

Programme for the provision of support
from the Modernisation Fund

Improving energy efficiency and reducing the emissions of greenhouse gases in industry in EU ETS (ENERG ETS)



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1. Eligible applicants

Subjects operating facilities in EU ETS within the territory of the Czech Republic¹.

2. Types of supported projects and measures

Only projects that meet the objectives of the programme and the acceptance criteria may be supported. In light of the number of technical solutions and the diversity of the facilities dealt with, it is not possible to provide a complete list of supported activities.

2.1 Priority projects ²

- A.** Reducing final energy (primary energy) consumption or reducing CO₂ emissions in the generation or processing process through the upgrading (reconstruction or replacement) of facilities for the generation and distribution of energy for own consumption, leading to an increase in the efficiency thereof, or changes of the fossil fuel base or type of energy.

The following are among the fundamental types of supported projects:

- the reconstruction or replacement of an energy source (including energy distribution systems) with a change of the fossil fuel base or type of energy to:
 - renewable energy sources (hereinafter referred to as “RES”), invariably in combination with high-efficiency cogeneration of electricity and heat (hereinafter referred to as “high-efficiency cogeneration”);
 - energy recovery of waste³, invariably in combination with high-efficiency cogeneration;
 - electricity from RES (for example, electric boiler);
 - energy of waste heat, invariably in combination with high-efficiency cogeneration;
- reconstruction or replacement of RES, if involving a combination with high-efficiency cogeneration.

¹ [Aktualizovaný seznam zařízení v EU ETS je zveřejňován na webových stránkách Ministerstva životního prostředí](#)

² In accordance with Article 10d(2) of DIRECTIVE 2003/87/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC

³ Municipal waste, industrial waste, solid alternative fuel from municipal waste and from other category waste, sewage sludge.

- B.** Reducing final energy consumption or reducing CO₂ emissions in the manufacturing or processing process through modernisation (reconstruction or replacement) or changes of configuration of manufacturing or processing facilities.

As part of executing the foregoing types of priority projects (A, B), it is possible to support:

- hydrogen application, for example:
 - the procurement of an electrolytic cell or other technologies of production of so-called green hydrogen (less than 36g CO₂/MJ);
 - technologies for processing, transport, and use of hydrogen in the power industry, transport, or industrial production (for example, accumulation of energy, fuel cells, hydrogen combustion or combustion of synthetic hydrogen fuel, the replacement of process emissions with the use of hydrogen, the technology of converting hydrogen for easier handling, etc.);
- introducing elements of effective governance of energy use, for example:
 - the installation of gauging and regulation systems;
 - the establishment of instruments to optimise operation based on monitoring the evaluation of energy consumption;
 - the implementation of energy management;
- reducing the energy performance of buildings where a production or processing process is ongoing.

2.2 Non-priority projects

Reducing final energy (primary energy) consumption or reducing CO₂ emissions in the manufacturing or processing process through the upgrading (reconstruction or replacement) of facilities for the generation and distribution of energy for own consumption, leading to an increase in the efficiency thereof, or changes of the fossil fuel base or type of energy.

The following are among the fundamental types of supported projects:

- the reconstruction or replacement of a heat source with a change of the fossil fuel base or type of energy to:
 - RES, without high-efficiency cogeneration;
 - natural gas, including high-efficiency cogeneration from natural gas;
 - waste heat energy;
 - electricity without the use of RES (for example, electric boiler);
- the reconstruction or replacement of a source of heat to natural gas, without any change to the fuel base.

As part of executing the foregoing types of non-priority projects it is also possible to support:

- introducing elements of effective governance of energy use, for example:
 - the installation of gauging and regulation systems;
 - the establishment of instruments to optimise operation based on monitoring the evaluation of energy consumption;
 - the implementation of energy management;
- reducing the energy performance of buildings where a production or processing process is ongoing.

3. Allocation of resources

13.3 % of the total resources of the Modernisation Fund are allocated to this programme. For regions affected by the downturn in coal mining (Moravskoslezský, Ústecký and Karlovarský regions), there will be priority allocation set at 30% in the calls for applications (according to chapter 10.1.2.).

4. Form and amount of aid

Aid will be provided pursuant to a contract entered into with Státní fond životního prostředí ČR (State Environmental Fund of the Czech Republic - hereinafter referred to as "SEF CR") in the form of regularly-paid ex post grants, based on documented, paid eligible costs (an application for payment will invariably be substantiated by copies of invoices and bank statements of account, or where appropriate other documents). In light of the nature of the projects, aid will be provided within the regime of public aid according to COMMISSION REGULATION (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter referred to as "GBER").

The rules on public support are relevant for all applicants and beneficiaries, regardless of the legal form, if the beneficiary can be characterized as an enterprise in connection with the project (there is or will be an offer of goods or services on the market). According to this definition, an enterprise can also be a municipality, a non-profit organization or association and other entities.

