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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulation (EU) 2021/1060 , Regulation (EU) 2021/2115, Directive 2003/87/EC and Decision (EU) 2015/1814

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

Reasons for and objectives of the proposal

Since the adoption of Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility ('the RRF Regulation'), unprecedented geopolitical and economic events have drastically impacted the Union's society and economy. Following the invasion of Ukraine by Russia, the case for a rapid clean energy transition in line with the EU's 2030 climate targets and its 2050 climate neutrality objective has never been stronger. The EU imports 90% of its gas consumption, with Russia providing more than 40% of it. Russia also accounts for 27% of oil and 46% of coal imports to the EU.

It is within that context that the European Leaders have called on the European Commission to provide a targeted and effective response. In their Versailles Declaration of 10-11 March 2022, the European Heads of State and Government have explicitly entrusted the Commission with proposing by the end of May a REPowerEU plan, setting as the key objective a reduction of the Union's energy dependencies. In particular, the Declaration contains an agreement on phasing out the dependency on Russian gas, oil and coal imports as soon as possible. The Versailles Declaration's commitments were subsequently reiterated in the European Council Conclusions of 24-25 March, which additionally focused on sustained high energy prices having an increasingly negative impact on citizens and businesses, further compounded by the Russian military aggression against Ukraine.

Following the launch of NextGenerationEU in 2020, the European economy has prepared the ground for accelerated green and digital transitions. However, these twin transitions are now taking place in a disrupted global context, faced with new uncertainties. As noted by the European Leaders, it has become clearer than ever that increasing the security of the Union's energy supply and reducing the EU's dependency on fossil fuels from Russia is vital for a successful and sustainable recovery from the COVID-19 crisis.

High energy prices and risks of energy supply distortions, exacerbated by the unexpected external factors, threaten to deteriorate the economic outlook and weaken social and territorial cohesion for all Member States. More specifically, volatile energy prices risk affecting business competitiveness, especially of its industrial base, and exacerbating inequalities and energy poverty, especially among vulnerable and low- and middle-income households.

The Recovery and Resilience Facility ('RRF') is the cornerstone of the European Union's future-oriented growth strategy following the COVID-19 crisis, as national recovery and resilience plans ('RRPs') set the investment and reform agenda for the coming years. A large number of measures included in the RRFs are already expected to significantly improve the resilience of the Union's energy supply, decrease the dependency on energy imports, and support just transitions, leaving no region and no person behind. The RRFs with the already foreseen investments and reforms to deliver on the green and digital transitions remain essential. At the same time, the recent geopolitical and economic developments call for an even greater sense of urgency and an even higher level of ambition to ensure a successful recovery from the COVID-19 crisis. There is a need to accelerate and deepen reforms and investments in this field both at EU and at national level.

Phasing out the EU's dependency on fossil fuels from Russia can and should be done well before 2030. To do so, REPowerEU supplements the actions taken with respect to energy security of supply and storage by a set of measures to save energy, diversify supplies and accelerate Europe's clean energy transition. Diversifying gas supplies can be done by

increasing the amount of LNG imports and pipeline imports from non-Russian suppliers, as well as by increasing the levels of sustainable biomethane, i.e. produced from organic waste and agricultural and forest residues, and renewable or fossil-free hydrogen. Energy savings can be obtained at the level of households, buildings, transport, and the industry, and at the level of the power system by boosting energy efficiency. To accelerate Europe's clean transition, the share of renewables in the energy mix needs to increase and measures need to be taken to and address infrastructure bottlenecks and labour and skill shortages. These three sets of interventions can be supported through a combination of investments and reforms.

Against this background, RRP's are well positioned to implement these increasingly urgent priorities. With the current proposal, the Member States' RRP's will serve as a strategic framework for reforms and investments to ensure joint European action for more resilient, secure and sustainable energy systems. Multi-country projects and measures of a cross-border nature, in particular those aiming at ensuring better energy connection between Member States thereby increasing the diversification of supply, are particularly suitable to address the REPowerEU objectives. In this context, the RRF can usefully complement the projects of common interest selected based on the TEN-E Regulation. Projects of common interest can also be supported through the Connecting Europe Facility ('CEF').

At the same time, the addenda to the RRP's should not disrupt the ongoing implementation of the ambitious reforms and investments agenda contained in the existing Council implementing decisions. To this end, new measures proposed as a response to the geopolitical and socio-economic developments should be targeted, additional to, and coherent with that agenda.

Consequently, the current proposal provides for targeted amendments to the RRF Regulation to achieve the following objectives:

- Adding in the RRP's dedicated chapters including new reforms and investments to deliver on the REPowerEU objectives, and
- Ensuring synergies and complementarity between measures funded under the RRF and actions supported via other national or Union funds.

