



Ministerstvo životního prostředí



Programme for the provision of support  
from the Modernisation Fund

# Modernization of thermal energy supply systems (HEAT)



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## 1. Eligible applicants

The owners of thermal energy supply systems<sup>1</sup> (hereinafter „TESS“) pursuant to the Act no. 458/2000 Coll. concerning business conditions and state administration in energy sectors and amendments to certain laws (hereinafter the „Energy Act“), who have licenses for the production of heat and/or electricity and licenses for distribution of thermal energy, which is granted by the Energy Regulatory Office pursuant to section 5 of the Energy Act (hereinafter the „license“) or TESS owners, including organizations for renewable energy who do not have licenses, but the infrastructure is operated by an entity with the above licenses.

## 2. Types of supported projects and measures

Only projects that satisfy the objectives of the program and eligibility criteria can be supported.

### 2.1 Priority projects <sup>2</sup>

The basic types of projects supported include:

- Reconstruction or replacement of the heat source in TESS with a change of the fuel used or type of energy to:
  - renewable energy sources (hereinafter „RES“), each in combination with high-efficiency cogeneration of heat and power (electricity) (hereinafter referred to as „high-efficiency CHP“);
  - use of waste energy always in combination with high performance-CHP;
  - electrical energy from RES (e.g. Electric boiler);
  - use of waste for energy<sup>3</sup> always in combination with high performance-CHP.
- Reconstruction or replacement RES for TESS (without changing the fuel base) when it is in combination with high-efficiency CHP<sup>4</sup>.
- Renovation or construction of new heat distribution within TESS, including heat exchangers and measurement and control system, where the distribution will not be in the target state for a coal heat source (for more info see Chapter 5)<sup>5</sup>.

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<sup>1</sup> Thermal energy supply system (TESS) means a system formed by interconnecting a source or sources of heat and the heat distribution facilities serving to supply thermal energy for heating, cooling, hot water and technological processes, when operated under license of heat generation and license for the distribution of thermal energy; thermal energy supply systems are established and operated in the public interest.

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<sup>2</sup> In accordance with article 10d, para. 2 of the EU directive 2003/87/ES of the 13th of October 2003 regarding establishment of a scheme for greenhouse gas emissions allowance trading within the Community and amending Council Directive 96/61/EC.

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<sup>3</sup> Municipal waste, industrial waste, solid alternative fuel from municipal waste and waste from other categories, sewage.

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<sup>4</sup> This type of project will not be supported if there is sufficient absorption capacity in other priority projects.

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<sup>5</sup> This type of project will be supported by the HEAT Program after the exhaustion of funds from the Operational Program Enterprise and Innovation for Competitiveness and the National Recovery Plan, through the Recovery and Resilience Facility (RRF).

In general, the emphasis is on supporting the introduction or extension of suitable high-efficiency CHP, including systems to provide partial or full combustion of hydrogen, or other use of hydrogen technologies in TESS.

Energy storage systems may only be supported as part of a comprehensive project addressing measures for heat sources or heat distribution.

## 2.2 Non-priority projects

The basic types of projects supported include:

- Reconstruction or replacement of the heat source in TESS with a change of the fuel base or type of energy to:
  - RES, without high-efficiency CHP;
  - natural gas, including high-efficiency CHP from natural gas;
  - electrical energy without RES (e.g. Electric boiler);
  - waste heat energy.
- Reconstruction or replacement of heat source to natural gas in TESS without changing the fuel base<sup>6</sup>.

Energy storage systems may only be supported as part of a comprehensive project addressing measures for heat sources.

## 3. Allocation of resources

For this program 26% of the total funding of the Modernization fund is allocated. For the regions affected by the decline of 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.)

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<sup>6</sup> This type of project will not be supported if there is sufficient absorption capacity in other priority projects.