Public support and de minimis support will be provided for the Modernization Fund in accordance with the following regulations (full text of the regulations at www.compet.cz):

- Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (General Block Exemption Regulation – GBER) – only selected relevant articles (hereinafter referred to as the "GBER Regulation").
- Guidelines on State aid for environmental protection and energy 2014-2020 (2014/C 200/01) (hereinafter „EEAG”).
- Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (hereinafter „de minimis”).

Basic conditions:

- GBER and EEAG aid cannot be granted to an applicant who has been issued a recovery order to recover unjustified incompatible public aid that has not yet been reimbursed. For this condition, the applicant (enterprise) is understood as a group of connected and partner enterprises according to Annex I of Commission Regulation (EU) No. 651/2014 of 17 June 2014, including its links to foreign entities.
- GBER and EEAG aid cannot be granted to a firm in difficulty under Article 2 (18) of the GBER.
- The aid must have an incentive effect, which is fulfilled if the aid application was submitted before the start of work on the project. Commencement of work means either the commencement of construction work as part of an investment, or the first legally enforceable obligation to order equipment or another obligation as a result of which the investment becomes irreversible, whichever occurs first. The preparation of preliminary feasibility studies, the purchase of land or the acquisition of a permit are not considered as initiations. The step when the investment is made irreversible is considered to be the day on which the Decision on the selection of the most suitable tender in the tender/selection procedure is sent.
- An incentive effect is required for all GBER and EEAG articles relevant to the Modernization Fund; eligible expenditure is also incurred from this date.
- According to the GBER Regulation, support can be provided only in a limited amount, therefore individual notification thresholds apply to individual projects within the GBER Regulation, which differ according to the category of support and up to which support can be provided without prior discussion with the EC. If they are exceeded, notification under the EEAG would be required. The thresholds must not be circumvented by splitting projects.
- Aid granted under the GBER and the EEAG may not be cumulated with other public aid under the Modernization Fund in such a way that the maximum allowable aid intensity given by the individual articles is exceeded.
- SME applicants can be granted a bonus of 10% for medium and 20% for small business. In this case, the size of the company must be assessed in accordance with Annex I of the GBER. These bonuses are reflected in the Table 4.
- Information on public support provided in excess of EUR 500,000 will also be published in the TAM (Transparency award module) information system.
- If the aid is subject to notification, the legal act will not be concluded before a positive EC decision is issued. The notification is made by the grant provider.

4.1 Relevant articles of GBER

Article 36 - Investment aid for undertakings governed by standards that are more stringent than the Union standards⁴

Undertaking/aid (%)	Prague	Other regions
Large undertaking	40	55
Medium-sized undertaking	50	65
Small undertaking	60	75/70*

** the maximum aid intensity for non-priority projects (according to point 2.2.) may not exceed 70 %*

Article 38 - Investment aid for energy efficiency measures

Undertaking/aid (%)	Prague	Other regions
Large undertaking	30	45
Medium-sized undertaking	40	55
Small undertaking	50	65

Article 41 - Investment aid for the promotion of energy from renewable sources

Undertaking/aid (%)	Prague	Other regions
Large undertaking	45	60
Medium-sized undertaking	55	70
Small undertaking	65	80/70*

** the maximum aid intensity for non-priority projects (according to point 2.2.) may not exceed 70 %*

The foregoing intensity of aid is effective for the term of validity of existing regulations on public aid.

⁴ The application of this article as an alternative to Article 38 will be discussed with EC within the bounds of the notification process.

When determining eligible costs, all the aid specified above must take into consideration what is known as the alternative investment/scenario (without public aid).

The applicant enumerates the costs of the alternative investment/scenario that could be executed without aid and is deemed less considerate to the environment. These costs are deducted from the costs for the execution of the project and the resulting amount is the eligible cost for the calculation of the maximum public aid. The percentage intensity of aid will then be applied to these costs according to the relevant article of GBER, the size and location of the undertaking. The applicant may choose the alternative investment in the list presented below which best corresponds to its operating situation, or technical possibilities.

4.2 Determining of counterfactual investment to determine the amount of eligible costs

4.2.1 Reconstruction/replacement/modernisation of energy facilities projects may choose one of the following alternatives as the alternative investment according to Article 38 GBER:

1. An alternative scenario in the form of financial evaluation of keeping the existing facility in operation, when such costs may be enumerated as regular investment, re-investment, maintenance, or as the costs of general repairs, depending on which is relevant. Data from prior years and any investment plan which the applicant has are applicable to this purpose. The time period for determining the costs for this alternative is the depreciation period of the new source. The costs of greening the source according to the legislative requirements currently known must be included in costs, if relevant.
2. The second possibility is an alternative scenario in the form of the construction of a gas source of the same installed heat output (with the same capacity of heat generation).
3. The applicant may propose and enumerate its own alternative investment/alternative scenario according to its own operating situation. We recommend discussing this option with SEF CR before submitting the application.

