids, that are currently ill-equipped to accommodate a large expansion of wind and solar power generation ⁽⁹⁹⁾. 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 ⁽¹⁰⁰⁾. The dedicated MF priority area responds to these investment needs, making available funding for grid updates, interconnectors and storage capacity ⁽¹⁰¹⁾.

Support for low-income households: According to the JRC, about 48 million Europeans (10.6% of the EU population) 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 ⁽¹⁰²⁾. The country-specific recommendations of the European Semester, amongst others, recommend to develop an information system on vulnerable households and provide targeted measures (Bulgaria), and to target emergency energy support measures to vulnerable households (Slovakia) ⁽¹⁰³⁾. Although relevant, this investment field has so far only accounted for only 4.3% of amounts disbursed to beneficiary Member States (see Section 3), suggesting that other Funds bring higher added value in meeting this need. Nevertheless, the MF has delivered significant support to investments in the district heating network, which complement the targeted support for low-income households affected by energy poverty, while also strengthening synergies with the Just Transition Fund and the Social Climate Fund.

Just transition in carbon dependent regions: Many former coal regions located in Poland, Czechia, Bulgaria or Romania need additional support to finance the transition to a green economy ⁽¹⁰⁴⁾. The country-specific recommendations of the European Semester, amongst others, recommend to consider specifically the impact on coal regions in the energy deployment strategy going forward (Poland, Romania), and to target energy actions according to regional disparities (Portugal) ⁽¹⁰⁵⁾. So far, no dedicated investments in this priority area have been made, which raises the question of the relevance of this area under the MF, in a context where other EU Funds can address this aspect.

⁹⁸ Directive 2023/2413, see [link](#), and Regulation 2022/869. See [link](#).

⁹⁹ European Commission (2025), Recommendation for a council recommendation (RO). See [link](#).

¹⁰⁰ European Court of Auditors (2025), Making the EU electricity grid fit for net-zero emissions. See [link](#).

¹⁰¹ European Commission (2025) European Grids Package, see [link](#).; Modernisation Fund (2025). See [link](#).

¹⁰² JRC (2025), European rural areas face higher levels of energy poverty. See [link](#).

¹⁰³ European Commission (2025), Recommendation for a council recommendation (BG and SK). See [link](#).

¹⁰⁴ European Commission (2025) EU coal regions in transition. See [link](#).

¹⁰⁵ European Commission (2025), Recommendation for a council recommendation. See [link](#).

The continuous relevance of the MF is confirmed by its strong alignment with Member States' NECPs and national investment 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 67% investments were classified as generally aligned, and no investments were considered misaligned (see Section 4.1.3). This is confirmed by Member States in the survey conducted for the Support Study: 12 considered MF investments made to be aligned to a large or very large extent with national priorities indicated in NECPs. This level of alignment is, amongst others, originating from internal coordination procedures between the NECPs and MF investments.

The compatibility of gas-related investments with medium- and long-term EU decarbonisation objectives is questionable. Investments supporting gas represent a non-negligible share of investments across both priority and NPIs (21% and 73%, respectively, see Section 4.1.1.1). Despite the 2023 revision of the EU ETS Directive, investments supporting gas may still be eligible if they meet a number of conditions and as regards allowances voluntarily transferred to the MF by six Member States. Nonetheless, a declining trend of such investments has been recorded over the years. According to the Communication on Europe's 2040 climate target and path to climate neutrality ⁽¹⁰⁶⁾, the EU needs to implement the progressive substitution of fossil-fuel generation by renewables, complemented by efficient uptake of clean flexibility sources. Fossil fuels should be permanently removed from the power mix over the next two decades with some residual uses of gases in 2040 ⁽¹⁰⁷⁾ divided between industry, buildings, and the power system. While not fully excluding a role for gas in 2040, this points towards the need to transition away from gas in order to reach carbon neutrality in 2050.

The eligibility of investments supporting gas is criticised by non-beneficiary Member States and NGOs, alongside the eligibility of waste-to-energy. All three non-beneficiary Member States that are members of the Investment Committee criticise the eligibility of gas under the in the context of EU decarbonisation goals ⁽¹⁰⁸⁾. This is echoed by NGOs, which also extend this criticism to the eligibility of waste-incineration projects ⁽¹⁰⁹⁾. 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 ⁽¹¹⁰⁾.

¹⁰⁶ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Securing our future, Europe's 2040 climate target and path to climate neutrality by 2050 building a sustainable, just and prosperous society, COM(2024) 63 final, 6 February 2024.

¹⁰⁷ *Ibid.* "In 2040, the consumption of fossil fuels for energy would reduce by approximately 80% compared to 2021. Coal will be phased out, while oil in transport (road, maritime and aviation) would represent about 60% of the remaining energy uses of fossil fuels. The remaining use of natural gas would be divided between industry, buildings, and the power system."

¹⁰⁸ Interviews with Member States, Interviews with NGOs (Bankwatch, WWF, FoE Slovakia).

¹⁰⁹ Interviews with FoE Slovakia, CFE, Bankwatch, Zero Waste Europe, Carbon Market Watch, BirdLife Hungary.

¹¹⁰ Survey of other organisations (CEE Bankwatch, Bankwatch Romania, the Green Tank, European Cyclists federation, Carbon Market Watch).

The MF focuses on energy system modernisation and energy efficiency, while other aspects relevant for decarbonation such as carbon capture and storage, clean tech manufacturing or industry electrification are addressed through other instruments. The Net-Zero Industry Act sets a binding EU target of over 50 Mt/year CO₂ injection capacity by 2030 ⁽¹¹¹⁾ and the TEN-E regulation recognizes the critical role of CO₂ transportation and storage networks ⁽¹¹²⁾. The Net-Zero Industry Act also sets a target of net-zero manufacturing capacity to meet at least 40% of the EU's annual deployment needs by 2030. Within the EU ETS funding landscape, the Innovation Fund can support at scale both carbon capture and storage and clean technology manufacturing. Under the MF, they are only eligible as NPI. Industrial electrification is specifically highlighted by the Clean Industrial Deal as a key measure for the decarbonisation of industrial processes with an economy-wide electrification rate of 32% is foreseen by 2030 ⁽¹¹³⁾. Industrial electrification is not eligible under PI as the 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. This last point was raised as problematic by four industry stakeholders in the Call for Evidence.