## 4. Form and amount of aid

Aid will be provided under a contract with the State Environmental Fund (hereinafter „SEF“) in the form of regularly paid ex post subsidies, i.e. on the basis of documented reimbursed eligible costs (payment request will always be accompanied by copies of invoices and bank statements from accounts or other documents). Due to the nature of projects, aid will be provided within the regime of state aid pursuant to Commission Regulation (EU) no. 651/2014 dated June the 17th, 2014, which is in line with Articles 107 and 108 of the Treaty declaring certain categories of aid compatible with the internal market (hereinafter „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](http://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 40 - Investment aid for high efficiency cogeneration of heat and electricity**

*This aid is applicable only to projects involving the installation of a cogeneration unit.*

Enterprise/ Support (%)	Prague	Other regions
Large enterprise	45	60
Medium enterprise	55	70
Small enterprise	65	80/70*

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

##### **Article 46 - Aid for investment in energy-efficient remote heating and cooling (source)**

*This support is available for all other TESS projects, including complex ones, involving the installation of a cogeneration unit.*

Enterprise/ aid (%)	Prague	Other regions
Large enterprise	45	60
Medium enterprise	55	70
Small enterprise	65	80/70*

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

The above mentioned aid intensities are effective for the duration of the existing regulations for state aid.

##### **Article 46 - Aid for investment in energy-efficient remote heating and cooling (distribution)**

*The amount of the aid intended for the distribution network must not exceed the following percentages of the difference between the amount of eligible costs, and operating profit from investments:*

Enterprise / aid (%)	
Large enterprise	50
Medium enterprise	65
Small enterprise	70

These aid intensities are valid for the duration of the existing regulations for state aid (GBER regional map).

All of the above aid, with the exception of support measures for the distribution of heat in TESS must in determining the eligible costs take into account the so-called counterfactual investment/scenario (without state aid).

The applicant quantifies the cost of counterfactual investment/scenario that could be implemented without aid and is considered less environmentally friendly. These costs are deducted from the cost of the project

and the resulting amount is the eligible costs for calculating the maximum amount of state aid. The percentage of aid intensity will then be applied to these costs according to the relevant GBER, size and location of the company. The applicant may choose a counterfactual investment from the list below that best suits its operational circumstances or technical possibilities.

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

### **4.2.1 According to Article 46 of GBER, TESS projects for reconstruction of energy sources can choose as a counterfactual investment from one of the following options:**

1. Alternative scenario in the form of financial evaluation of maintaining current sources in operation when these costs can be quantified as a regular investment, reinvestment, maintenance or overhaul costs, whichever is applicable. For this purpose the data of previous years is used, as can be the applicant's investment plan. The time period for determining the cost of this alternative is the depreciation period of new resources. To these costs must be added the expense of greening resources under the currently known statutory requirements, if relevant.
2. The second option is the alternative scenario in the form of construction of a natural gas source with the same installed thermal power output (with the same capacity of heat production).
3. The applicant may propose and quantify their own counterfactual investment / alternative scenario according to its own operating conditions. It is recommended with this variant to consult with the State Environmental fund of the Czech Republic prior to application.

### **4.2.2 Separate cogeneration unit installation projects supported under Article 40 of GBER**

If the object of the project is the installation of a cogeneration unit the counterfactual investment shall be calculated as the cost of construction of a gas source with the same installed thermal output (with the same production capacity).

More detail in the document [Analysis of compliance with the rules on state aid](#).



### 4.3 Providing aid in the „de minimis“ mode

For all projects aid can alternatively be provided in accordance with Commission Regulation (EU) no. 1407/2013 of 18th December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union for de minimis aid. Aid levels correspond to the amount determined under section 4, including consideration of counterfactual investment. Aid may be granted to a single enterprise in the maximum amount of EUR 200 000 or EUR 100 000 in the road haulage sector for hire or reward for three consecutive accounting periods (calendar or marketing year). Data on de minimis aid are entered in the de minimis register within the statutory period of 5 working days from their provision. The subsidy provider makes the entry in the register.

## 5. Selection criteria for acceptability of projects / project evaluation

### 5.1 General selection criteria

- The stationary combustion source for which support is requested must be operated in full compliance with Act No. 201/2012 Coll., regarding Air Protection and on Amendments to certain other Acts, as later amended (hereinafter the „Air Protection Act“).
- The project must not be in conflict with the outputs of the program for improving air quality for a particular zone or agglomeration and the National Emission Reduction Program developed in accordance with the Air Protection Act.
- The following projects are not supported:
  - reconstruction, replacement and development of energy sources and heat distribution that are not part of TESS;
  - projects when there is a disconnection from TESS;
  - installation of photovoltaic plants, including associated storage of energy produced<sup>7</sup>;
  - projects focused on the construction of new heat sources, where the implementation does not modernize or replace existing sources.
- Energy storage systems may only be supported as part of a comprehensive project addressing measures for heat sources or heat distribution, and not as a stand alone solution.