4.2.2 RES installation projects according to Article 41 GBER

The alternative scenario of investment costs for the installation of a less-ecological source of the same installed output (capacity of production), for example in the form of a gas source.

4.2.3 Applicants for aid in projects for the replacement and modernisation of production technologies according to Article 38 (36) GBER may choose one of the following alternatives as the alternative investment:

1. For facilities which already comply with all valid and known European Union (EU) standards, the alternative investment entails financial evaluation of keeping the existing facility in operation, when such costs may be enumerated as regular investment, re-investment, maintenance, or as the costs of general repairs, depending on which is relevant. Data from prior years and any investment plan which the applicant has are applicable to this purpose. The time period for determining the costs for this alternative is the depreciation period of the new source.
2. For facilities that do not yet comply with known EU standards (for example, on account of temporary exemptions or in the case that the fulfilment of BAT is binding within a term which has not yet occurred), the alternative scenario is the cost of fulfilling the requirements of the EU standard (for example, BAT conclusions). Such alternative investment may be used for projects involving the replacement of production technology with more advanced technology. Investment in fulfilling the binding conditions emerging from BAT conclusions must be included in the costs of the alternative scenario.
3. The applicant may propose and enumerate its own alternative investment/alternative scenario according to its own operating situation. We recommend discussing this option with SEF CR before submitting the application.

More details in the document entitled [Analysis of compliance with the rules for public aid](#).

5. Selection criteria for acceptability of projects/project evaluation

5.1 General selection criteria

- A stationary source for which aid is sought must be operated fully in accordance with Act No. 201/2012 Sb., on air protection and amending certain other laws, as amended (hereinafter referred to as the "Air Protection Act").
- The project may not be contrary to the output of the air quality improvement programme for the relevant zone or agglomeration and Národní program snižování emisí (National Programme of Reducing Emissions), compiled in accordance with the Air Protection Act
- The following projects are not supported:
 - those executed outside facilities in EU ETS;
 - those executed within the bounds of the thermal energy supply system (hereinafter referred to as "TESS") according to Act No. 458/2000 Sb. on the conditions of undertaking business and the execution of state administration in energy industries and amending certain laws (Energy Act);
 - in the case of disconnection from TESS;
 - the installation of photovoltaic power stations, including associated accumulation of generated energy ;
 - reduction of the energy performance of office buildings;
 - which use solid fossil fuels in any way ;
 - the reduction of energy consumption, if energy is generated in own stationary combustion source by burning hard coal or lignite or another fuel with higher CO₂ emission factor;
 - measures on stationary combustion sources for which coal consumption or the consumption of any other fuel with higher CO₂ emission factor will not end after execution.
- Energy accumulation systems may be supported only as part of a comprehensive project dealing with measures for sources of energy or heat distribution system, not as a separate solution.
- The duration of project execution may not exceed 5 years from the time of project approval.
- The project must be executed within the territory of the Czech Republic (hereinafter referred to as "CR").
- The project must satisfy the general and specific conditions according to the relevant type of public aid according to GBER.
- The applicant may not be an undertaking in difficulty .
- The applicant may not be in bankruptcy, liquidation, may not have any overdue liabilities toward state and public budgets, tax arrears, and may not be a company in a conflict of interests .

⁵ The thermal energy supply system (TESS) is understood to be a system made up of a reciprocally connected source or sources of thermal energy and a distribution thermal facility serving for supplies of thermal energy for heating, cooling, heating hot water, and technological processes, if operated based on a licence for the generation of thermal energy and a licence for the distribution of thermal energy; the thermal energy supply system is established and operated in the public interest.

⁶ This type of project will be supported within Nové obnovitelné zdroje v energetice (New Renewable Energy Sources) programme (RES+) / Modernisation Fund.

⁷ Except in cases where the use of solid fossil fuels (as raw material input without the possibility of substitution) allows the electrification or implementation of hydrogen applications in production and processing technologies that replace solid fossil fuels.

⁸ In accordance with paragraph 2(18) GBER.

⁹ in accordance with Act No. 159/2006 Sb. on conflict of interests, as amended, including the limitations laid down in Section 4c of the act.. If the applicant is a legal person, it must prove its ownership structure and beneficial owner in accordance with Act No. 253/2008 Sb., on certain measures against legalisation of the proceeds of criminal activity and terrorist financing, as amended.

5.2 Specific selection criteria

If a project deals with reducing CO₂ emissions and energy savings (reducing final energy or primary energy consumption), all the relevant specific costs must be satisfied.