The magnitude of the estimated investment needs to reach the EU's climate objectives confirms the continued relevance of the MF. According to the Commission Staff Working Document on Investment Needs' Assessment and funding availabilities to strengthen EU's net zero technology manufacturing capacity ⁽¹¹⁴⁾, the additional private and public investment needs compared to historical spending in relation to the green transition are estimated at EUR 477 billion per year between 2021 and 2030. Out of these, EUR 272 billion per year correspond to the decarbonisation of the energy sector. Based on the 2040 Impact Assessment ⁽¹¹⁵⁾ the estimated investment need of the 13 BMS is EUR 75 billion between 2021 and 2030 in annual average investment in energy systems. Additional transport-related investment is estimated to be about EUR 205 billion per year. In addition to this, delivering the REPowerEU objectives require an estimated additional investment of EUR 35 billion annually between 2022 and 2027 ⁽¹¹⁶⁾. Such investment needs require a mix of public and private investments, with public investments playing a crucial role in catalysing private ones. Given their high carbon intensity, the MF beneficiaries are likely to represent a significant share of these needs.

Stakeholders consider MF support essential to close the investment gap and reach the EU's climate objectives. All beneficiary Member States and many industry-, NGO- and end-beneficiary stakeholders surveyed in the context of the Support Study regard MF

¹¹¹ European Union (2024), Regulation 2024/1735. See [link](#)

¹¹² European Union (2022) Regulation 2022/869. See [link](#).

¹¹³ Communication from the Commission 'The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation' COM/2025/85 final. See [link](#).

¹¹⁴ Commission Staff Working Document, Investment needs assessment and funding availabilities to strengthen EU's Net-Zero technology manufacturing capacity, 2023(68) final, 23 March 2023.

¹¹⁵ European Commission, Staff Working Document, "Impact Assessment Accompanying the Document: Proposal for a Regulation of the European Parliament and of the Council on Establishing the Framework for Achieving Climate Neutrality by 2040," {SWD(2021) 602 final}, ([link](#))

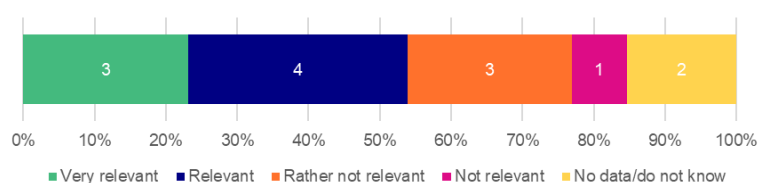
¹¹⁶ European Central Bank (2024), Investment needs to meet EU green and digital targets. See [link](#).

support as relevant and indispensable for meeting climate action through its systemic contribution to energy system modernisation and energy efficiency. More specifically, 12 BMS consider the MF support as ‘very important’ to achieve Member State energy and climate priorities, while one considers it as ‘important’. 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 MF (See Figure 43, 44). Ten NGOs and five industry/trade organisations consider the MF objectives to be very relevant or relevant with respect to supporting the modernisation of energy systems and improving energy efficiency across the 13 BMS. Several beneficiary Member States mentioned the MF’s unique ability to provide targeted, decarbonation-relevant large-scale support in countries with limited financial resources.

The survey addressing stakeholders from civil society and other organisations, provides a 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.

A majority of beneficiary Member States assess that the MF is broadly relevant to cover their evolving needs. As depicted in Figure 40, Member States’ opinions on the relevance of the NPI and PI categories according to emerging national needs are divided. Seven BMS consider them very relevant or relevant, while four regard them as rather not relevant or not relevant. The latter pointed to several examples of perceived misalignment: the regulatory burdens of the current structure for initiating gas-related investments that are hydrogen-ready (one Member State) and criticism of the framework’s rigidity and lack of country-specific responsiveness (one Member State).

Figure 5 In light of the evolving needs in your country, how relevant would you assess the distinction between the categories of PIs/NPIs? (N=13)



Source: Survey of Member States.

5. WHAT ARE THE CONCLUSIONS AND LESSONS LEARNED?

5.1. Conclusions

This evaluation provides a first assessment of the progress achieved in the implementation of the MF, conducted based on four years of implementation of the MF (¹¹⁷) and considering that only few investments have been fully implemented it does not yet assess the impacts of the MF. The evaluation therefore concentrates on results reached less than halfway through its lifetime.

The MF designs ensures that support is allocated to projects that maximise the attainment of the MF's objective to modernise energy systems and improve energy efficiency. The MF provides that at least 80% of investments supported must be chosen within the list of priority areas, specifically defined in the EU ETS Directive. These are particularly relevant to the beneficiary Member States given their specific needs. For NPIs, which represent only 6% of total MF-support volume, approval by the Investment Committee acts as a backstop to prevent approval of investments, which would not be impactful in terms of the objectives of the MF.

The MF has been effective in providing funding to beneficiary Member States to support investments relevant for reaching their 2030 climate and energy targets. By mid-2025, the MF is supporting 194 individual investments across 12 beneficiary Member States, representing EUR 18.9 billion of MF support or 33% of the total estimated Fund envelope. The yearly evolution in the number of approved investments shows steady activity since the MF's inception in 2021 and a peak in 2024. The share of disbursements to Member States compared to their total estimated enveloped ranged between 0% and 43% in mid-2025 due to institutional preparedness and experience with the MF. Investments in fossil fuels supported by the Modernisation Fund may raise concerns regarding their consistency with the EU climate and policy framework. The 2023 revision of the EU ETS has introduced stricter conditions for their approval. Gas-related investments account for 21% of PIs and 73% of NPIs, with a strong concentration in a limited number of Member States and a moderately declining trend (see Section 4.1.1.1).

Investments supported by the MF are strongly aligned with the EU climate and energy framework and the National Energy and Climate Plans. PIs, focusing on energy efficiency, renewable energy deployment, energy storage and the modernisation of networks, represented 94% (¹¹⁸) of disbursed funds to by mid-2025, well above the regulatory 80% minimum. The approvals of NPIs decreased over the years and are concentrated in four beneficiary Member States. The predominance of PIs can partly be

¹¹⁷ Four and a half years (up until mid-2025) for data related to disbursement to Member States, but only four years (up until end 2024) for data related to contracting and disbursement to end beneficiaries and impact data (installed renewable capacity, energy savings, GHG emissions saved, abatement costs) as these are only available in the Member State's annual reports, the latest of which have been produced based on 2024 data.