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<sup>7</sup> These types of projects will be supported under the program new renewable energy sources (RES +) / Modernisation fund.

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<sup>8</sup> within the meaning of Art. 2. Para. 18 GBER.

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<sup>9</sup> within the meaning of the Act no. 159/2006 Coll., concerning conflict of interest, as amended, including restrictions specified in section 4c of the Act. If the applicant is a legal entity then the application must be accompanied by its ownership structure and the actual owners within the meaning of Act no. 253/2008 Coll., regarding measures against the legalization of proceeds from crime and financing of terrorism, as amended.

- After implementation of the supported project in question (if it is a stationary combustion source) there must be no coal or coal-derived fuels combusted.
- The project implementation period shall not exceed 5 years from the date of approval of the project.
- The project must be implemented in the Czech Republic (hereinafter „CR“).
- The applicant must not be a company in difficulty<sup>8</sup>.
- The applicant must not be in bankruptcy, liquidation, and must not have any overdue liabilities towards the state and public budgets, or outstanding taxes and is not a trading company in a conflict of interest<sup>9</sup>.

## 5.2 Specific selection criteria

### 5.2.1 Reconstruction or replacement of the heat source in TESS with a change of the fuel used or type of energy

- The following are acceptable:
  - transition from hard coal or lignite or other fuels with higher emission factor in tonnes of CO<sub>2</sub> / TJ natural gas or other fuels and energy or waste with a lower emission factor<sup>10</sup> in tonnes of CO<sub>2</sub> /TJ;
  - the transition from natural gas to biomass<sup>11</sup>, biogas or waste.
- The implementation of the project result in a reduction compared to the initial state of:
  - CO<sub>2</sub> by a minimum of 20%;
  - consumption of primary non-renewable energy by a minimum of 10%.
- In the case of the project for waste energy recovery the minimum energy efficiency of equipment must be met according to European Parliament and Council Regulation (EC) no. 98/2008 of 19th November 2008 regarding waste and the repealing of certain directives, and at the same time the so called principle of waste management hierarchy<sup>12</sup> must be adhered to.
- In the case of implementation of a project using biomass fuels it is necessary to comply with the sustainability criteria under Art. 29 of the European Parliament and Council (EU) directive 2018/2001 of 11th December 2018 regarding the support for energy from renewable sources.

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<sup>10</sup> According to Annex VI of Commission Regulation (EU) No 601/2012 of 21st June 2012 regarding the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and Council.

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<sup>11</sup> This type of project will not be supported if there is sufficient absorption capacity in other higher priority projects.

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<sup>12</sup> according to the Act no. 541/2020 Coll., regarding waste.

- In the case of implementation of a project using biomass fuels, as a transition from natural gas, they are defined by the following conditions:
  - projects for stationary combustion sources covered by the European Parliament and Council (EU) Directive 2015/2193 of 25th November 2015 on the limitation of emissions of certain pollutants into the air from secondary combustion devices will be supported only if they are guaranteed to meet 80 % of the emission limit values for emissions of particulate pollutant matter as defined by Decree no. 415/2012 Coll. regarding the discovery of and allowable level of pollution and implementation of certain other provisions of the Air Protection Act, for sources put into operation on December 20th, 2018 or later;
  - projects for stationary combustion sources covered by the directive of the European Parliament and Council Directive 2010/75/EU of 24th November 2010 regarding industrial emissions (integrated pollution prevention and control) will be supported only if they guarantee reaching lower (and therefore the most ambitious) mid-range values according to the conclusions on best available techniques (ZBAT) for particulate pollutant matter;
  - do not result in an increase in emissions of NO<sub>x</sub> per unit of fuel energy compared to the original state;
  - the project cannot be supported in the administrative area where, according to current maps of the five-year rolling averages compiled by the Czech Hydro meteorological Institute (in accordance with paragraph. 5 and 6, section 11 of the Air Protection Act), where any of the emission limits set out in paragraph 1 of Appendix No. . 1 air protection Act for PM<sub>10</sub> or PM<sub>2,5</sub> were exceeded.