5.2.1 Modernisation (reconstruction or replacement) of a facility for the generation and distribution of energy for own consumption

- The execution of the project must lead to:
 - either a reduction of CO₂ emissions of a minimum 20 %, in that the specific eligible costs of the project may not exceed CZK 80,000 not including VAT per ton of CO₂ a year;
 - or a reduction in unit emissions of CO₂ per unit of production of a minimum of 25 %, in that the specific eligible costs of the project may not exceed CZK 80,000 not including VAT per ton of CO₂ a year, calculated for the scenario in which emissions following the execution of the project will be considered in the same amount as prior to its execution;
 - or a reduction in primary energy consumption of a minimum 10 % on the initial level, in that the specific eligible costs of the project may not exceed CZK 25,000 not including VAT per GJ a year;
 - or a reduction in the unit consumption of primary energy per unit of production of a minimum 15 %, in that the specific eligible costs of the project may not exceed CZK 25,000 not including VAT per GJ a year, calculated for the scenario in which energy consumption following the execution of the project will be considered in the same amount as prior to its execution.
- If executing a project for the energy use of waste, the minimum energy efficiency of the facility must comply with DIRECTIVE 2008/98/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 November 2008 on waste and repealing certain Directives, while the principle of the waste hierarchy must also be observed¹⁰.
- If executing a project for the use of biomass fuels, the criteria of sustainability must be observed according to Article 29 of DIRECTIVE (EU) 2018/2001 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 on the promotion of the use of energy from renewable sources.

¹⁰ According to Act No. 541/2020 Sb. on waste

- The following conditions have been defined if executing a project for the use of biomass fuels, as a transition from natural gas:
 - projects for stationary combustion sources to which DIRECTIVE (EU) 2015/2193 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 25 November 2015 on the limitation of emissions of certain pollutants into the air from medium combustion plants applies shall only be supported in the case that they guarantee achievement of 80 % of the value of the emission limit for the emission of dust defined in Decree No. 415/2012 Sb. on the permissible level of pollution and its ascertainment and on the implementation of certain other provisions of the Air Protection Act, for sources put into operation on 20 December 2018 or later;
 - projects for stationary combustion sources to which DIRECTIVE 2010/75/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 November 2010 on industrial emissions (integrated pollution prevention and control) applies shall only be supported in the case that they guarantee the achievement of the lower (and therefore the most ambitious) half of the value interval according to Best Available Techniques Conclusions for dust;
 - there is no increase in NO_x emissions converted to a unit of energy of fuel on the original status;
 - the project cannot be supported in a cadastral area in which, according to current maps of five-year moving averages compiled by Český hydrometeorologický ústav (Czech Hydrometeorological Institute) (in accordance with paragraphs 5 and 6 of Section 11 of the Air Protection Act), any of the target values set out in point 1 of Annex 1 to the Air Protection Act for PM₁₀ or PM_{2.5} has been exceeded.
- If the project includes measures leading to a reduction in the energy performance of a building, there must be a reduction in the consumption of primary energy required for the operation of the building (the energy for heating, the preparation of hot water, cooling, the treatment of air by ventilation and air-conditioning, and energy for lighting) of a minimum 30 %.

5.2.2 Modernisation (reconstruction or replacement) or change of configuration of generation or processing facilities

- The execution of the project must lead to:
 - either a reduction of CO₂ emissions of a minimum 10 %, in that the specific eligible costs of the project may not exceed CZK 80,000 not including VAT per ton of CO₂ a year;
 - or a reduction in unit emissions of CO₂ per unit of production of a minimum of 15 %, in that the specific eligible costs of the project may not exceed CZK 80,000 not including VAT per ton of CO₂, calculated for the scenario in which emissions following the execution of the project will be considered in the same amount as prior to its execution;
 - or a reduction in final energy consumption of a minimum 10 % on the initial level, in that the specific eligible costs of the project may not exceed CZK 25,000 not including VAT per GJ a year;
 - or a reduction in the unit final energy consumption per unit of production of a minimum 15 %, in that the specific eligible costs of the project may not exceed CZK 25,000 not including VAT per GJ a year, calculated for the scenario in which final energy consumption following the execution of the project will be considered in the same amount as prior to its execution.
- If the project includes measures leading to a reduction in the energy performance of a building, there must be a reduction in the consumption of primary energy required for the operation of the building (the energy for heating, the preparation of hot water, cooling, the treatment of air by ventilation and air-conditioning, and energy for lighting) of a minimum 30 %.

N.B.

