

**24 June 2024**

**Positive preliminary assessment of the satisfactory fulfilment of milestone 133 related to the second payment request submitted by Romania on 16 December 2022, transmitted to the Economic and Financial Committee by the European Commission.**

### **Executive summary**

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 16 December 2022, Romania submitted a request for payment for the second instalment of the non-repayable support and the second instalment of the loan support. The payment request was accompanied by the required management declaration and summary of audits.

On 21 September 2023, the Commission authorised a disbursement for the satisfactory fulfilment of milestones and targets of the second instalment of the non-repayable support and the second instalment of the loan support, as set out in Section 2.1.2. and Section 2.2.2. of the Council Implementing Decision of 29 October 2021 on the approval of the assessment of the recovery and resilience plan for Romania<sup>1</sup>. On that date, the Commission also partially suspended an amount from the disbursement of the second instalment of the loan support<sup>2</sup> in relation to milestones 129 and 133. Milestone 129 concerns the signature of contracts for the construction of new electrolyzers capacity, and milestone 133 concerns the signature of contracts for the construction or retrofitting of high-efficient gas cogeneration in district heating as defined in Directive 2010/31/EU.

On 20 March 2024, Romania presented additional justifications to demonstrate that the necessary measures for the satisfactory fulfilment of milestones 129 and 133 had been taken and officially requested the Commission to reconsider their satisfactory fulfilment. Upon receipt of the additional justifications, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones. For the purpose of this assessment, the operational arrangements concluded between the Commission and Romania<sup>3</sup> in accordance with Article 20(6) of Regulation (EU) 2021/241 were taken into account. Based on the information provided by Romania, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of milestone 133.

By the transmission of the positive preliminary assessment of milestone 133 and in accordance with Article 24(4) of Regulation (EU) 2021/241, the Commission asks for the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones and targets.

On milestone 129, the Commission has concluded that, despite progress made, it has not been satisfactorily fulfilled and will therefore proceed in accordance with Article 24(8) of Regulation (EU) 2021/241.

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<sup>1</sup> ST 12319/21 and ST 12319/21 ADD1, as amended by ST 15833 2023 INIT and ST 15833 2023 ADD 1, not yet published.

<sup>2</sup> Commission Implementing Decision on the partial suspension of the disbursement of the second instalment of the loan support for Romania of 21 September 2023.

<sup>3</sup> Recovery and Resilience Facility Operational arrangements between the European Commission and Romania, entered into force on 25 May 2022 as amended on 8 April 2024.

### Preliminary Assessment fiche

<b>Number: 133</b>	<b>Related Measure:</b> Development of flexible and high-efficient gas-fired combined heat and power generation (CHP) in district heating to achieve deep decarbonisation	
<b>Name of the Milestone:</b> Signature of contracts for high-efficient gas cogeneration and district heating projects		
<b>Qualitative Indicator:</b> Signature of contracts		<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>Milestone #133 is part of investment C6.I3, which aims to contribute to addressing Romania’s challenges in the transition away from coal and lignite energy sources, in particular by ensuring the provision of heat to consumers in the context of the phasing out of coal-fired power and heat production. The investment aims to install at least 300 MW of electricity production capacity by future-proof, flexible and high-efficient gas-fired combined heat and power plants enabled for the use of renewable and low-carbon gases.</p> <p>Milestone #133 is the first step in the implementation of this investment. It is followed by target #134 consisting in the commissioning of 300 MW of high-efficient combined heat and power in district heating by Q2 2026. Investment C6.I3 has an expected date for full implementation in Q2 2026.</p>		
<p><b>Evidence provided:</b></p> <p>The following evidence was provided:</p> <ul style="list-style-type: none"> <li>i) Cover note duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.</li> <li>ii) Copy of Ministerial Order No. 660/2022 published on the website of the Ministry of Energy on 30 June 2022 announcing the opening of the call for applications and adopting the scheme for financial support. The Ministerial Order includes the applicants’ guidelines.</li> <li>iii) Copy of Ministerial Order No. 803/2022 published on the website of the Ministry of Energy on 8 August 2022 postponing the deadline for applications.</li> <li>iv) Copy of Ministerial Order No. 919/2022 published on the website of the Ministry of Energy on 12 September 2022 further postponing the deadline for applications.</li> <li>v) Copy of Ministerial Order No. 946/2022 published on the website of the Ministry of Energy on 26 September 2022 amending the applicants’ guidelines, in particular the process of evaluation and selection.</li> <li>vi) Copy of Contract No. 1 of 14 December 2022 signed with the Municipality of Constanta and its annexes (hereinafter referred to as ‘contract No.1’).</li> <li>vii) Copy of Contract No. 3 of 26 January 2023 signed with the Municipality of Arad and its annexes (hereinafter referred to as ‘contract No.3’).</li> <li>viii) Copy of Law No. 334/2022 for the approval of the Government Emergency Ordinance no. 108/2022 regarding the decarbonisation of the energy sector, further amended and supplemented, published in the Official Journal No. 1163 on 5 December 2022/</li> </ul>		
<p><b>Analysis:</b></p> <p>The justification and substantiating evidence provided by the Romanian authorities cover all constitutive elements of the milestone.</p>		