The changes to the RRF Regulation should be complemented by legislative amendments to establish additional funding sources to help finance the new REPowerEU objectives under the RRF framework. To this end, revenues generated by the auctioning of a limited portion of Emissions Trading System ('ETS') allowances from the Market Stability Reserve ('MSR') should be allocated to the financing of new REPowerEU-related measures. Member States should be granted a higher flexibility to transfer resources allocated to them both under the Common Provisions Regulation (EU) 2021/1060 ('CPR') and the Regulation on CAP strategic plans ((EU) 2021/2115).

Consistency with existing policy provisions in the policy area

This proposal amends Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility, Regulation (EU) 2021/1060 ('Common Provisions Regulation'), Decision (EU) 2015/1814 ('Decision on Market Stability Reserve'), Directive 2003/87/EC ('ETS Directive') and Regulation (EU) 2021/2115 on CAP strategic plans.

The proposal builds on the existing and well-functioning RRF framework to provide additional support for measures needed to accelerate the Union's efforts to reduce dependence on Russian fossil fuels in order to ensure a successful recovery from the COVID-19 crisis, in line with the Facility's general and specific objective.

Furthermore, by introducing the concept of REPowerEU chapters the proposal promotes coordination and synergies between the measures supported under the RRF and other actions financed by other sources, including national funds. This allows the RRF to take the role of a strategic framework for REPowerEU initiatives, thus maximising complementarity, consistency and coherence of policies and actions taken to foster independence and security of the Union's energy supply and mitigate its socio-economic costs and impacts during the transition.

The additional financial resources included in the proposal aim to speed-up the achievement of the REPowerEU objectives. The possibility to transfer more from other Union instruments, such as Cohesion funds, to the RRF in order to achieve the REPowerEU aims, is justified by a high alignment between those tools' objectives and those of the current proposal.

The proposal is consistent with the policy objectives followed by the cohesion policy funds and the Common Agricultural Policy. Given the objective of REPowerEU to decarbonise faster the economy, the type of projects to be supported under the RRF are well aligned with the type of investments considered under the cohesion policy funds, for instance on energy efficiency measures. The same holds true for the Common Agricultural Policy and the focus on renewable energy that is integrated as a core priority of REPowerEU.

The proposal is aligned with the policy guidance provided under the European Semester. Member States proposing a modification of their RRP will need to demonstrate that measures effectively address the country-specific recommendations issued in that context. Reporting on the progress made in implementing the measures and actions included in the national REPowerEU chapters will take place under the existing European Semester framework, as provided for by the RRF Regulation.

The Commission proposal of 14 July 2021 COM (2021) 571 proposes to amend the Decision on the MSR so as to extend the doubling of the intake rate and the minimum reserve until 2030. The aim of the proposal is to ensure the long-term objectives of the MSR in terms of reducing the surplus and ensuring market resilience would not be affected. In the short-term, however, the exceptional situation on energy markets caused by Russia's invasion of Ukraine requires the Union to mobilise all available resources to accelerate the transition away from Russian fossil fuels. To this end, part of the allowances currently held in the MSR, corresponding to a market value of EUR 20 billion, should be unlocked and allocated to the RRF in order to promote the REPowerEU objectives. The proposed amendments are part of a wider range of measures taken by the Union in response to the changed socio-economic and geopolitical landscape in the context of REPowerEU, namely the proposal for a Regulation on gas storage, the proposal on energy market design, the Platform for joint gas purchases, and the EU Solar Strategy. Those instruments are complementary, as this proposal focuses on incentivising and enabling the REPowerEU actions at national level, while those other measures address the European dimension of REPowerEU.

Consistency with other Union policies

The proposal is consistent and ensures complementarity and synergies with other Union policies.

In particular, the proposal is consistent with a broader set of initiatives to enhance the Union's energy resilience, notably the Commission's 'Fit for 55' proposals, such as the revision of the Third Energy Package (Directive 2009/73/EU and Regulation 715/2009/EU), the revision of the Renewable Energy Directive (Directive (EU) 2018/2001) and the revision of the Energy Efficiency Directive (Directive 2012/27/EU), which are expected to create a resilient and sustainable energy system in the Union.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

In line with Article 175 (third paragraph) of the Treaty on the Functioning of the European Union, the proposed regulation aims to contribute to enhancing cohesion, through measures that allow the Member States to reduce external fossil fuel energy dependence and increase their security of energy supply, by reinforcing the production and supply of sustainable energy within the Union and pooling resources between Member States and between regions. The overall aim is to secure sustainable and safe energy supply for all Member States and citizens within the Union, taking into account stark national and regional disparities, while promoting social fairness and ensuring a just and inclusive transition that leaves no region and no person behind. The current geopolitical situation has highlighted the significant differences between Member States and regions regarding the dependency on fossil fuels and especially on the ones imported from Russia. With this initiative the EU is working together with all Member States and pooling funds from various EU sources to spread resources fairly and support actions targeted at the specific energy challenges faced by each Member State.