- 1) *Price levels might be updated in light of year-on-year development of the prices of building work, supplies, and services in the Czech Republic.*
- 2) *The level prior to the execution of the project in the case of energy consumption is primarily defined as the average energy consumption for the three closed invoicing years prior to the submission of the application (compilation of an Energy Assessment) for aid as input to the energy balance of the resolved generation or processing nod with the possibility of setting a reference year that reflects fluctuations in energy consumption, e.g. due to a temporary decline in production, etc.*
- 3) *Systems for energy accumulation may only be supported as part of a comprehensive project that deals with reducing final energy consumption or CO₂ emissions and are evaluated as an integrated part of the project; i.e. the project as a whole must comply with the set of relevant acceptance criteria.*

6. Eligibility of expenditure

6.1 General conditions of eligibility of expenditure

Aid may only be provided for eligible costs which comply with all of the conditions set out below:

- They are compliant with the legal regulations of the Czech Republic and the EU;
- They are compliant with the programme, the relevant call, and the issued methodical guidelines;
- They are expended in accordance with the 3Es rule (economy, efficiency and effectiveness)¹¹;
- They are compliant with the conditions of the relevant article of GBER;
- They are reasonable, i.e. they correspond to the normal prices in that place and at that time;
- They are duly identifiable, provable and verifiable;
- They are directly and solely connected to the execution of the project, arose during its execution, and are part of its budget;
- They are eligible, if the cost arose after submitting the application.

6.2 Specific conditions of eligibility of expenditure

Primarily the following are among the basic eligible costs associated with investment:

6.2.1 Direct execution costs

The costs of building work, supplies, and services directly associated with the object of aid which contribute toward fulfilment of the objectives of the relevant project.

In the case of the Design & Build (& Operate) regime, the costs of associated project documentation can also be included in direct execution costs.

6.2.2 Technical expert, designer's supervisor, occupational health and safety

The costs of the activities of a technical expert or designer's supervisor and the assurance of occupational health and safety on site (OHS coordinator), which can be deemed eligible to a maximum of 3 % of the direct execution costs of projects.

¹¹ According to paragraph m), n), o) of Section 2 of Act No. 320/2001 Sb., on financial inspection in public administration and amending certain laws, as amended.

6.2.3 Additional works

Additional works are deemed to be building work, supplies and/or services which are not included in the object of the work according to the contract, but which the contractor and the customer have subsequently agreed on after having entered into a contract for work.

Additional works can be deemed eligible only in the case of verifiable objective grounds when the execution of additional works is essential for completion of the execution of the project and achievement of its objectives and parameters. At the same time, the rules of public procurement according to Act No. 134/2016 Sb. on public procurement, as amended, must be observed .

Only additional works corresponding to a maximum of the level of eligible fewer works in the relevant contracts for work within the same project may be included in eligible costs.

6.2.4 Publicity measures

The costs of publicity measures expended in direct relation to the project and in connection with the requirements on the assurance of publicity, laid down in the call and in accordance with Graphic Manual for Projects Funded by Resources from the Modernisation Fund) are deemed to be eligible costs within the bounds of the project.

6.2.5 Value added tax

Value added tax (hereinafter referred to as "VAT") may be deemed eligible only for beneficiaries that are unable to claim a deduction of value added tax on input according to Act No. 235/2004 Sb. on value added tax, as amended. Should entitlement to the refunding of VAT arise at a later date, the beneficiary is under obligation to return the relevant aid irrespective of whether it applies the entitlement with the bodies of the financial administration or not.

Eligible VAT only relates to performance which must itself be deemed eligible. If performance is eligible only in part, the VAT relating to that performance is eligible in the same proportionate amount.

6.2.6 Amounts receivable

In the event that amounts receivable/payable are offset between the beneficiary of aid and the contractor (the payment of an invoice is not proven in full with a bank statement), it is invariably necessary to submit a written Contract/Agreement on the offsetting of reciprocal performance of the same kind (amounts receivable and amounts payable) arising pursuant to the contractual relationship between the recipient of the invoice and the invoicing contractor, signed by the recipient and the contractor. This reciprocal Agreement must be entered into in accordance with the Civil Code. The Agreement must state the contracting parties, identification of the project and of the invoices/invoice (in the case of a variable code which differs from the invoice number, it is advisable to state the variable code too), the reciprocally offset amounts and currencies, the date of signing by the contracting parties, and the signatures of both contracting parties.

6.3 Ineligible expenditure

Aid may not be provided for:

- Measures which do not correspond to the focus of the programme and the conditions of the relevant call;
- The procurement of used equipment;
- Expenses for the compilation of project documentation and project activity (save the Design & Build (& Operate) regime according to Chapter 6.2.1);
- Expenses for the procurement of real estate;
- Fees for taking land from the agricultural land fund or land intended to fulfil the function of a forest and for the establishment of easement;
- Taxes - VAT (save according to subparagraph 6.2.4), direct taxes, gift tax and inheritance tax, property tax, property transfer tax, road tax, customs duty;
- Expenses for obtaining the relevant statements;
- Incurred investments which are not connected solely and directly to the purpose of the project;
- Loan repayments, interest;
- Additional works over and above the level of eligible fewer works;
- Administrative fees (for example, notarial fees, entries in the real estate cadastre, fees for issued building permission, fees for the release of waste waters into surface waters);
- Budget reserve;
- Wage and other expenses for employees, overheads and running costs.