#### **5.2.2 Reconstruction or replacement of the heat source to natural gas in TESS without changing the fuel base**

- The implementation of the project must result in a reduction compared to the initial state of:
  - CO<sub>2</sub> emissions by a minimum of 10%;
  - consumption of primary non-renewable energy by a minimum of 10%.

### 5.2.3 Reconstruction or replacement of heat sources in TESS in the form of waste heat energy recovery:

- The implementation of the project must result in a reduction compared to the initial state of:
  - CO<sub>2</sub> emissions by a minimum of 15%;
  - consumption of primary non-renewable energy by a minimum of 15 %.

### 5.2.4 Reconstruction or construction of new heat distribution within TESS:

- In the case of reconstruction of heat distribution within TESS there must be a reduction compared to the initial state of:
  - CO<sub>2</sub> emissions by a minimum of 20%;
  - consumption of primary non-renewable energy by a minimum of 20 %.
- In the case of construction of new heat distribution within TESS there must be a reduction compared to the initial state of:
  - CO<sub>2</sub> emissions by a minimum of 10%;
  - consumption of primary non-renewable energy by a minimum of 10 %.
- If as part of TESS sources hard coal or lignite or other fuels are combusted with higher emission factor in tons of CO<sub>2</sub> / TJ, the measures for distribution, including new construction, are eligible only if the applicant ensures the commencement of implementation of measures (concluding a contract for work) associated with the change of fuel used in accordance with the technical rules of the program by the end of 2030 and ensures the completion of the project changes in fuel base by the end of the year 2035.

## 6. Eligibility of expenditure

### 6.1 General conditions of eligibility of expenditure

Aid may only be granted for eligible expenditures that meet all the following conditions:

- They are in accordance with CR and EU legislation;
- They are in accordance with the program, the appropriate demands and methodological instructions provided;
- They are incurred in accordance with Rule 3E (economy, efficiency, effectiveness)<sup>13</sup>;
- They are in accordance with the terms of the relevant GBERT article;
- They are reasonable, i.e. correspond to the usual prices at the usual place and time;
- They are properly identifiable, verifiable and provable;
- They are directly and exclusively linked to the implementation of the project, created at the time of its implementation, and are part of its budget;
- They are eligible, if costs incurred after the submission of the application.

### 6.2 Specific conditions of eligibility of expenditure

Among the basic eligible costs associated with the investment are particularly:

#### 6.2.1 Direct implementation expenses

These are the expenses for works, supplies and services directly related to the subject of aid, which contribute to the objectives of the project concerned.

In the case of the Design & Build (& Operate) mode, expenditures on related project documentation can also be included in direct implementation expenditures.

#### 6.2.2 Activities of a technical expert, author supervision, health and safety

These are the expenses of specialist technical or author's supervision and safety at work on the construction site (health and safety coordinator), of which up to a maximum of 3% of the direct costs of the project may be considered eligible.

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<sup>13</sup> According to points m) n) o) § 2 of the Act no. 320/2001 Coll., regarding financial control in public administration and amendments to certain laws, as later amended.

### 6.2.3 Additional work

Additional work is considered works, supplies and/or services that are not included in the scope of work under the contract, but the contractor with the client subsequently agreed to implement them after concluding the contract of work.

Extra work can be considered as eligible only if there are verifiable objective grounds to the implementation of additional work necessary to complete the project and meet its objectives and parameters. At the same time it is necessary to comply with rules on awarding of public tenders pursuant to Act no. 134/2016 Coll., regarding public tenders, as amended.

To eligible expenses may be included only extra work corresponding to the maximum amount of eligible work under the given contract for work on the same project.

### 6.2.4 Promotional measures

Eligible costs of the project are considered expenditures for promotional measures, which have been incurred in direct relation to the project and in relation to the requirements to ensure the promotion, set out in the call and in accordance with the [Graphic manual for projects financed from the Modernisation fund](#).

### 6.2.5 Value-added tax

Value Added Tax (hereinafter „VAT“) can be considered eligible only for beneficiaries who are not able to claim a deduction of value added tax on input in terms of Act no. 235/2004 Coll., regarding Value Added Tax, as amended. Where entitlement to a refund of the VAT occurs later, the beneficiary shall return the relevant aid, regardless of whether the right to this claim of a refund is asserted before the financial administration authorities or not.