In line with Article 177, first paragraph, of the Treaty on the Functioning of the European Union, the proposed regulation, by increasing the flexibility to make transfers from cohesion policy funds, has an impact on the organisation of the Structural Funds.

In line with Article 192, first paragraph, and 194, second paragraph, of the Treaty on the Functioning of the European Union, the proposed regulation aims at introducing changes to the system for greenhouse gas emission allowance trading within the Union in order to contribute to ensuring security of energy supply in the Union.

In line with Article 322 of the Treaty on the Functioning of the European Union, the proposed regulation sets out financial rules for the implementation of the budget, by introducing rules on the provision of appropriations with regard to the new revenue.

• Subsidiarity

The overall objective of the proposal is to enhance cohesion, through measures that allow Member States to foster independence and security of the national and Union's energy supply. For that purpose, the proposal sets a new obligation on Member States submitting or modifying their RRP to include a REPowerEU chapter, with specific reforms and investments that address their energy-related challenges. Importantly, it is up to Member States to decide whether they wish to finance these measures through Union and/or national funds. The implementation of relevant measures to make the Union more resilient and less dependent by diversifying energy supply chains is a matter of common interest for the whole Union. An action at the Union level is needed to coordinate a powerful response to the aggravating energy-related challenges, with unprecedented energy price hikes which risk exacerbating socio-economic divergences and inequalities, as well as worrying geopolitical developments at the Union's border. In addition, certain regions face similar energy-related challenges which calls for coordinated cross-border efforts, allowing to unlock greater synergies.

The Union's intervention will bring additional value by establishing a dedicated framework allowing to support Member States in the design and implementation of much needed energy-related reforms and investments. Additional value will also be generated by coordinating these actions to ensure a coherent EU-wide response, all while putting forward measures tailored to the specificities of each Member State.

- **Proportionality**

The proposal complies with the proportionality principle in that it does not go beyond the minimum required to achieve the stated objectives at the European level and which is necessary for that purpose. The discretion left to the Member States when deciding on which REPowerEU measures they wish to support through the dedicated funding under the RRF and the consensual nature of the cooperation throughout the entire process constitute additional guarantees for respecting the proportionality principle and for the development of mutual trust and cooperation between the Member States and the Commission.

- **Choice of instrument**

To benefit from the already developed framework of the RRF, a regulation amending the RRF Regulation, the Common Provisions Regulation, the Regulation establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy, the ETS Directive, and the Decision on MSR is an appropriate legal instrument to implement the REPowerEU objectives.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

On 1 March 2022, the Commission adopted the first annual report on the implementation of the RRF. The report shows that major headway has been made and confirms that the implementation of the RRF is well underway.

As regards the green transition specifically, a total of EUR 224.1 billion of expenditure is estimated to be allocated to this RRF pillar, equivalent to 50% of the total expenditure in the 22 RRFs adopted until end-March 2022. As for the specific policy areas, 29% of the green transition expenditure (total estimated cost of EUR 64.4 billion) is dedicated to energy efficiency measures, another 12% (total estimated cost of EUR 26.7 billion) is devoted to clean power – renewable energy and networks, and green multi-country or cross-border projects account for a total estimated cost exceeding EUR 27 billion.

- **Stakeholder consultations**

While no formal stakeholder consultation was carried out, RePowerEU was discussed extensively with Member States. For instance, on 6 April 2022 the Commission organised within the framework of the informal expert group on the implementation of the RRF a discussion on this very topic. Subsequently, the Commission held a series of dedicated bilateral meetings with every Member State to discuss the national priorities linked to REPowerEU.

- **Impact assessment**

Due to the urgent nature of the proposal, no impact assessment was carried out.

- **Fundamental rights**

The proposal has a positive effect on the preservation and development of Union fundamental rights, assuming that the Member States request and receive support in related areas. For example, reforms and investments related to areas such as the fight against energy poverty can support Union fundamental rights such as the right to integrity of the person.

4. BUDGETARY IMPLICATIONS

The financial envelope of the Facility shall be increased by EUR 20 billion (in current prices) that will be financed from the auctioning of ETS allowances. The amount will be made available to Member States in the form of non-repayable financial support under direct management to support exclusively reforms and investments included in the REPowerEU chapter. The amount for the non-repayable support represents external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.