¹¹⁸ 96% if one includes also the investments related to renewable heating, formally approved as non-priority investments, but falling under priority investments as an outcome of the 2023 EU ETS revision.

explained by the design of the MF: PIs have a twice higher approval rate and are more likely to be approved upon first submission. Member States have confirmed strategically prioritising PIs. One third of investment supported by the MF are explicitly referenced in the NECPs and the remainder are generally consistent with NECP objectives.

MF-supported investments are expected to generate substantial transformative climate benefits overall their lifetime: 1.15 billion MWh of cumulative energy savings and 25 GW of additional renewable capacity estimated across beneficiary Member States corresponding to around 34% of the total installed renewable capacity in all beneficiary Member States in 2020. GHG emission reductions are estimated to 84.8 MtCO₂eq average annually which corresponds to about 32% of total emissions of the BMS electricity, gas, steam and air-conditioning sector in 2020. By the end of 2024, two investments had been completed, 44% were under construction and the remainder in early implementation phases. In the same period, 55% of the amount disbursed to BMS had been contracted to end beneficiaries and 11% paid out to, with variations across Member States. Both contracted amounts and disbursements to final beneficiaries increased steeply in 2024: an additional EUR 5 billion (+96%) have been contracted and EUR 1.3 billion (+185%) disbursed to end beneficiaries.

The administrative burden for investment approval is linked to the alignment with the EU climate framework. The process of confirming PIs is streamlined, with proposals being confirmed or not by the EIB within 4 weeks of submission (¹¹⁹). The higher administrative burden related to non-investment proposals is justified by their relatively lower relevance to achieve the MF's objectives and meet the EU climate and energy targets. It takes NPIs 2.5 times longer to get approved, with heavier documentation requirements and a stricter approval process. The administrative efforts for applying to NPIs are estimated 30% higher.NPI

Beneficiary Member States have put in place stable and efficient implementation structures, with some areas for improvement. Most beneficiary Member States involve multiple ministries in the proposal selection process to ensure broad representation and policy coherence. End beneficiaries are broadly satisfied with national implementation, with a majority rating different national process positively. First payments to final beneficiaries took place on average eight months after contract conclusion, with most end beneficiaries considering the process efficient. Areas for improvement which could reduce administrative burden and costs for end beneficiaries include digitalisation (online applications, and real-time guidance), streamlining documentation and simplifying reporting.

National project selection processes are transparent, but some stakeholders call for earlier engagement and influence on long-term implementation strategy. 80% of end beneficiaries positively assessed transparency of selection processes, referring to public calls, open scoring systems, and traceable application processes. At the same time,

¹¹⁹ If submitted on the last possible day of an investment cycle.

consultations were not a consistent practice in all Member States, or stakeholders were not always made aware they occurred. Some stakeholders, including trade associations, NGOs and companies found that they are consulted too late in the process, e.g. after key decisions had already been made, and would like to be made aware of and consulted on the long-term strategy of MF implementation and be involved in the programme design earlier on.

Administrative costs at Member States level represent a negligible fraction of the total MF envelope (0.13%), with important variations across beneficiary Member States. Four beneficiary Member States estimated that they have limited staff capacity and five other that administrative capacity is a hindering factor for the achievement of the MF objectives for them. Unlike some other funds, the MF does not finance administrative costs related to its implementation at the national level. Allowing this would not necessarily increase the overall efficiency of the MF as less funding would be available for supporting projects.

Based on available data, it is difficult to draw conclusions on the administrative costs of applying to MF for end beneficiaries. Most end beneficiaries spend more than 10 working days and up to 5 employees on applying to the MF, with costs linked to application processes, administrative tasks during project implementation, and monitoring requirements. 57% rated the significance of the administrative burden related to monitoring requirements at national level as moderate, limited or insignificant.

Cohesion Policy and the RRF can partially fund similar activities to the MF; beneficiary Member States use them in a complementary way. The MF sometimes supports one dimension of a broader policy objective, while the RRF or Cohesion Policy addresses complementary aspects (for instance direct subsidies for electric cars and charging infrastructure). Some Member States also envisage resorting to the MF to continue financing some investments following the expiry of the RRF in 2026.

The significant estimated investment needs to reach the 2030 target hint at a strong continued EU added value of the MF. Against the backdrop of high investment needs in lower-income Member States to reach the 2030 climate and energy targets, the MF financial support has been essential. It can be estimated that the MF is providing 49% of the initial additional needs in the 2015 Impact Assessment. However, considering the Fit for 55 package and REPowerEU, the investment needs further increase. MF is mobilising resources where private investment decrease in relevant sectors since the COVID-19 crisis. 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. Furthermore, around 70% of end beneficiaries indicated that their investments would not have been possible without support from the MF.

The MF provides strong EU added value by specialising in meeting the investment needs for the 2030 climate and energy framework in Member States with higher needs. Nonetheless, the scale of investment required exceeds the MF's capacity, implying the need for complementary EU instruments and stronger mobilisation of

national and private investment. Extending the use of financial instruments as compared to grants might further increase the MF leveraging effect, although this is highly dependent on the maturity of the technologies supported and the maturity of the financial markets in BMS. Still importantly dependent on coal in their energy systems, which is valid for most BMS, these countries have important needs linked to the clean energy transition. In that context, the MF provides for a substantial redistribution tool. In its absence, beneficiary Member States would receive a significantly lower amount of auctioning revenues, and these would likely be spent in a less focussed manner in line with the rules applying to auction revenues benefitting all Member States in general.