Eligible VAT applies only to transactions which are themselves considered eligible. In the event that the performance is eligible only in part, then the VAT relating to this performance is eligible from the same aliquot part.



### 6.2.6 Receivables

In the event that there is an offset of receivables/obligations between the aid recipient and the contractor (payment of invoice is not fully documented by a bank statement), it is always necessary to submit a written contract/agreement on the offsetting of mutual fulfilment of the same kind (assets and liabilities) arising from the contractual relationship between the invoice recipient and the invoicing contractor, signed by the recipient and the contractor. This two-way mutual agreement must be concluded in accordance with the Civil Code. The agreement must state the contracting parties, project identification and invoice(s) (if variable symbol differs in comparison to the invoice number, then it is appropriate to list the variable symbol), the amounts and currencies set off against each other, the date of signature of the contracting parties and the signatures of both contracting parties.

### 6.3 Ineligible expenditure

Aid cannot be provided for:

- Measures which do not adhere to the focus of the program and the requirements of the relevant call;
- The purchase of second-hand equipment;
- Expenditure on design documentation and design activities (except for Design & Build (& Operate) mode according to Chapter 6.2.1);
- Acquisition of immovable property;
- Charges for removal of land from the agricultural land fund or land intended to perform forestry functions and the establishment of other services;
- Tax - VAT (except pursuant to Art. 6.2.5), direct tax, gift and inheritance tax, property tax, real estate transfer tax, road tax, duty;
- Expenditures to ensure relevant opinions;
- Induced investments which are not connected directly and solely with the purpose of the project;
- Repayment of loans, interest;
- Additional work over the amount of eligible work;
- Management fees (e.g.. notary fees, land registry fees, fees for issuing building permits, fees for discharging waste water into surface waters);
- Budget reserve;
- Salaries and other personnel expenses, overheads and operating expenses.

## 7. Added benefits of the project and reporting indicators

Within the implemented projects, both mandatory indicators which set the minimum requirements for the benefits of the project, as well as the so-called monitored indicators will be observed and evaluated.

**Mandatory indicators** that are part of the application for aid will be subject to a contractual obligation to help monitor and measure the achievement of outputs of the project itself. Implementation of mandatory indicators is under the direct control of the project and they must be reached within a predetermined time frame. If the target values for the project of the relevant mandatory indicators are not met, a correction of up to 100% may be applied (depending on the degree of non-fulfilment).

**Monitored indicators** are not mandatory but are useful for monitoring the outputs of the project in terms of its contribution to national strategic objectives.

## 7.1 Mandatory (obligatory) project indicators

Mandatory indicators are chosen according to the type of project, the values of which must be documented at least once during the sustainability of the project by an energy assessment:

List of mandatory indicators (unit)	Description of indicator
Reduction in energy consumption [GJ/year]	Reduction of primary energy consumption in connection with the implementation of the project in GJ per year.
Reduction in non-renewable energy consumption [GJ/year]	Reduction in non-renewable energy consumption in connection with the implementation of the project in GJ per year.
Reduction of CO <sub>2</sub> Emissions [TCO <sub>2</sub> /year]	Reduction of CO <sub>2</sub> emissions in connection with the implementation of the project in tons of carbon dioxide.
Newly installed thermal power RES [MWt]	Thermal power source newly implemented RES in MWt.
Newly installed thermal power sources for waste energy recovery [MWt]	Thermal power source newly implemented for waste energy recovery RES in MWt.
Newly installed electrical power RES [MWe]	Electrical power source newly implemented RES in MWt.
Newly installed electrical power sources for waste energy recovery [MWt]	Electrical power source newly implemented for waste energy recovery RES in MWt.
Production of heat from RES [GJ/year]	Amount of heat energy produced from RES in GJ per year.
Production of heat from waste [GJ/year]	Amount of heat energy produced from waste in GJ per year.
Production of electricity from RES (without CHP) [MWh/year]	Amount of electricity energy produced from RES (without CHP) in MWh per year.
Production of electricity from waste [MWh/year]	Amount of electricity energy produced from waste in MWh per year
Production of electricity from CHP [MWh/year]	The volume of new electricity produced from CHP in MWh per year
Production of electricity from CHP from RES [MWh/year]	The volume of new electricity produced from CHP from RES in MWh per year.
Reconstructed heat distribution [km]	Length of reconstructed heat distribution in km for a given TESS.
The newly implemented heat distribution [km]	Length of reconstructed heat distribution in km for a given TESS.