In addition, Member States will have the possibility to transfer up to 12.5% of their allocation under the cohesion policy to the RRF; building on the already available 5% transfer possibility (up to EUR 17.9 billion) and adding a 7.5% transfer possibility for REPowerEU objectives only (up to EUR 26.9 billion). Member States will also have the possibility to transfer up to 12.5% of their initial allocation under the European Agricultural Fund for Rural Development ('EAFRD') (up to EUR 7.5 billion) to the RRF in order to support measures included in the REPowerEU chapter.

The voluntary transfers of commitment appropriations from the funds governed by the CPR and the EAFRD will lead to commitments being made as from 2022 for the CPR funds and as from 2023 for the EAFRD, and is compatible with the multiannual financial framework 2021-2027 ceilings for commitment appropriations for Headings 2a and 3. Payments will take place over 2023 to 2026, in line with the implementation deadlines for the RRF. The exact annual impact will depend on the amounts actually transferred by the Member States. The Commission will take account of the transfers in the annual budgetary procedure, with payments implemented subject to the availability of funds.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The proposal is based on existing modalities to monitor, evaluate, and report the progress of the reforms and investments included in the RRFs, as per the RRF Regulation. The measures included in the REPowerEU chapter will be subject to the same monitoring arrangements as other RRF measures, with an additional performance indicator designed to track the progress vis-a-vis the objectives of REPowerEU.

To ensure synergies and complementarity, the new REPowerEU chapter should also provide information about actions pursuing the REPowerEU objectives not to be funded under the RRF, but through national or other Union funds. Those actions will be monitored within the existing European Semester framework, as provided for by the RRF Regulation, in full complementarity with the integrated national energy and climate plans under the Regulation on Governance of Energy Union and Climate Action. This would allow Member States to provide a comprehensive overview of the planned policy action to achieve the REPowerEU objectives, to ensure that each reform and investment is supported by the most adequate financing source taking into consideration its scope, implementation modalities and timeline. This would notably allow to best exploit the complementarities between the RRF and Cohesion funds, for instance in terms of their respective implementation horizon.

- **Detailed explanation of the specific provisions of the proposal**

This proposal provides for targeted amendments of the aforementioned Union's legal acts to allow for a greater contribution towards the REPowerEU objectives, notably by incentivising Member States to submit dedicated addenda to their existing national RRF.

For this purpose, the proposal introduces:

- Amendments of the RRF Regulation:
 - An obligation on Member States modifying their RRFs to also submit a dedicated REPowerEU chapter, outlining measures and actions aimed at addressing the REPowerEU objectives;
 - An exemption from the digital target requirement of Art. 19(3) (f) for new measures included in the REPowerEU chapter (while keeping the climate target requirement of Art. 19 (3) (e));
 - A targeted exemption from the obligation to apply the do-no-significant-harm principle laid down in Art. 5(2) for reforms and investments improving energy infrastructure to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole,
 - A new assessment criterion catering for the specific objectives of REPowerEU,
 - Reporting obligations regarding the REPowerEU chapter.
- Amendment of Decision (EU) 2015/1814 prolonging the current intake rate of allowances to the Market Stability Reserve until 2030 and providing a possibility to release and auction a portion of allowances held therein and allocate the generated revenue towards the RRF.
- Amendment of Directive 2003/87/EC establishing modalities for the auctioning of allowances released from the Market Stability Reserve and transfer of the generated EUR 20 billion revenues to the Recovery and Resilience Facility.
- Amendment of Regulation (EU) 2021/1060 providing a possibility for Member States to transfer up to 7.5% of their national allocation to the RRF, in addition to the existing 5% transfer possibility, to support reforms and investments included in the REPowerEU chapter;
- Amendment of Regulation (EU) 2021/2115 providing a possibility for Member States to deliver part of the EAFRD through the RRF, to support reforms and investments included in the REPowerEU chapter.

Proposal for a

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 175 third paragraph, Article 177 first paragraph, Article 192 (1) , Article 194 (2) and Article 322 (1) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Having regard to the opinion of the Committee of the Regions²,

Having regard to the opinion of the Court of Auditors,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Since the adoption of Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility,³ unprecedented geopolitical events and their direct and indirect socio-economic consequences have considerably affected the Union's society and economy. In particular, it has become clearer than ever that the Union's energy security is indispensable for a successful, sustainable and inclusive recovery from the COVID-19 crisis, as it is also a major factor contributing to the resilience of the European economy.
- (2) Due to the direct links between a sustainable recovery, building the Union's resilience and the Union's energy security, and its role for a just and inclusive transition, the Recovery and Resilience Facility is a well-suited instrument to contribute to the Union's response to these newly emerging challenges.
- (3) The Versailles Declaration of 10-11 March 2022 of the Heads of States and Governments invited the Commission to propose by the end of May a REPowerEU plan to phase out the dependency on Russian fossil fuel imports, which was subsequently reiterated in the European Council Conclusions of 24-25 March 2022.