5.2. Lessons learned

With its distinctive governance structure, the MF succeeds in supporting relevant investments to decarbonise the energy systems of lower-income Member States with high needs. The distinction between priority and non-priority areas have proved effective to foster investments aligned with EU climate and energy targets, while allowing room for some investments in transitional technologies. The Investment Committee, presiding over NPI approval, has worked efficiently, with most decisions taken by consensus and timely decision-making. Voting rights to non-beneficiary Member States plays a role in safeguarding the integrity of the MF. The mandatory State aid compliance of all MF investments safeguards the EU internal market by minimising competition distortions and ensures investments do not exceed what is necessary to achieve MF objectives. The 2023 EU ETS revision further aligned the MF with EU policy objectives by reducing the possible share of NPIs, introducing a ban on gas-supporting investments (with some exceptions) and requiring application of the Do No Significant Harm principle of the EU Taxonomy.

At mid-20205, one fourth of total amounts disbursed to beneficiary Member States involved support to natural gas, spread across both priority and NPIs. The investments concerned were concentrated in five Member States, with three of them accounting for most of this amount and supported energy-efficiency improvements through fuel switch from coal (both PIs and NPIs) and gas infrastructure (NPIs only) also in a context of phasing out coal. Following stricter conditions for supporting gas-related investments as an outcome of the 2023 EU ETS revision, approval of investments has somewhat decreased, but there is a lack of data to draw conclusions on whether these restrictions effectively reduce spending on gas.

The comparability of data related to environmental impacts of the MF is weak. Beneficiary Member States provide annually data on GHG emission savings, abatement costs, energy savings and installed renewable capacity thanks to MF-supported investments, both by end of the year preceding reporting and over investments' lifetime. The figures reported are developed in the absence of a harmonised methodology, which considerably limits comparability across beneficiary Member States and the conclusions that can be drawn based on these. Harmonisation of the methodologies applied to calculate GHG emission reduction would create additional, potentially considerable,

administrative burden for the beneficiary Member States. The benefits of a harmonised GHG methodology would therefore need to be weighed against the risk of additional administrative burden and costs.

Available data on private co-financing is subject to significant limitations. Private-cofinancing is not mandatory under the MF. Related data has been requested from beneficiary Member States for this evaluation, and those Member States have used to different methodologies, hampering comparability. Using the figures from national authorities, the amount of private co-financing remains limited. Private co-financing to MF-supported investment would amount to EUR 5.5 billion. This amount is importantly underestimated as several beneficiary Member States have not provided estimates for the entire lifetime of investments, but as amounts pledged through a legal commitment at the first quarter of 2025.

The MF's monitoring system is broadly functioning well and so far, most data needed to assess the effectiveness, efficiency and relevance of the MF is being collected through existing EIB data and beneficiary Member States' annual reports. Furthermore, it achieves a balance between data collection needs and the need to limit administrative burden falling on beneficiary Member States, which should be preserved. However, the monitoring system also has a number of weaknesses that could be improved going forward. Most notably, the data collected from beneficiary Member States is not always produced through a harmonised methodology by the BMS which affects comparability and robustness of future analysis. In addition, some data included in the report is not systematically collected through the monitoring system and had to be collected specifically for the evaluation. There are several possibilities on harmonisation of data collection and additional indicators per investment that could be added to the monitoring system.

For example, the evaluation has shown that improvements in monitoring systematically types of end-beneficiaries, implementation modality (grant or financial instrument), additional private investments, project status and abatement costs would be necessary for a more robust future evaluation. The additional monitoring data collected could be used to for example analyse out-crowding of private investments, energy efficiency contribution to energy prices and differences in end-beneficiaries.

On the basis of these evaluation findings, the following indicators has been added in the Annual Report Template for Member states to be reported on as of 2025:

Indicator	Justification for inclusion
Status of investment: unchanged compared to initial application, modified, partially discontinued, fully discontinued	To better monitor implementation status of the projects and if the investment has been discontinued or changed compared to the initial application.
Implementation Status for ongoing investments	To better monitor implementation status of the projects.
Implementation modality (grant or financial	To better monitor and analyse the

instrument)	financial instruments used under the MF such as grants, partial grants, loans, equity, financial guarantees.
State aid regime: GBER, CEEAG, CISAF, TCTF, No State aid, De minimis, Other	To better monitor and analyse investments different State aid.
Type of end beneficiaries: Public entity, Private, Public-private, Mix or public and private entities	To better monitor and analyse flows to different types of end-beneficiaries.
Total confirmed/recommended support from the MF split: - Art. 10(1) third subparagraph (2%) - Art. 10(1) fourth subparagraph (2.5%) - Art 10d(4) Transfers	To better monitor and analyse the follow of different ETS allowances.
Date of legal commitment	To better monitor each projects milestones and analyse implementation in more detail.
Date of first payment	
Date of the last payment	
Confirmation of co-financing from private sources (both for priority investments if applicable but especially for non-priority investments) in EUR -	The indicator on private financing was already included in the annual reporting for non-priority investments. As of 2025 MS are being requested to report on data also for priority investments.
Relative energy savings as % of reduced energy	To better monitor and analyse cost reduction linked to energy efficiency projects.
Abatement cost in EUR/CO2 calculated based on Total planned support from the Modernisation Fund	To better analyse abatement costs as this provides a more accurate depiction the use of EU funds and abatement costs.

ANNEX I: PROCEDURAL INFORMATION

The evaluation on the operating rules of the Modernisation Fund has been performed in accordance with Article 10d(11) of the EU [\(link\)](#) and Article 15 of the MF' Implementing Regulation [\(link\)](#) ((EU) 2020/1001. The reference of the Decide planning entry for the evaluation is PLAN/2024/1415.

The Lead DG providing the drafting and analytical underpinning of this Evaluation is DG CLIMA. It conducted the evaluation with the assistance of a dedicated Inter Service Group of relevant Commission DGs, which met on three instances to provide relevant input into its development, in particular the Call for Evidence, the intervention logic and evaluation matrix, the Support Study and the evaluation itself (Staff Working Document). Because of the early stage of implementation of the Modernisation Fund, it has been decided to focus the scope of this evaluation on the operating rules of the Fund.

The findings of the evaluation rely primarily on the Support Study conducted by an external contractor, the final version of which was transmitted to DG CLIMA on 18 December 2025.

An upstreaming meeting with the Regulatory Scrutiny Board was held on 27 October, together with the evaluation of the Innovation Fund and the back-to-back evaluation and Impact Assessment of the main EU ETS Directive.

The detailed description of evidence, sources of information used, and data issues encountered is available in Annex II.