## 7.2 Monitored (non-binding) project indicators

As non-binding indicators the following are monitored and reported within the supported projects:

List of monitored indicators (unit)	Description of indicator
The amount of emissions avoided TSL [t/year]	Reduction in emissions of particulate matter (PM) from stationary sources of air pollution.
The amount of emissions avoided PM <sub>10</sub> [t/year]	Reduction in emissions of suspended particles PM <sub>10</sub> from stationary sources of air pollution.
The amount of emissions avoided PM <sub>2,5</sub> [t/year]	Reduction in emissions of suspended particles PM <sub>2,5</sub> from stationary sources of air pollution.
The amount of emissions avoided SO <sub>2</sub> [t/year]	Reduction in emissions of sulphur dioxide (SO <sub>2</sub> ) from stationary sources of air pollution.
The amount of emissions avoided NO <sub>x</sub> [t/year]	Reduction in emissions of nitrogen oxides (NO <sub>x</sub> ) from stationary sources of air pollution.
The amount of emissions avoided VOC [t/year]	Reduction in emissions of volatile organic compounds (VOC) from stationary sources of air pollution.
The amount of emissions avoided NH <sub>3</sub> [t/year]	Reduction in emissions of ammonia (NH <sub>3</sub> ) from stationary sources of air pollution.
The amount of emissions avoided PAH [t/year]	Reduction in emissions of polycyclic aromatic hydrocarbons (PAH) from stationary sources of air pollution.

## 8. Basic technical and economic annexes to the application

- **Feasibility study of the construction and/or technological solutions** (According to the published sample) or **Project documentation at the level for building permission** (For relevant projects) or **higher degree of project documentation** including itemized budget, or in the case of application of FIDIC P&DB (Yellow Book) technical report with technical descriptions and framework budget - at this stage of preparation which will enable assessment of the measure and the assessment of the possibility of providing support for its implementation, interim and final inspections from a material, economic and environmental point of view, if it is relevant for the given project. The structure and breakdown of the budget will correspond (if the submitted level of technical documentation allows) to the current itemized budget, i.e. division into construction objects and operational files according to the text part of the project documentation (study).
- **Emissions assessment** (According to the published sample) with evaluation of the project in terms of pollutant emissions processed by a legal entity or physical person which the Ministry of Environment issued pursuant to section 32 of Act no. 201/2012 Coll., regarding air protection, as amended, authorizing the processing of an expert opinion.
- **Energy assessment** processed at the time of application in accordance with applicable implementation regulations within the scope of Act no. 406/2000 Coll., on energy management, as amended (hereinafter the „Energy act“), by an energy specialist with the appropriate authorization in accordance with the Law on energy management.
- **Analysis of compliance with the rules on state aid** (According to the published sample).
- Documents proving the resolution of the property rights of the applicant to the real estate, minimally for the sustainability period of the project (according to chapter 9.2).
- **Economic annex for the evaluation of a firm in difficulty** given in [SEF guideline for the evaluation of a company in difficulty](#) (Applies to applicants covered by public support with the exception of de minimis aid).

List of annexes needed to implement the technical and economic evaluation beyond the above, it can be specified in the relevant call for applications for aid.

## 9. Legal regime of the object of aid

### 9.1 Legal relationship to the object of aid and operation

Aid is provided to the applicant if the applicant is, or after the completion of the project becomes, the owner of the subject of support, unless stated otherwise in the text or in a legal act. For this purpose, the owner is considered the operator of the object of support pursuant to law or respectively has the right to manage it (e.g. subsidized organizations, state enterprises).

If this does not exclude the nature of the project, the beneficiary may also be the tenant of the subject of aid, eventually authorized to implement the project and ensure its sustainability. From the rental agreement it must be clear that the owner agrees to allow the implementation of the project and comply with conditions set out below regarding sustainability of the project. In the case of things acquired with the requested aid that are not part of the real estate (buildings, possibly land) where they are located, it is permissible that the applicant be the tenant of the property in question.

The aid recipient shall ensure **sustainability of the project for 10 years**<sup>14</sup> from its end<sup>15</sup>. Compliance with the obligation of sustainability may be subject to control by the SEF of the CR and other relevant institutions. In the case of an infringement of sustainability obligations, the beneficiary in some circumstances may be ordered to repay the aid in part or full.