¹ OJ C , , p. .

² OJ C , , p. .

³ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

This should be done well before 2030 in a way that is consistent with the EU's Green Deal and the climate objectives for 2030 and 2050 enshrined in the European Climate Law. Regulation (EU) 2021/241 should therefore be amended to enhance its ability to support reforms and investments dedicated to diversifying energy supplies, in particular fossil fuels, thereby strengthening the strategic autonomy of the Union alongside an open economy. Support should also be given to reforms and investments increasing the energy efficiency of the Member States' economies.

- (4) To maximise complementarity, consistency and coherence of policies and actions taken by the Union and Member States to foster independence and security of the Union's energy supply, these energy-related reforms and investments should be established through a dedicated 'REPowerEU chapter' of the recovery and resilience plans.
- (5) To maximise the scope of the Union's response, all Member States submitting a recovery and resilience plan after the entry into force of this Regulation should be required to include a REPowerEU chapter in their plan. This requirement should apply, in particular, to revised plans submitted by Member States from 30 June 2022 to take into account the updated maximum financial contribution.
- (6) The REPowerEU chapter should include new reforms and investments contributing to the REPowerEU aims. Furthermore, that chapter should contain an outline of other measures, financed from sources other than the Recovery and Resilience Facility, contributing to the energy-related objectives outlined in recital (3). The outline should cover measures whose implementation should take place between 1 February 2022 to 31 December 2026, the period during which the objectives set by this Regulation are to be achieved. As regards natural gas infrastructure, the investments and reforms of the REPowerEU chapters to diversify supply away from Russia should build on the needs currently identified through the assessment conducted and agreed by the European Network of Transmission System Operators for Gas (ENTSO-G), established in the spirit of solidarity as regards security of supply and take into account the reinforced preparedness measures taken to adapt to new geopolitical threats. Finally, the REPowerEU chapters should provide an explanation and a quantification of the effects of the combination of the reforms and investments financed by the Recovery and Resilience Facility and the other measures financed by other sources than the Recovery and Resilience Facility.
- (7) An appropriate assessment criterion should be added to serve as a basis for the Commission to assess reforms and investments included in the REPowerEU chapter and to ensure that reforms and investments are fit for achieving the specific REPowerEU-related objectives. An A rating should be required under this new assessment criterion for the relevant recovery and resilience plan to be positively assessed by the Commission.
- (8) Investments in infrastructure and technologies alone are not sufficient to ensure a reduction of dependency from fossil fuels. Resources should be dedicated to the reskilling and upskilling of people, to further equip the workforce with green skills. This is in line with the objective of the European Social Fund Plus, which aims at supporting Member States in achieving a skilled and resilient workforce ready for the future world of work. In light of this, resources transferred from the European Social Fund Plus should help support measures for the reskilling and upskilling of the workforce. The Commission will assess whether the measures included in the

REPowerEU chapters significantly contribute to supporting a requalification of the workforce towards green skills.

- (9) The application of this regime should be without prejudice to all other legal requirements under Regulation (EU) 2021/241 unless this Regulation provides otherwise.
- (10) The recovery and resilience plan, including the REPowerEU chapter, should contribute to effectively addressing all or a significant subset of the challenges identified in the relevant country-specific recommendations, including the country-specific recommendations to be adopted under the 2022 Semester cycle which refer inter alia to the energy challenges that Member States are facing.
- (11) An effective transition towards green energy and a reduction of energy dependency involves significant digital investments. In light of Regulation (EU) 2021/241, Member States should provide an explanation of how the measures in the recovery and resilience plan, including those included in the REPowerEU chapter, are expected to contribute to the digital transition or the challenges resulting therefrom and whether they account for an amount contributing to the digital target based on the methodology for digital tagging. However, given the unprecedented urgency and importance of energy challenges faced by the Union, reforms and investments included in the REPowerEU chapter should not be taken into account when calculating the plan's total allocation for the purpose of applying the digital target requirement set by Regulation (EU) 2021/241.
- (12) Pursuant to Article 18(4) point (q) of Regulation (EU) 2021/241, the Member States should also provide a summary of the consultation process of local and regional authorities and other relevant stakeholders, including, as relevant, from the agricultural sector, for reforms and investments included in the REPowerEU chapter. Such summaries should explain the outcome of those consultations and outline how the input received was reflected in REPowerEU chapters.
- (13) The application of the 'do no significant harm' principle is essential to ensure that the investments and reforms undertaken as part of the recovery from the pandemic are implemented in a sustainable manner. It should continue to apply to the reforms and investments supported by the Facility, with one targeted exemption to safeguard the EU's immediate energy security concerns. Considering the objective of diversifying energy supplies away from Russian suppliers, the reforms and investments set out in those REPowerEU chapters which aim to improve energy infrastructure and facilities to meet immediate security of supply needs for oil and gas should not be required to comply with the principle of 'do no significant harm' and should therefore be exempted from such assessment.
- (14) Further incentives should be provided for Member States to request loans, through the clarification of the loan allocation procedure. In accordance with Regulation (EU) 2021/241, Member States may request loans until 31 August 2023. An intention to submit a loan request should be communicated to the Commission 30 days after the entry into force of this Regulation so that the redistribution of the remaining funds can be conducted in an orderly manner.
- (15) In addition, to incentivise a high level of ambition for reforms and investments to be included in the REPowerEU chapter, new dedicated funding sources should be provided.