The Modernisation Fund evaluation was performed following the timeline below:

Deliverables/milestones	Due date - Status
Establishment of the InterService Group (ISG)	25 March 2024
Creation of ISG's collaborative workplace, invitations to 1 st ISG meeting	6 January 2025
Kick-off meeting with consultant (COWI)	7 January 2025
Draft Call for Evidence	shared on 21 January 2025
1st ISG meeting (IF/MF) and consultation on Call for Evidence	28 January 2025
Draft methodology (COWI)	24 January 2025

ISG consultation via email (intervention logic, evaluation matrix and methodology, survey questionnaires)	21 February 2025 (until 5 March)
Final methodology (COWI)	14 March 2025
Launch of the Call for Evidence	14 April
Closure of the Call for Evidence	26 May 2025
Draft Evaluation Study (COWI)	15 September 2025
2nd ISG meeting (IF / MF – draft evaluation study)	8 October 2025
Early RSB meeting	27 October 2025
Final Evaluation Study (COWI)	16 December 2025
Draft SWD ready at policy officer level	31 December 2025
Draft SWD sent to ISG (ETS: 12 or 16 Jan)	16 January 2025
3rd ISG meeting (IF / MF - final study, draft SWD)	22 January 2026
Ddl for ISG comments	29 January
Send documents to RSB	11 February 2026
RSB meeting	11 March 2026

Feedback from the Regulatory Scrutiny Board:

Following the meeting held on 11 March 2026, the Regulatory Scrutiny Board issued on 13 March a positive opinion with reservations. The comments received are listed in the table below, alongside the reference to the section of the evaluation where they were addressed.

Source	Description	Addressed in Section
RSB Opinion (1)	The report needs to clearly explain and analyse the governance of the Fund.	Section 2.1 Description of the intervention and its objectives
	The report should clarify the positioning of the Fund in the broader ETS context.	Section 3.1 Current state of play
	The report should explain why observational data regarding outputs or impacts of the intervention are not available at the time of the	Section 4.1.3 Coherence

	evaluation	
RSB opinion (2)	The report should provide more clarity on the effectiveness, in particular on the end-beneficiaries and the methodology applied for calculations of avoided GHG emissions. More details should be provided on effectiveness and efficiency of various funding mechanisms and on the leveraging effects of different financial instruments. The report should discuss the effectiveness of the funding vis-a-vis the local needs and specific allocation of funding. This should include further elaborations on the resulting leverage effects and the degree to which private cofinancing is encouraged, while not being mandatory. The report should explain better the impact of non-priority funding on the objectives of the Fund	Section 1.2 Methodological robustness and Limitations Section 2.1 Description of the intervention and its objectives Section 4.1.1.3 Effectiveness at Member State level Section 4.1.1.4 Leverage effect of MF on additional Private co-financing Section 4.1.3 Coherence Section 5.2 Lessons learnt
RSB opinion (3)	The report should provide more clarity on the role of State aids in particular in ensuring that these projects receive funding strictly necessary to achieve the objectives. The report should also include an assessment of the governance structure and distribution of responsibilities across actors, including the role of the EIB.	+ Section 2.1 description of the intervention + Section 4.2. EU added value
RSB opinion (4)	The report should better explain how overspending is avoided in cases where the investment does not qualify as state aid.	Section 4.2. EU added value
RSB opinion (5)	Since the report can at this time mostly only provide data regarding inputs in terms of the intervention, i.e. budget execution, the report should limit itself when presenting findings regarding the <u>efficiency</u> of the intervention, (i.e. the relation between inputs and outputs).	Section 1.2 Methodological robustness and Limitations Section 4.1.2 Efficiency
RSB opinion	For the efficiency assessment, the report should better assess the CO2	Section 4.1.1.2 Environmental Results

(6)	abatement costs and explain better the reasons behind the differences between Member States, and in relation to plausible benchmarks, including the ETS induced carbon price. The report should seek to explain whether these differences are due to lack of comparable data or to the specific use of funding.	and Planned Impacts of the MF
RSB opinion (7)	The report should bring a better overview of the coherence, notably in terms of overlap and complementarities (including within the EU ETS directive) and comparative effectiveness with other types of funding, including EU funding.	Section 4.1.3 Coherence
RSB opinion (8)	The report should analyse what indicators, data, methodologies and monitoring arrangements are required for conducting an informative evaluation at the end of the programme period, including the identification and measurement of: (1) outputs and impacts of the Fund, not only inputs, (2) how and that the Fund is allocated to projects that maximise the attainment of the Fund's objective to modernise energy systems and improve energy efficiency, (3) whether governance arrangements facilitate such an allocation.	Section 1.2 Methodological robustness and Limitations Section 5.1 Conclusions Section 5.2 Lessons learnt

ANNEX II. METHODOLOGY AND ANALYTICAL MODELS USED

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 PIs, 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).
- **A comprehensive consultation strategy**, further described in Annex V.
- **Three thematic case studies** were prepared on investments comprising 1) energy efficiency, 2) renewable energy, and 3) NPIs. 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 **NPIs** 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).

Methodological strengths and weaknesses

- **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.

ANNEX III. EVALUATION MATRIX AND, WHERE RELEVANT, DETAILS ON ANSWERS TO THE EVALUATION QUESTIONS (BY CRITERION)

Evaluation Matrix

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	Total amounts confirmed and disbursed to MS are proportionate with MSs total envelopes and the number	Total amount of support confirmed, and total amount disbursed to MS, overall and per MS, change over time (annual)

EQ	Sub-EQ	Judgement criterion	Indicators
	schemes it differs from the amount disbursed), and how does that compare to beneficiary MS's envelope?	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)	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 PI is at/above the minimum regulatory level. There is an increase in priority versus NPIs 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 NPIs, overall and per MS, per type of investment Approval rate between priority and NPIs, 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 NPIs approved
	EQ 1.4 Is the nature of supported investments in line with Fund's objectives?	PIs are conducive to substantial modernisation of energy systems and energy efficiency improvement. NPIs 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 provided to energy generation facilities that use fossil fuels. MF investments directly/indirectly contribute to a just	List of types of confirmed investments between 2021-2025 % of total PIs allocated to each category (e.g., renewables, efficiency, networks). Nature of NPIs and justification for recommending the investment % of investments spent on fossil fuels and annual change Stakeholder feedback on gaps in support or funding coverage necessary to meet 2030 targets No. and volume of investments in priority areas E ⁽¹²⁰⁾, F ⁽¹²¹⁾ and partially priority area C ⁽¹²²⁾ concerning energy efficiency in residential

⁽¹²⁰⁾ Support for low-income households, including in rural and remote areas, to address energy poverty and to modernise their heating system.