Aid recipients are then obliged to leave the subject of support in their possession for at least the period of sustainability, i.e. 10 years (unless the legal act provides otherwise or if it is not a legal status according to chap. 9.2.). For this purpose, the owner is considered the operator of the subject of support pursuant to law or respectively has the right to manage it (e.g. subsidized organizations, state enterprises).

If the subject of support is co-owned, then all co-owners must be eligible recipients. One of the co-owners then acts as the applicant, proving consent of the other co-owners of the project implementation, including statements about allowing preservation of the achievements of the project for at least 10 years (or for the period specified for that type of project) after its completion.

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<sup>14</sup> outside the special legal situations consisting of extraordinary, unforeseeable, unavoidable and accidental events (for example a force majeure)

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<sup>15</sup> project completion means the date of putting the building into continuous operation, in accordance with Act no. 183/2006 Coll., regarding land use planning and Building regulations (Building Act), as amended (the occupancy permit, proof of address submitted to building authority or written agreement that the building can be used)



In cases that are not clearly set out in the above conditions, the SEF of the CR assesses the admissibility of the applicant's legal relationship to the subject of support.

## **9.2 Legal status of the object of aid**

The subject of aid may not be legally burdened without the knowledge of the SEF of the CR, especially in the form of liens and encumbrances, for which the exercise of rights derived from them may jeopardize the implementation or performance of the purpose of the subject of aid, including ownership rights of the aid recipient, except:

- property that is encumbered by a lien or statutory lien established to ensure fulfilment of obligations in subsidy provision from the state budget, etc.;
- construction of utility networks on land;

The aid recipient is obliged to always inform the SEF of the CR about the legal burden of the subject of support for the period of sustainability (see Chapter 9.1), which will assess the nature of the legal burden and possibly assess the economic health of the aid recipient and determine the next steps. The SEF of the CR has the right to request the necessary documents for the assessment.

## 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 intention

Before the announcement of the call for applications for support, the SEF of the CR may announce the so-called Pre-registration call for submission of project intentions. Data obtained from these project intentions will be used for better targeting of aid, its distribution in good time and also opens the possibility for applicants to consult on upcoming projects before submitting a full application for aid.

Project plans and information on planned investments will be accepted through the agenda information system of the SEF of the CR and no additional mandatory annexes will be required.

#### 10.1.2 Announcements of calls for proposals from the Program

The call, in full written form, including related documentation, will be published on the SEF of the CR website no later than the date of the call and will contain all details and conditions for the provision of aid.

With regard to paragraph 3, section 12 of Act 1/2020 Coll., which amends Act no. 383/2012 Coll., on conditions for trading in emission allowances for greenhouse gases, as later amended, and Act no. 458/2000 Coll., on business conditions and public administration in the energy sectors and amendments to certain laws (The Energy Act), as later amended, the call will include a priority amount of allocation set at 30% for the regions affected by the decline of coal mining (Moravskoslezský, Ústecký and Karlovarský regions)<sup>16</sup>.

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

#### 10.1.3 Assessment and Evaluation of applications

After submission, applications are checked for formalities and conditions of acceptability, set by the Program and the call, which in the case of their non-compliance are of an exclusionary character.

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<sup>16</sup> in case of insufficient absorption capacity of projects in regions affected by the decline of coal mining, the priority separate allocation may be reduced in favour of projects in other regions.

Together with the evaluation of the acceptability of the project, the applicant is also assessed from the point of view of fulfilling the exclusionary conditions, the so-called company in difficulty, according to Article 2, point 18 of GBER (if relevant) The procedure for evaluation of a company in difficulty can be found in the [SEF of the CR guidelines for the evaluation of a company in difficulty](#).

Projects funded in the Energy performance contracting mode (hereinafter „EPC“) will be assessed from the perspective of the applicant ensuring it has its own sufficient resources to implement the project. The applicant states that it intends to finance the project in the EPC mode in the aid application.

