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| **Component 2.3: TRANSITION TO CLEANER ENERGY SOURCES** | |
| **Investment/ reform CID reference** | **Reform 1** |
| **Investment/ reform name** | **Modernisation of distribution of heat in district heating systems** |
| **Type of change compared to CID** | [modified] |
| **Legal base of the change (select at least one)** | Article 14(2) – loan request  Article 18(2) – update of the maximum financial contribution  Article 21 – amendment due to objective circumstances  Article 21a – REPowerEU non-repayable financial support (ETS revenue)  Article 21b (2) – BAR transfers  ☐ None of the above, correction of clerical error |
| **Elements modified (only for modified measures)** | Component / Measure description  Milestones and targets  Estimated cost  Green and digital tagging (potentially relevant, because there is a substantive change to the underlying measure)  DNSH self-assessment |

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| **Reform 1: Modernisation of distribution of heat in district heating system – Milestone 110** | | |
| *Description and justification of the change* | | |
| **Modified elements** | **Current version** | **Amended version** |
| ***Component and / or measure description*** | *This measure aims at decarbonising district heating, in particular by increasing energy efficiency, switching from coal combustion to renewable energy sources, the combustion of natural gas, biomass and waste, and decreasing greenhouse gas emissions and pollutants.*  *An assessment of the path towards decarbonisation of district heating in Czechia shall be carried out and published. This assessment shall guide the investments financed under this component of the Czech recovery and resilience plan.*  *The reform shall be implemented by 30 September 2022.* | *This measure aims at decarbonising district heating, in particular by increasing energy efficiency, switching from coal combustion to renewable energy sources, the combustion of natural gas, biomass and waste, and decreasing greenhouse gas emissions and pollutants.*  *An assessment of the path towards decarbonisation of district heating in Czechia shall be carried out and published. This assessment shall guide the investments financed under this component of the Czech recovery and resilience plan.*  *The reform shall be implemented by 31 December 2023.* |
| ***Milestones and targets*** | *Assessment of the path towards decarbonisation of district heating in Czechia compliant with EU legal requirements including the requirements contained in the Guidance ‘Do no significant harm’ Technical Guidance (2021/C58/01) shall be carried out and published by the Ministry of Industry and Trade.*  *This assessment shall guide investments financed under this component of the Czech recovery and resilience plan as well as investment in the field of decarbonisation of district heating financed by other EU funds or national sources in full compliance with the legal requirements including on do not significant harm.*  *Timeline for completion: Q3/2022* | *No change*  *Timeline for completion:* ***Q4/2023*** |
| ***Estimated cost*** | *No change* | *No change* |
| ***Green and digital tagging*** | *No change* | *No change* |
| ***DNSH self-assessment*** | *No change* | *No change* |

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| **Component 2.3: TRANSITION TO CLEANER ENERGY SOURCES** | |
| **Investment/ reform CID reference** | **Reform 2** |
| **Investment/ reform name** | **Modernisation of distribution of heat in district heating systems** |
| **Type of change compared to CID** | [modified] |
| **Legal base of the change (select at least one)** | Article 14(2) – loan request  Article 18(2) – update of the maximum financial contribution  Article 21 – amendment due to objective circumstances  Article 21a – REPowerEU non-repayable financial support (ETS revenue)  Article 21b (2) – BAR transfers  ☐ None of the above, correction of clerical error |
| **Elements modified (only for modified measures)** | Component / Measure description  Milestones and targets  Estimated cost  Green and digital tagging (potentially relevant, because there is a substantive change to the underlying measure)  DNSH self-assessment |