7. Added benefits of the project and reporting indicators

Binding indicators which set out the minimum requirements on the benefits of the project and what are known as monitored indicators will both be observed and evaluated within the bounds of the projects executed.

Mandatory indicators, which are a part of the application for aid and will be the subject-matter of contractual obligation, help monitor and measure the achievement of the set outputs of the actual project. Fulfilment of binding indicators is under the direct control of the project and they must be achieved within a timescale determined in advance. If the target values of the binding indicators relevant for the project are not achieved, a correction of up to 100 % may be applied (according to the degree of non-achievement).

Monitored indicators are not binding, but are beneficial when monitoring the output of a project from the perspective of its contribution toward national strategic objectives.

7.1 Mandatory (obligatory) project indicators

Binding indicators, which are obligatorily chosen according to the type of project, whose values must be documented with an energy assessment at least once during the sustainability period of the project:

List of binding indicators (unit)	Description of indicator
Reduction of final energy consumption [GJ per year]	Reduction of final energy consumption in connection with the execution of the project in GJ per year
Reduction of primary energy consumption [GJ per year]	Reduction of primary energy consumption in connection with the execution of the project in GJ per year
Reduction of CO ₂ emissions [tons of CO ₂ per year]	Reduction of CO ₂ emissions in connection with the execution of the project in tons of carbon dioxide
Newly-installed heat output RES [MWt]	Heat output of a newly-executed source RES in MWt
Newly-installed electrical power RES [MWe]	Electrical power of a newly-executed source RES in MWe

7.2 Monitored (non-binding) project indicators

The following are monitored and reported as non-binding indicators within the bounds of supported projects:

List of monitored indicators (unit)	Description of indicator
Quantity of removed dust emissions [tons per year]	Reduction of emissions of dust from stationary air pollution sources
Quantity of removed PM ₁₀ emissions [tons per year]	Reduction of emissions of particulate matter PM ₁₀ from stationary air pollution sources
Quantity of removed PM _{2.5} emissions [tons per year]	Reduction of emissions of particulate matter PM _{2.5} from stationary air pollution sources
Quantity of removed SO ₂ emissions [tons per year]	Reduction of emissions of sulphur dioxide (SO ₂) from stationary air pollution sources
Quantity of removed NO _x emissions [tons per year]	Reduction of emissions of nitrogen oxide (NO _x) from stationary air pollution sources
Quantity of removed VOC emissions [tons per year]	Reduction of emissions of volatile organic compounds (VOC) from stationary air pollution sources
Quantity of removed NH ₃ emissions [tons per year]	Reduction of emissions of ammonia (NH ₃) from stationary air pollution sources

8. Basic technical and economic annexes to the application

- **Project study of the building and/or technological solution** (according to published template) or **project documentation at the level required for building permission** (for relevant projects), or a **higher level of project documentation**, including itemised budget, or in the case of applying the conditions of FIDIC P&DB (Yellow book), technical report with technical description and framework budget - at such stage of preparation which makes it possible to appraise measures and appraise the possibility of providing aid for the execution thereof, regular and final inspection from the factual, economic, and environmental perspective, if relevant for the particular project. The structure and segmentation of the budget will correspond (if the submitted level of technical documentation allows) to a standard itemised budget, i.e. segmentation into buildings and operating sets according to the written part of the project documentation (study).
- **Emission report** (according to the published template) with evaluation of the project from the perspective of the emission of pollutants compiled by a legal person or a natural person to whom the Ministry of Environment has issued authorisation to compile expert reports according to Section 32 of Act No. 201/2012 Sb. on the protection of air, as amended.
- **Energy assessment** compiled at the time of submitting the application according to valid implementing regulations arising from Act No. 406/2000 Sb. on energy management, as amended, compiled by an energy specialist having the relevant authorisation according to the Energy Management Act.
- Documents which prove the resolved property relations of the applicant to real estate for a minimum of the sustainability period of the project (according to Chapter 9.2).
- **Economic appendices for evaluation of an undertaking in difficulty specified in SEF CR Guideline for Evaluation of an Undertaking in Difficulty** (concerns applicants which fall under public aid, save de minimis aid).

The list of appendices required for the execution of technical and economic evaluation over and above those specified may be articulated in the relevant call for the submission of applications for aid.

9. Legal regime of the object of aid

9.1 Legal relationship to the object of aid and operation

The applicant is provided with aid in the case that the applicant is, or becomes after the completion of the project, the proprietor of the object of aid, unless stated otherwise hereunder in the text or in a legal act. To this end, the subject that manages the object of aid according to the law or that has the right of economic management thereof (for example, organisations co-funded by the state budget, state enterprises) is also deemed the proprietor.