⁽¹²¹⁾ 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.

EQ	Sub-EQ	Judgement criterion	Indicators
		transition, including support for lower-income households, energy poverty reduction, and labour market resilience in carbon-dependent regions	buildings, with specific focus on lower-income households, social housing. % share of funds allocated for such investments on total MF allocated funds.
	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.	% of pipeline projects in priority areas in beneficiary MS 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

(¹²²) 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) 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 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 to mitigate hindrances

EQ	Sub-EQ	Judgement criterion	Indicators
	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 % 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)

Efficiency

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 6. How efficient is the	EQ 6.1 Are the regulatory deadlines set for	The timelines set by the ETS Directive	Time elapsed between application and

EQ	Sub-EQ	Judgement criterion	Indicators
confirmation/recommendation process under the MF at EU level?	application and (i) confirmation / recommendation for funding and (ii) disbursement appropriate?	between each step of the process from application to confirmation / recommendation and disbursement is perceived as appropriate.	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 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.	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.

EQ	Sub-EQ	Judgement criterion	Indicators
		NPIs are more difficult to get vetted than PIs.	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?	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)	The time between disbursement to beneficiary MS, contract with final	Time elapsed between disbursement to beneficiary MS, contract with final

EQ	Sub-EQ	Judgement criterion	Indicators
	contract with final beneficiaries and (ii) disbursement to final beneficiaries?	beneficiaries and disbursement to final beneficiaries is appropriate to ensure effective implementation.	beneficiaries 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.

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 NPIs 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 NPIs 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 NPIs, 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 NPIs 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 NPIs 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	The objectives of the MF (i.e. support to lower-income MS in the modernisation of energy systems, enhancement of energy efficiency and increased renewable energy production) and the categories of priority and NPIs of the MF continue to be relevant in light of evolving needs of the beneficiary	Differences between the MF objectives, the categories of priority and NPIs 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

EQ	Sub-EQ	Judgement criterion	Indicators
	EU level?	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.	of energy efficiency in beneficiary MS
EQ 10 ¹²³ . 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 lower-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 NPIs funded by the MF are still aligned and relevant for the current EU policy goals (EGD, REPowerEU, Net-Zero Industry Act, Critical Raw Materials)	Degree of alignment of the categories of priority and NPIs with EU policy goals Contribution of the categories of priority and NPIs 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 NPIs for the current EU policy goals

¹²³ 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.

Coherence

EQ	Sub-EQ	Judgement criterion	Indicators
EQ 12. How are the MF activities and operating rules (incl. the distinction between priority and NPI) 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 NPIs and their delineation coherent with the objectives of the Fund?	The operating rules around PIs (use of at least 80% of original and transfer allowances, and 90% new allowance revenues for PIs and no more than 20% of allowance revenues for NPIs) and their delineation align with the internal goals of the Fund, such as enabling effective investments in key priority areas.	Number or disbursements on PIs directly contributing to the objectives of the fund. Number of NPIs contributing to the objectives of the fund. Level of coherence between the PIs and the objectives of the MF.
	EQ 12.2 To what extent are the MF operating rules on priority and NPIs and their delineation coherent with the EU climate and energy policy objectives?	The operating rules around PIs (use of at least 80% of original and transfer allowances, and 90% new allowance revenues for PIs and no more than 20% of allowance revenues for NPIs) 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 PIs directly contributing to the objectives of the EU climate and energy policy. Number of NPIs 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	MF and Cohesion Policy Funds complement each other in achieving EU-wide climate and energy objectives, including decarbonization	Proportion of MF investments that overlap with the Cohesion Policy Funds objectives, such as energy, energy efficiency, low-

EQ	Sub-EQ	Judgement criterion	Indicators
	Policy Objectives?	and renewable energy deployment. MF and Cohesion Policy Funds are managed in a way to create synergies and prevent duplication of efforts.	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 synergies and prevent duplication of efforts.	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 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 break-through 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	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	Sub-EQ	Judgement criterion	Indicators
	EQ 13.6 How does the MF operate in synergy with the InvestEU Fund in achieving EU Policy Objectives?	duplication of efforts. 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.

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

ANNEX IV. OVERVIEW OF BENEFITS AND COSTS AND TABLE ON SIMPLIFICATION AND BURDEN REDUCTION

Table 1. Overview of costs and benefits identified in the evaluation

Table 1. Overview of costs and benefits identified in the evaluation							
Type of cost/benefit	Type: one-off or recurrent	Beneficiary Member States		EU level (Commission and EIB)		Businesses (end-beneficiaries)	
		Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
Costs							
Direct costs	Recurrent	/	/	EUR 35.4 billion in planned support from MF, of which EUR 15.4 billion disbursed (cut-off date mid-2025)	Fund investments from MF, planned and disbursed	/	For NPI investments, 30% private co-financing is mandatory, however, lacking data quality limits quantification
Administrative costs	Recurrent	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 (annually) for the Commission EUR 13 million for EIB (annually) based on fees.	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	The average number of staff members involved in preparing the application per respondent was 5 and around 10 days on average were spent (¹²⁴). Insufficient data unable to derive a monetary estimate of resources spent on	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

⁽¹²⁴⁾ 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).