#### 10.1.4 Selection of projects for funding:

After meeting the formal requirements, eligibility conditions and economic evaluation of the applicant, the project proceeds to the selection process for project funding. In the case of ongoing calls, the positively evaluated applications are sorted according to the date of registration of the application and the size and type of the project is decisive for the further steps of project selection, whereby:

a) [Projects below the limit set by the GBER](#)

Applications submitted under announced calls that do not reach the GBER threshold will be evaluated and approved on an ongoing basis after the submission of the application for aid or within the time frame set in the text of the call. For obtaining aid it is crucial to meet the objectives of the call, the acceptability criteria (see Chapter 5) and the other formalities laid down in the call.

b) [Projects above the limit set by the GBER](#)

Applications submitted under the call for proposals which exceed the thresholds of GBER (according to chapter 4) will be individually submitted for review by the European Investment Bank and the Commission Decision<sup>17</sup>. Individual submitted applications must have a decision of the European Commission on state aid issued before they can be put forward for assessment. More information on the submission of projects, their selection and financing, will be listed in the call, while the individual application must also always meet the objectives of the call, the eligibility criteria (see Chapter 5) and other requirements laid down in the call.

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<sup>17</sup> According to Art. 6 and 7 Implementing Commission Regulation (EU) 2020/1001 of 9th July 2020 laying down detailed rules for the implementation of European Parliament and Council Directive 2003/87/EC as regards the functioning of the Modernisation fund to support investments to modernize energy systems and energy efficiency improvements of selected Member States.

A specific financial and at the same time economic analysis (cost-benefit analysis, so-called CBA) may be required for these projects, in the form of an annex, which demonstrates the need to co-finance the project and assess the sustainability of the project..

The list of assessed projects submitted to be discussed by the Council of the SEF of the CR and the subsequent decision of the Minister of Environment.

### **10.2 Contract for the provision of funds from the Modernisation Fund**

The contract for the provision of funds from the Modernisation fund as part of the Program forms an annex to the call and is signed between the SEF of the CR and the aid recipient after the decision of the Minister of Environment to provide funds from the SEF of the CR (hereinafter the „Decision“). The contract contains the maximum amount of financial aid provided, specifies the purpose and objectives of the supported project, the rights and obligations of both contracting parties and other conditions for granting the aid, including any financial corrections and adjustments.

### **10.3 Public tenders under the project**

The conditions for the implementation of contracts implemented within the supported project are set out in the call. In the case of public procurement, the rules are governed by a separate document Instructions for awarding contracts for programs co-financed from the SEF CR budget, which is available on the official SEF CR website.

Rules for the implementation of public tenders realized within the supported project are governed by a separate document [SEF CR guidelines for awarding public tenders in the implementation of the Modernisation fund](#) which is available on the official website of the SEF of the CR.

## 10.4 Monitoring the implementation phase and final evaluation of the project

### 10.4.1 Monitoring of the project

Project implementation and progress is monitored and approved by the SEF of the CR through interim payment requests and verifying their accuracy and relevance, including verification of the technical realization of the conditions laid down in the contract and the call of the program. At the end of each calendar year of implementation of the project the aid recipient provides a **Continuous monitoring report** through the agenda information system that contains information about the material and financial performance for the past calendar year.

### 10.4.2 Completion and final evaluation of the project

Aid recipients are required to submit, through the agenda information system of the SEF of the CR, within 6 months from the transmission of construction to permanent operation, documentation proving permission of use of the building for permanent operation<sup>18</sup> and all financial, material and other facts proving the fulfilment of indicators and conditions stipulated in the contract about provision of subsidies (e.g.. documents proving the fulfilment of specific conditions and compliance with energy or emission assessment). On the basis of these documents the SEF of the CR conducts a **Final evaluation of the project**.

### 10.4.3 Verification of project implementation and control activities

Applicants and recipients of aid are obliged to allow operators carrying out verification and control activities, access to the building, which the supported measure was, is or will be implemented, and to provide all necessary assistance for the proper fulfilment of the purpose of verification and control. Verification activities of the SEF of the CR are done on the basis of Act no. 255/2012 Coll., regarding control (control rules), as amended, and Act no. 320/2001 Coll., On financial control in public administration and amending certain laws ( financial control act), as later amended.

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<sup>18</sup> in accordance with Act No. 183/2006 Coll., on land use planning and Building Regulations (Building Act), as amended (building approval, documentation of the building authority, or written consent that the building can be used)

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**Programme for the provision of support  
from the Modernisation Fund**

# **Modernization of thermal energy supply systems (HEAT)**

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