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| **Reform 2: Modernisation of distribution of heat in district heating system – Milestone 111** | | |
| *Description and justification of the change* | | |
| **Modified elements** | **Current version** | **Amended version** |
| ***Component and / or measure description*** | *This measure aims at promoting biomass investment based on biomass waste and residues that can be extracted in a sustainable manner, with accompanying emission-reducing measures.*  *An assessment of the trajectories of sustainable use of bioenergy and supply of biomass in Czechia and its impacts on Land Use, Land-Use Change and Forestry sinks and biodiversity as well as its impact on air quality for the period 2020-2030 shall be published. This assessment shall guide bioenergy investments financed under components 2.2, 2.3 and 2.5 of the Czech recovery and resilience plan.*  *The reform shall be implemented by 31 December 2022.* | *This measure aims at promoting biomass investment based on biomass waste and residues that can be extracted in a sustainable manner, with accompanying emission-reducing measures.*  *An assessment of the trajectories of sustainable use of bioenergy and supply of biomass in Czechia and its impacts on Land Use, Land-Use Change and Forestry sinks and biodiversity as well as its impact on air quality for the period 2020-2030 shall be published. This assessment shall guide bioenergy investments financed under components 2.2, 2.3 and 2.5 of the Czech recovery and resilience plan.*  *The reform shall be implemented by 31 December 2023.* |
| ***Milestones and targets*** | *Assessment of the trajectories of sustainable use of bioenergy and supply of biomass in Czechia and its impacts on the Land Use, Land-Use Change and Forestry sinks and biodiversity as well as impact on air quality for period 2020-2030, compliant with EU legal requirements including the requirements included in the Guidance ‘Do no significant harm’ Technical Guidance (2021/C58/01), shall be carried out and published by the Ministry of Environment in cooperation with the Ministry of Industry and Trade and the Ministry of Agriculture.*  *This assessment shall guide bioenergy investments financed under components 2.2, 2.3 and 2.5 of the Czech recovery and resilience plan as well as bioenergy investment in the fields of energy, transport, environment, climate change, forestry or agriculture financed by other EU funds or national sources in full compliance with the legal requirements including on do not significant harm.*  *Timeline for completion: Q4/2022* | *No change*  *Timeline for completion:* ***Q4/2023*** |
| ***Estimated cost*** | *No change* | *No change* |
| ***Green and digital tagging*** | *No change* | *No change* |
| ***DNSH self-assessment*** | *No change* | *No change* |

Both reforms represent a complex set of measures which will have a significant impact on the setup of decarbonisation of district heating in the future and larger use of biomass and development of bioenergy in the Czech Republic. The aim of Milestone 110 is to analyse the current situation in the district heating in the Czech Republic, to summarize adopted and prepared policies and measures related to sector transformation. This document should therefore serve to direct investments not only within the framework of related component of the National Recovery Plan. The aim of Milestone 111 is to provide guidelines for investments in the field of biomass utilization and waste residues from the use of biomass, both from private and public funds. This the assessment should also be a guide for the provision of funds for joint projects with the use of bioenergy within components 2.2, 2.3 and 2.5 of the Plan for the recovery and resilience of the Czech Republic and within the Operational Program Technology and Applications for Competitiveness 2021-2027 (SC 4.2), of the Life Environment Operational Program 2021–2027 (SC 1.2) and the Operational Program Just transformation 2021-2027 (support for biomass boilers).

Given the high relevance of both materials to the National energy and climate plans and to sector transformation in general, it is therefore necessary to put both conception documents in line with the REPowerEU objectives and the update of Czech RRP. The new REPowerEU chapter has already been presented to the Commission and is now discussed with special regard to decarbonisation and energy related components (2.2, 2.3. 2.5) which are being significantly increased and updated. The shift towards the roll-out of renewables, decarbonisation and use of bioenergy need to be reflected in these key reforms. Both conception documents were already prepared and finalized in 2022 and some key elements outdated with the dynamic development in light of the recent energy crisis and the possible shift from coal to gas is no longer that obvious as it was prior the Russian aggression in Ukraine. Bothe strategies have to reflect this dramatic change of situation on the energy markets as well as the more general trend of going beyond the simple coal to gas switch. The update will also relate to the relevant deadlines for their completion. It is vital that the updates are carried out in a comprehensive manner, hand-in-hand with updates of other parts of the plan, therefore the end of 2023 is suggested as a new deadline.