Table 1. Overview of costs and benefits identified in the evaluation

Type of cost/benefit	Type: one-off or recurrent	Beneficiary Member States		EU level (Commission and EIB)		Businesses (end-beneficiaries)	
		Quantitative	Comment	Quantitative	Comment and other.	Quantitative	Comment
						project implementation.	implementation, monitoring and reporting.
Enforcement costs: (costs associated with activities linked to the implementation of an initiative such as monitoring, inspections and adjudication/litigation)	Recurrent	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 separate by type of task/activity.		The administrative burden of complying with monitoring by MS was estimated by end beneficiaries as either 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
Direct benefits							
Investments	Recurrent	N/A	N/A	N/A	N/A	Total investments EUR 69.1 billion, of which EUR 35 billion in total planned MF support, and EUR 15 billion disbursed (cut-off date end of 2024)	BMS combine the MF support with additional State aid, other EU funding schemes and private investments, making the total investment larger than the MF contribution
Indirect benefits: wider environmental impacts:							
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)	One-off	5.15 million MWh (by year end)	N/A	N/A	N/A	N/A	N/A
	Recurrent	1.15 billion MWh (lifetime)					
Greenhouse gas emissions savings (expressed in tCO ₂ eq – by year end and over the full lifetime)	One-off	2.55 million tCO ₂ eq (by year end)	N/A	N/A	N/A	N/A	N/A
	Recurrent	837 million					

of the investment, expected based on Annual Reports)		tCO ₂ eq (lifetime)					
Renewable energy capacity installed (expressed in MW – by year end and over the full lifetime of the investment, expected based on Annual Reports)	One-off	777.74 MW (by year end)	N/A	N/A	N/A	N/A	N/A
	Recurrent	25 GW (lifetime)					

TABLE 2: Simplification and burden reduction						
Type of cost saving	Administration in beneficiary Member States		Administration - EU level (Commission and EIB)		Businesses (end beneficiaries)	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
PART I: Savings already achieved						
<i>Direct compliance cost savings (adjustment cost savings)</i>						
Recurrent	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	N/A	N/A	N/A	N/A

TABLE 2: Simplification and burden reduction

Type of cost saving	Administration in beneficiary Member States		Administration - EU level (Commission and EIB)		Businesses (end beneficiaries)	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
		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.				
Recurrent	Simplification and burden reduction measure were not quantitatively assessed due to insufficient data.	Introduction of stakeholder consultation early enough in the process of developing investment pipelines (strong potential to reduce adjustment costs down the line, as investments are more aligned with market expectations)	N/A	N/A	Simplification and burden reduction measure were not quantitatively assessed due to insufficient data.	Introduction of stakeholder consultation early enough the process of developing investment pipelines (strong potential to reduce adjustment costs down the line, as investments are more aligned with market expectations)
Part II: Potential simplification and burden reduction (savings)						
Direct compliance cost savings						
Recurrent	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Reduction of time to disbursement to end beneficiaries by Member States.	N/A	N/A	Simplification and burden reduction measures were not quantitatively assessed due to	Reduction of time to disbursement to end beneficiaries by Member States.

TABLE 2: Simplification and burden reduction

Type of cost saving	Administration in beneficiary Member States		Administration - EU level (Commission and EIB)		Businesses (end beneficiaries)	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
					insufficient data.	
Recurrent	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Digitalisation of process could reduce the burden for end beneficiaries (mentioned by 8.5% of respondents to end beneficiaries survey), streamlining documentation and simplifying reporting (5.4%), clearer guidance and better communication (2.4%).	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data	Digitalisation of process could reduce the burden for end beneficiaries (mentioned by 8.5% of respondents to end beneficiaries survey), streamlining documentation and simplifying reporting (5.4%), clearer guidance and better communication(2.4%).	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Digitalisation of process could reduce the burden for end beneficiaries (mentioned by 8.5% of respondents to end beneficiaries survey), streamlining documentation and simplifying reporting (5.4%), clearer guidance and better communication (2.4%).
Recurrent	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Increasing the frequency of disbursement cycles / shortening approval cycle (leads to faster approval of investments)	N/A	N/A	Simplification and burden reduction measures were not quantitatively assessed due to	Increasing the frequency of disbursement cycles / shortening approval cycle (leads to faster approval of investments)

TABLE 2: Simplification and burden reduction						
Type of cost saving	Administration in beneficiary Member States		Administration - EU level (Commission and EIB)		Businesses (end beneficiaries)	
	Quantitative	Comment	Quantitative	Comment	Quantitative	Comment
					insufficient data.	
Enforcement cost savings						
One-off	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Streamlining of reporting obligations for end beneficiaries, depending on the size of the project and share of the MF fundings. Requirements to vary across Member States, so would have to be country-by-country	N/A	N/A	Simplification and burden reduction measures were not quantitatively assessed due to insufficient data.	Streamlining of reporting obligations for end beneficiaries, depending on the size of the project and share of the MF fundings. Requirements to vary across Member States, so would have to be country-by-country.

ANNEX V. STAKEHOLDERS CONSULTATION - SYNOPSIS REPORT

1. Recap of consultation activities

The Consultation strategy included the following items:

- **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 2 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, Latvia, 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).

2. Call for Evidence:

The Call for Evidence for the Evaluation of the Modernisation Fund (MF), without further public consultation, was published on the 'Have your say' portal (¹²⁵) in all 24 official EU languages (¹²⁶ and remained open for feedback for 6 weeks (14 April 2025-26 May 2025). Feedback was sought on the five evaluation criteria. Relevant trade associations, potential and actual end beneficiaries, as well as broader stakeholders, were encouraged to contribute. The consultation was promoted through the European Commission's website, the MF website, social media, and by contacting with the stakeholders on the MF's regular contact list.

¹²⁵ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14305-Modernisation-Fund-first-evaluation-of-the-operating-rules_en

¹²⁶ https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14305-Modernisation-Fund-first-evaluation-of-the-operating-rules_en

Given the number of stakeholders of the MF, due to its specific governance model, many stakeholders were consulted through interviews and surveys. The Call for Evidence enabled the consultation activities to extend beyond the usual stakeholder group and to reach those stakeholders, who could not be specifically interviewed. In this context, it was not deemed necessary to conduct an open public consultation. The Fund does not maintain a detailed record of all applicants, as selection process is conducted entirely at the Member State level. Consequently, sharing the perspectives of unsuccessful applicants in a comprehensive and quantifiable manner proves challenging, as the selection procedure is decentralised, with such data unavailable. However, non-beneficiaries had the opportunity to express their views through the call for evidence. 44 respondents replied to the CfE, with 44 unique responses. The majority of responses (19) came from companies (43%), predominantly (13) in the energy sector and heavy industry (5). 14 responses (32%) came from non-governmental organisations (NGOs) and 7 (16%) from business associations (7 in energy sector, 1 in heavy industry). There were three responses (7%) from individual citizens (two EU and one non-EU), and one response from a public authority (Ministry of Environment of the Czech Republic). The distribution across categorisation of respondents is illustrated in Figure 6. A more detailed distribution of the sectors of industry stakeholders (companies and business associations) and NGOs is illustrated in Figure 7.