- (16) While extending the current intake rate of allowances to the Market Stability Reserve is needed to prevent in long term a significant increase of the surplus of allowances in the greenhouse gas emission allowance trading within the Union, the current economical and geopolitical situation requires the Union to mobilise available resources to rapidly diversify Union's energy supply and reduce dependence on fossil fuels before 2030. In this context, Decision (EU) 2015/1814 of the European Parliament and of the Council⁴ and Directive 2003/87/EC of the European Parliament and of the Council⁵ should be amended to extend the doubling of the 24% intake rate of the Market Stability Reserve until 2030, while allowing for an exceptional release and monetisation of a portion of allowances from the Market Stability Reserve and directing revenues towards reforms and investments contributing to REPowerEU objectives, in the Recovery and Resilience Facility framework.
- (17) Regulation (EU) 2021/1060 of the European Parliament and of the Council⁶ should be amended to provide for the possibility to transfer up to 7.5% of resources of shared management programmes governed by that Regulation to the Facility for the achievement of the REPowerEU objectives, in addition to the existing transfer possibility of up to 5%. Such a possibility is justified by the need to cover REPowerEU objectives, providing Member States with additional flexibility to address those urgent needs. Furthermore, the Facility allows for a fast disbursement of funds, making it particularly well suited for financing of urgent energy-related measures. Such transfers should be justified by a higher financial need linked to additional reforms and investments included in the REPowerEU chapter.
- (18) Regulation (EU) 2021/2115 of the European Parliament and of the Council⁷ should also be amended to allow for a possibility to deliver up to 12.5% of the European Agricultural Fund for Rural Development through the Recovery and Resilience Facility. Such method of delivery is justified by complementarity and synergies between these instruments with regard to the objectives of reducing the use of synthetic fertilisers, or increasing production of sustainable biomethane or renewable energy, in accordance with the objectives of the Common Agricultural Policy set out in Article 39 of TFEU. The delivery via the Recovery and Resilience Facility should

⁴ Decision (EU) 2015/1814 of the European Parliament and of the Council of 6 October 2015 concerning the establishment and operation of a market stability reserve for the Union greenhouse gas emission trading scheme and amending Directive 2003/87/EC, OJ L 264/1

⁵ 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

⁶ Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021, p. 159).

⁷ Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013 (OJ L 435, 6.12.2021, p. 1).

accelerate the disbursement of funds to beneficiaries from the agricultural sector which is vital considering the urgency of the energy-related objectives.

- (19) Disbursements under REPowerEU shall be made following the rules of the Recovery and Resilience Facility until the end of 2026. Payments in relation to the resources transferred from shared management funds shall be subject to the availability of funds approved in the annual EU budget.
- (20) A request for a dedicated funding for REPowerEU measures, including allocation from the Market Stability Reserve, transfers from the funds governed by Regulation (EU) 2021/1060 and allocated from European Agricultural Fund for Rural Development, submitted in a plan, should be justified by a higher financial need linked to additional reforms and investments included in the REPowerEU chapter.
- (21) The Commission should monitor the implementation of reforms and investments outlined in the REPowerEU chapter and their contribution to the REPowerEU objectives, as established in Regulation (EU) 2021/241.
- (22) Recent geopolitical events have affected prices of energy and construction materials and have also caused shortages in the global supply chains. These developments may have a direct impact on the capacity to implement some investments included in the recovery and resilience plans. To the extent that Member States can demonstrate that such developments make a specific milestone or target, either totally or partially, no longer achievable, such situations may be invoked as objective circumstances under Article 21. These developments cannot constitute objective circumstances for revising reforms, as reforms are generally not cost dependent. In addition, no request for amendments should undermine the overall implementation of the recovery and resilience plans.

