

20 June, 2016

To: The Ministers of Environment, Council of Ministers

Subject: ETS Modernisation Fund

The ETS Modernisation Fund: Catalysing a locally-driven energy transition in Central and Eastern Europe

We welcome the proposal to establish a Modernisation Fund which, if designed correctly, can deliver the energy system transformation required to meet the obligations of the EU's 2030 targets, the Paris Agreement as well as the employment-rich investment across the low-income Member States.

To achieve this, the Modernisation Fund must be designed along the following principles:

- **Focused and measurable criteria:** Modernisation is a vague concept open to financing current or new fossil fuel capacity. Therefore, it must have specific and measurable criteria, which are the phasing out of fossil fuels, achieving substantial energy savings, energy generation built on sustainable renewables and alleviation of energy poverty.
- **Operational structure:** Beneficiary countries should be required to adopt national legislation covering at least 2021-2030, aligned to the 2050 targets of the Paris Agreement, on clean renewables, energy savings and phasing out fossil fuel capacity investments in order to access the Modernisation Fund.
- **Incorporate small-scale, decentralised renewable energy solutions, bundling energy efficiency projects and local climate and energy action plans:** This applies especially to Sustainable Energy Action Plans (SEAPs) developed by local and regional authorities in the framework of the Covenant of Mayors. These are the most employment-rich means of investment and will help boost regional sustainable development. It shall be ensured in the Modernisation Fund that a substantial portion of the funds is earmarked for such local and regional projects.
- **Streamlining the administrative structure:** The fund can be implemented via the existing Cohesion Policy implementation bodies; i.e. approval of investment plans and eligibility of measures by the European Commission (DG Regio); and implementation of measures with national and regional managing authorities. DG Regio shall also be responsible for monitoring the investments and ensure that these are in line with Priority 4 (low-carbon economy) of Cohesion Policy. Furthermore, Article 10c should be deleted and all allowances placed in the Modernisation Fund.
- **Transparency and accountability:** All information on the Fund should be publicly available (with an official English translation) on a dedicated website, including the applications, decisions, project

documentation and monitoring reports. Investment policy and the adoption of project selection criteria must be produced subject to public consultation, which includes civil society and local and regional authorities.

We would welcome the opportunity to meet with you and discuss more in details our proposals and look forward to hearing from you.

Yours sincerely,

CEE Bankwatch Network

Counter Balance

Change Partnership

Energy Cities