**Signature of contracts for the construction or retrofitting of high-efficient gas cogeneration in district heating as defined in Directive 2010/31/EU.**

Romania has submitted as evidence two contracts for the construction or retrofitting of electricity production capacity in future-proof, flexible and high-efficient gas-fired combined heat and power ('CHP'): contract No. 1 with the municipality of Constanta ('UAT Constanta'), for the construction of a CHP plant with an installed capacity of 52 MW<sub>electricity</sub> and 45 MW<sub>thermal</sub>; and contract No. 3 with the Municipality of Arad ('UAT Arad') for the construction of a CHP plant with an installed capacity of 31.2 MW<sub>electricity</sub> and 26.7 MW<sub>thermal</sub>.

The evidence provided for the contracts, including the applications as binding annexes to the contracts, shows that each contract: (i) was signed by a representative of the Ministry of Energy and a representative of the respective local public authority (i.e. UAT Constanta and UAT Arad); (ii) specifies the subject of the funding, namely the construction of electricity production capacity in high-efficient CHPs in district heating; and (iii) includes a provision laying down that the signatories must observe the terms of reference of the relevant call for applications established respectively via Ministerial Order No. 660 of 30 June 2022.

The contract concluded with UAT Constanta includes a disbursement clause. Specifically, this relates to the encumbrance on the land for the construction of the CHP. The State lifted this encumbrance and the land was transferred to the public ownership of the municipality. Therefore, while the condition precedent in the contract has not been repealed, the disbursement clause was rendered immaterial. The two contracts submitted as evidence do not lead to the installation of at least 300 MW electricity production capacity, however, this capacity target will on be assessed in a subsequent payment request. Romania is encouraged to take steps toward the achievement of the targeted capacity.

**The selection criteria shall ensure compliance with the "do no significant harm" Technical Guidance (2021/C58/01), in particular the conditions set out in Annex III.**

The contracts provide that the CHPs will have a minimum annual overall efficiency set at 88 %, emissions ceiling of 250g CO<sub>2</sub> eq/KWh during their economic life and will be hydrogen ready (up to 20 %) for the transition to use of low carbon gases (like green hydrogen) once available. Thereby, compliance with the 'do no significant harm' is ensured in line with the conditions set out in Annex III to the Technical guidance on the application of "do no significant harm" under the Recovery and Resilience Facility Regulation, setting out specific conditions for compliance with the climate change mitigation objective of DNSH under the RRF for measures related to natural gas-based power and/or heat generation.

**The investments shall replace at least the same capacity of significantly more carbon-intensive power plant and/or heat generation facility (such as coal, lignite or oil), leading to a decrease in GHG emissions.**

Romania already enacted the Decarbonisation Law (Law No. 334/2022 on the decarbonisation of the energy sector, further amended and supplemented), which provides that by 2032 at the latest, a total coal- and lignite-fired installed production capacity of 4 920 MW is decommissioned, out of which 3 780 MW is to be decommissioned by the end of 2025. To date, as mentioned in the cover note, Romania has already decommissioned 2 025 MW of coal- and lignite-fired installed production capacity, that is significantly more carbon-intensive power plants and/or heat generation facilities than the new CHPs.

**Commission Preliminary Assessment: Satisfactorily fulfilled**