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) 2021/241 is amended as follows:

- (1) In Article 4, paragraph 1 is replaced by the following:

‘1. In line with the six pillars referred in Article 3 of this Regulation, the coherence and synergies they generate, and in the context of the COVID-19 crisis, the general objective of the Facility shall be to promote the Union’s economic, social and territorial cohesion by improving the resilience, crisis preparedness, adjustment capacity and growth potential of the Member States, by mitigating the social and economic impact of that crisis, in particular on women, by contributing to the implementation of the European Pillar of Social Rights, by supporting the green transition, by contributing to the achievement of the Union’s 2030 climate targets set out in point (11) of Article 2 of Regulation (EU) 2018/1999, **and** by complying with the objective of EU climate neutrality by 2050 and of the digital transition, **by increasing the resilience of the Union energy system through a decrease of dependence on fossil fuels and diversification of energy supplies at Union level (‘REPowerEU objectives’)** thereby contributing to the upward economic and social convergence, restoring and promoting sustainable growth and the integration of the economies of the Union, fostering high quality employment creation, and contributing to the strategic autonomy of the Union alongside an open economy and generating European added value.’

- (2) Article 14 is amended as follows:
- (a) In paragraph 3, the following point is inserted after point (b):
'(ba) where applicable, the reforms and investments in line with Article 21c(1);';
- (b) paragraph 4 is replaced by the following:
'4. The loan support to the recovery and resilience plan of the Member State concerned shall not be higher than the difference between the total costs of the recovery and resilience plan, as revised where relevant, and the maximum financial contribution referred to in Article 11, **including, where relevant, the revenue referred to in Article 21a as well as, where relevant, resources from shared management programmes to support REPowerEU objectives referred to in Article 21b.**'
- (c) paragraph 6 is replaced by the following:
'6. By derogation from paragraph 5, subject to the availability of resources, in exceptional circumstances the amount of the loan support may be increased, **considering the needs of the requesting Member State, as well as requests for loan support already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency. To facilitate the application of these principles, Member States shall communicate to the Commission within 30 days after [the entry into force of this amending Regulation], whether they intend to request loan support.**'
- (3) In Article 18 (4) (q) the following sentence is inserted:
'(q) for the preparation and, where available, for the implementation of the recovery and resilience plan, a summary of the consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders, and how the input of the stakeholders is reflected in the recovery and resilience plan; **in particular, the summary of the consultation process shall explain the outcome of the consultations with local and regional authorities and other relevant stakeholders on reforms and investments included in the REPowerEU chapter and outline how the input received was reflected in the REPowerEU chapter;**'
- (4) In Article 19(3), the following point is inserted:
'(da) whether the reforms and investments referred to in Article 21c(1) effectively contribute towards the diversification of the Union's energy supply or reduction of dependence on fossil fuels before 2030.';
- (5) In Article 23, paragraph 1 is replaced by the following:
'Once the Council has adopted an implementing decision as referred to in Article 20(1), the Commission shall conclude an agreement with the Member State concerned constituting an individual legal commitment within the meaning of the Financial Regulation. For each Member State the legal commitment shall not exceed the **total of the financial contribution referred to in point (a) of Article 11(1) for 2021 and 2022, the updated financial contribution referred to in Article 11(2) for 2023 and the amount calculated under Article 21a(2).**'
- (6) The following Chapter is inserted after Chapter III:

‘CHAPTER IIIa

REPowerEU

Article 21a

New revenue

- (1) EUR 20 000 000 000 in current prices shall be available, in line with Article 10e(4) of Directive 2003/87/EC, for implementation under this Regulation to increase the resilience of the Union energy system through a decrease of dependence on fossil fuels and diversification of energy supplies at Union level. That amount shall be made available in the form of external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.
- (2) The share of the resources referred to in paragraph 1 available for each Member State shall be calculated on the basis of the indicators defined for the maximum financial contribution, as set out in the methodology in Annex II for 70% of the amount and methodology set out in Annex III for 30% of the amount.
- (3) The amount referred to in paragraph 1 shall be allocated exclusively to measures referred to in Article 21c(1).
- (4) Commitment appropriations covering the amount referred to in paragraph 1 shall be made available automatically up to the respective amounts referred to in that paragraph as of [the date of entry into force of this amending Regulation].
- (5) Each Member State may submit to the Commission a request for allocation of an amount not exceeding its share, by including in its plan the reforms and investments described in Article 21c(1) and indicating their estimated costs.
- (6) The Council implementing decision adopted pursuant to Article 20(1) following a proposal from the Commission shall lay down the amount of the revenue referred to in Article 10e (1) of Directive 2003/87/EC allocated to the Member State following the application of paragraph 2, to be paid in instalments, subject to available funding, in accordance with Article 24 of this Regulation, once the Member State has satisfactorily fulfilled the milestones and targets identified in relation to the implementation of the measures referred to in Article 21c (1).