Unless the nature of the relevant project precludes as such, the aid beneficiary might also be the lessee of the object of aid, or authorised to execute the project and ensure its sustainability. It must be clear from the lease relationship that the proprietor agrees with the execution of the project and makes it possible to adhere to the conditions of project sustainability set out below. In the case that items procured with the requested aid are not and will not be a part of real estate (building, or land) where they are located, it is permissible for the applicant to be the leaseholder of the relevant real estate.

The beneficiary of aid ensures the **sustainability of a project** focusing on the modernisation of a source of energy **for a period of 10 years**¹² and a project for the modernisation of technology in the generation and technological process **for a period of 5 years** following its completion¹³. SEF CR and other competent institutions might check adherence to the obligation of sustainability. If failing to fulfil the obligation of sustainability, the beneficiary may in extreme cases be ordered to return the aid, or a portion thereof.

The aid beneficiary is thereafter under obligation to keep the object of aid under its proprietorship for a minimum of the sustainability period, meaning 5 years, 10 years respectively (unless provided otherwise in a legal act or if it is not a legal status according to chap. 9.2.). To this end, the subject that manages the object of aid according to the law or that has the right of economic management thereof (for example, organisations co-funded by the state budget, state enterprises) is also deemed the proprietor.

¹² save a special legal situation consisting of an extraordinary, unforeseeable, unavoidable, and accidental incident (or vis major);

¹³ the completion of the project is understood to be the date of putting the structure into permanent operation, in accordance with Act No. 183/2006 Sb., on planning and the building code (Building Act), as amended (occupancy permit, proof of having contacted the building authority, or written consent that the structure may be used)

If the object of aid is jointly owned, all joint proprietors must be eligible beneficiaries. One of the joint proprietors then acts as the applicant, presenting the consent of the other joint proprietors with the execution of the project, and a declaration of enabling maintenance of the results of execution of the project for a minimum period of 10 years (or for the length of time determined for the relevant type of project) following its completion.

In cases to which it is not possible to unambiguously apply the conditions specified above, SEF CR judges the permissibility of the legal relationship of the applicant to the object of aid.

9.2 Legal status of the object of aid

The object of aid may not be legally encumbered in any way without the knowledge of SEF CR, particularly in the form of pledges and easements, when the exercise of rights derived could jeopardise the execution or performance of the purpose of the object of aid, including the ownership rights of the beneficiary, save:

- real estate which is encumbered with statutory security interest or security interest established to secure the fulfilment of obligations in the provision of a grant from the state budget, etc.;
- the installation of utilities on land;

The aid beneficiary is under obligation to invariably inform SEF CR of the legal encumbrance of the object of aid even during the sustainability period (see chapter 9.1); SEF CR shall in turn judge the nature of the legal encumbrance and where appropriate the economic health of the beneficiary, and determine onward procedure. SEF CR has the right to demand the required documents for evaluation.

10. Conditions and method of implementation of the Programme

10.1 Receiving and evaluating an application for aid

10.1.1 Pre-registration call and project intentions

Before the actual announcement of the call to submit applications for aid, SEF CR may announce a “pre-registration” call for the submission of project intentions. The data taken from these project intentions will be used to better target aid, spread it over time, and open up the possibility of applicants consulting the prepared projects even before submitting a full application for aid.

Project intentions and information about planned investment will be accepted via Agendový informační systém SFŽP ČR (SEF CR Agenda Information System) and no mandatory appendices will be demanded.

10.1.2 Announcing calls from the Programme

The text of a call, and associated documentation, is made public at the SEF CR website not later than on the date of announcement of the call and will contain all details of and conditions for the provision of aid.

With regard to subparagraph 12(3) of Act No. 1/2020 Sb. Amending Act No. 383/2012 Sb., on the conditions of greenhouse gas emission allowance trading, as amended, and Act No. 458/2000 Sb. on the conditions of undertaking business and the execution of state administration in energy industries and amending certain laws (Energy Act), the call for regions affected by the downturn in coal mining (Moravskoslezský, Ústecký and Karlovarský regions) will include a priority amount of allocation set at 30% ¹⁴.

Applications will be administered in electronic format in the [SEF CR Agenda Information System](#).

10.1.3 The assessment and evaluation of applications

After their submission, applications are checked from the perspective of formalities and conditions of acceptability, as set out by the Programme and the call and which if not satisfied have disqualifying character.

¹⁴ in the case of insufficient absorption capacity of projects in regions affected by the downturn in coal mining, the priority independent allocation of the call may be reduced in favour of the projects of other regions.

Evaluation of the acceptability of the project is done at the same time as appraisal of the applicant from the perspective of whether the features of disqualifying conditions are in place, i.e. of an undertaking in difficulty, according to Article 2(18) GBER (if relevant). The procedure in evaluating an undertaking in difficulty is presented in [SEF CR Guideline for Evaluating an Undertaking in Difficulty](#).