Figure 6 Category of respondents

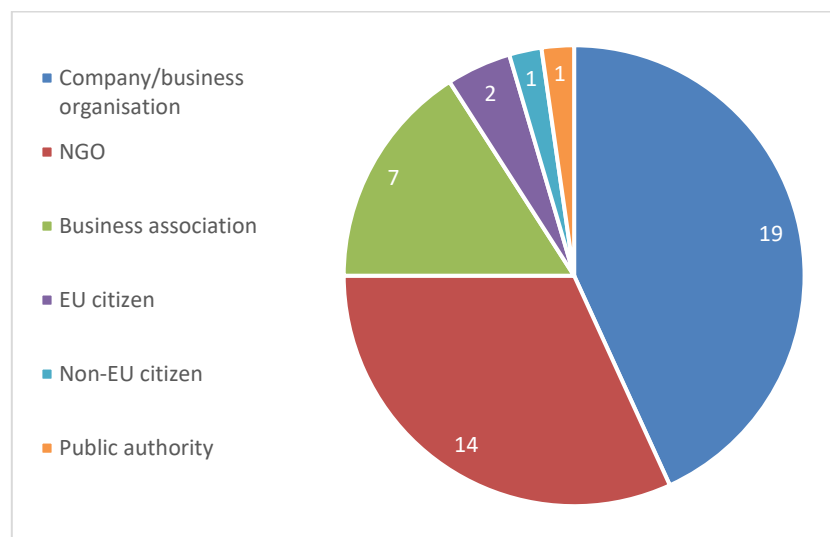
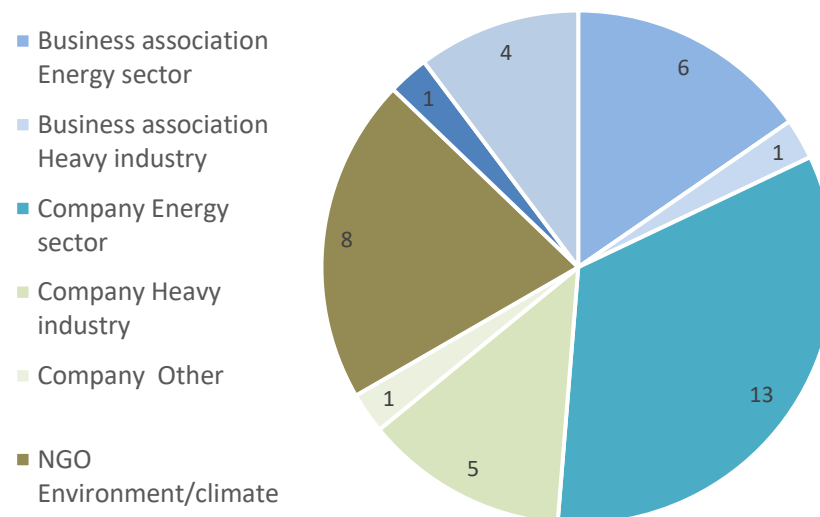


Figure 7 Categorisation of stakeholders per sector



The respondents to the CfE are located in 15 countries: 14 Member States and one third country, Turkey. A majority of the respondents are from Member States: 11 respondents from Belgium, and nine from Poland. Hungary and Czechia had four respondents each. From the following countries, there were two respondents from each: Romania, Portugal, Croatia, Spain, and Austria. Finally, from France, Greece, Lithuania, Slovakia, Slovenia, and Turkey, there was one respondent from each Member State.

Overall findings per stakeholder groups

Overall, the three main stakeholder groups expressed the following assessment of the MF:

Non-governmental organizations (NGOs) focusing on environmental issues generally have a positive view on the MF. However, several NGOs expressed ongoing concerns about the continued financing of fossil fuel projects (4 NGOs) and biomass power plants under the MF (6 NGOs). NGOs advocate for a greater emphasis on renewable energies, including grid improvements (1), public transportation, carbon-neutral transportation (1), and to increase the social aspect of the transition, including building renovations and clean heating (5). They also find that the MF complements both the Social Climate Fund and the Just Transition Fund.

Companies recognize the importance of the MF as a key EU financial tool for accelerating the energy transition in lower-income Member States. They support the continuation of the MF beyond 2030 and advocate for greater flexibility, simplified procedures, and expanded eligibility criteria. This includes six companies explicitly mentioning support for non-energy sectors; comparable for renewable energy sources (4), nuclear options (2), and regions that have been overlooked by other EU support schemes (3). Four companies additionally emphasise the need for clearer recognition and prioritisation of sectors that face significant challenges in decarbonization, such as steel, cement, and chemicals. Furthermore, they stress the importance of improved integration with other EU instruments and the necessity for more predictable and transparent access to funding. Timely information is essential to help companies invest in long-term projects effectively.

Business associations generally support the MF as a mean to decarbonise energy systems in lower-income Member States. However, they also call for improvements in its design and operation. Their main recommendations include extending the Fund's duration beyond 2030, enhancing the transparency and predictability of funding, and simplifying administrative procedures. Additionally, several business associations advocate for expanding eligibility to cover a wider range of technologies, such as industrial decarbonisation (4), geothermal energy (3), and low-carbon technologies like carbon capture and storage (CCS) (2) and hydrogen (1). These business associations act on behalf of their constituencies' activity types and emphasize the need for more flexibility in financing mechanisms as well as retroactive funding for early-stage costs. Furthermore, they advocate for the importance of prioritising high-impact, large-scale projects.

Three companies and one NGO argue that the MF's scope could be expanded to also involve supporting just transition efforts in regions that have historically been dependant on coal but were excluded from the Just Transition Fund (JTF). For example, in Polish regions, Industry stakeholders argue that some coal-dependent Member States face much higher decarbonisation costs, which aren't fully addressed by current EU funding under the Just Transition Mechanism (JTM). They ask for additional resources and flexibility under the MF for those not included in the JTF despite heavy reliance on coal.