Projects financed within the regime of Energy performance contracting (hereinafter referred to as "EPC") will be evaluated from the perspective of the applicant ensuring its own resources as required for the execution of the project. The applicant states the fact that it intends to fund the project using the EPC method in the application for aid.

10.1.4 Selection of projects for funding

After complying with formalities, the conditions of acceptability, and the economic evaluation of the applicant, the project moves on to the process of choosing the projects that are to be funded. As far as regular calls are concerned, positively-evaluated applications are sorted according to the date of registration of the application, and the size and type of project is thereafter decisive in the onward procedure of project selection, whereby:

a) **Modernisation Fund projects under the threshold determined by GBER**

Applications submitted within the bounds of announced calls which fall within priority and non-priority areas of the Modernisation Fund and simultaneously do not reach the GBER threshold value will be evaluated and approved on an ongoing basis after the submission of an application for aid or within the deadline set out in the text of the call. The crucial factor for the provision of support is achievement of the objectives of the call, the criterion of acceptability (see chapter 5), and other particulars set out in the call.

b) **Modernisation Fund projects above the threshold determined by GBER**

Applications submitted within the bounds of announced calls which exceed GBER threshold values (according to chapter 4) will be individually submitted for appraisal by the European Investment Bank and the delivery of a decision by the European Commission. Before they are submitted for appraisal, individually submitted applications must have been issued with a European Commission decision in the matter of public aid. More detailed information on the submission of projects, the selection of projects and their funding will be provided in the call, whereby individual applications must also always fulfil the objectives of the call, acceptability criteria (see chapter 5), and the other particulars set out in the call.

¹⁵ According to Article 6 and 7 of 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.

The compilation of a specific financial analysis, and simultaneously an economic analysis (cost-benefit analysis, CBA), may be required for these projects in the form of an appendix which proves the need to jointly finance the project and evaluate the sustainability of the project.

A list of evaluated projects is submitted for discussion to Rada SFŽP ČR (SEF CR Board) and for a subsequent decision by the Minister of Environment.

10.2 Contract for the provision of funds from the Modernisation Fund

A contract on the provision of funds from the Modernisation Fund within the bounds of the Programme is an appendix to the call and is entered into between SEF CR and the aid beneficiary following the delivery of Decision of the Minister of Environment on the Provision of Resources from SEF CR (hereinafter referred to as the "Decision"). The contract states the maximum level of funding provided, specifies the purpose and objectives of the supported project, the rights and obligations of both contracting parties, and other conditions of the provision of aid, as well as any financial adjustments and corrections.

10.3 Public tenders under the project

When awarding contracts/public contracts, the applicant is obliged to proceed in accordance with Act No. 134/2016 Coll., on public procurement, as amended at the time of the commencement of the tender procedure and/or according to the **Instructions for awarding contracts for programs co-financed from the SEF CR budget**. This document is listed on the SEF CR website. Details for the application of these Instructions are set out in the Call.

10.4 Monitoring the implementation stage and final evaluation of the project

10.4.1 Monitoring the project

The execution of the project and the advancement achieved are monitored and approved by SEF CR by way of regular applications for payment and by verifying their relevance and accuracy, verifying the technical conditions of execution set out in the contract and the call from the programme. The aid beneficiary submits **regular monitoring reports** at the end of each calendar year of the execution of the project, doing so through the Agenda Information System; these contain information on factual and financial performance for the past calendar year.

10.4.2 Completion and final evaluation of the project

The aid beneficiary is under obligation to submit, again using the SEF CR Agenda Information System, not later than 6 months after putting the structure into permanent operation, a document on permission to use the structure for permanent operation¹⁶ and all financial, material, and other facts which prove fulfilment of the indicators and conditions laid down by the contract on the provision of a grant (for example, documents which prove satisfaction of specific conditions and compliance with the energy or emission report). SEF CR compiles **Final Evaluation of the Project** based on these documents.

10.4.3 Inspection of the execution of projects and inspection activities

The applicants and the aid beneficiaries are under obligation to afford subjects that undertake verification and inspection activity access to the premises in which the supported measures were, are being, or will be executed, and to provide all required coaction to ensure the due fulfilment of the purpose of verification and inspection. The inspection activity of SEF CR is undertaken pursuant to Act No. 255/2012 Sb. on inspection (Rules of Inspection), as amended, and Act No. 320/2001 Sb. on financial inspection in public administration and amending certain laws (Act on Financial Inspection), as amended.

¹⁶ in accordance with Act No. 183/2006 Sb., on planning and the building code (Building Act), as amended (occupancy permit, proof of having contacted the building authority, or written consent that the structure may be used)

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from the Modernisation Fund**

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(ENERG ETS)**

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