Article 21b

Resources from shared management programmes to support REPowerEU objectives

- (1) Resources allocated to Member States under shared management may, at their request, be transferred or allocated to the Facility subject to the conditions set out in Article 26a of Regulation (EU) 2021/1060 and Article 81a of Regulation (EU) 2021/2115. Those resources shall be used exclusively for the benefit of the Member State concerned.
 - (a) Resources may be transferred under Article 26a of Regulation (EU) 2021/1060 to support measures referred to in Article 21c(1) of this Regulation, provided that the Member State has already requested transfers from a given Fund up to the ceiling of 5% in accordance with the first and second sub-paragraphs of Article 26(1).

- (b) Resources allocated under Article 81a of Regulation (EU) 2021/2115 shall support measures in Article 21c(1)(b) of this Regulation for farm investments for the benefit of farmers or groups of farmers, in particular to contribute reducing the use of synthetic fertilisers, increasing production of renewable energy and sustainable biomethane, and boosting energy efficiency.
- (2) Payments shall be made in accordance with Article 24 of this Regulation and subject to available funding.
- (3) The Commission shall implement those resources directly in accordance with Article 62(1), first subparagraph, point (a) of the Financial Regulation.

Article 21c

The REPowerEU chapter in the recovery and resilience plans

- (1) The recovery and resilience plan submitted to the Commission after [the entry into force of this amending Regulation] shall contain a REPowerEU chapter. The REPowerEU chapter shall outline reforms and investments, with their corresponding milestones and targets, other than measures referred in paragraph 2 (a), aiming to contribute to the REPowerEU objectives, by:
 - (a) improving energy infrastructure and facilities to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole,
 - (b) boosting energy efficiency in buildings, decarbonising industry, increasing production and uptake of sustainable biomethane and renewable or fossil-free hydrogen and increasing the share of renewable energy,
 - (c) addressing internal and cross-border energy transmission bottlenecks and supporting zero emission transport and its infrastructure, including railways,
 - (d) supporting the objectives in points (a), (b) and (c) through an accelerated requalification of the workforce towards green skills, as well as support of the value chains in key materials and technologies linked to the green transition.
- (2) The REPowerEU chapter shall also contain:
 - (a) Where applicable, a description of reforms and investments in the already adopted Council implementing decisions that are expected to contribute to the REPowerEU objectives;
 - (b) an outline of other measures contributing to the REPowerEU objectives with a corresponding calendar, to be implemented from 1 February 2022 until 31 December 2026 without financial support under the Facility;
 - (c) an explanation on how the combination of the measures referred to in paragraph 1 and points (a) and (b) of this paragraph is coherent, effective and expected to contribute to the REPowerEU objectives, including a quantification of the energy savings.

- (3) The estimated costs of the reforms and investments of the REPowerEU chapter under paragraph 1 shall not be taken into account for the calculation of the plan's total allocation under Article 18(4), point (f) and Article 19(3), point (f).
- (4) By way of derogation from Articles 5(2), 17(4), 18(4) point (d) and 19(3) points (d), the principle of “do no significant harm” within the meaning of Article 17 of Regulation (EU) 2020/852 shall not apply to the reforms and investments expected to contribute to the REPowerEU objectives under paragraph 1, point (a) of this Article.
- (5) The provisions of this Regulation shall be applicable mutatis mutandis to the reforms and investments of the REPowerEU chapter, unless provided otherwise.

Article 21d

Monitoring implementation of REPowerEU chapters

- (1) The Commission shall monitor the implementation of the measures outlined in the REPowerEU chapter and their contribution to the REPowerEU objectives.
 - (2) The Commission shall provide information on the progress of implementation of the REPowerEU chapter in the annual report to the European Parliament and the Council, in accordance with Article 31.'
- (7) Annex V is amended in accordance with the Annex I to this Regulation.

Article 2

Regulation (EU) 2021/1060, is amended as follows:

- (1) In Article 11(1), the following point is added:

‘(e) where applicable, the breakdown of financial resources by category of region drawn up in accordance with Article 108(2) and the amounts of allocations proposed to be transferred pursuant to Articles 26, **26a** and 111, including a justification for such transfers;’
- (2) In Article 22(3)(g), the following point is added:

‘(i) a table specifying the total financial allocations for each of the Funds and, where applicable, for each category of region for the whole programming period and by year, including any amounts transferred pursuant to Article 26, **Article 26a** or 27;’
- (3) In Article 26(1), the following is inserted after the end of the first sub-paragraph :

‘Where the Partnership Agreement has been approved and one or more programmes have not yet been adopted, a transfer to the Recovery and Resilience Facility in accordance with Regulation (EU) 2021/241 may be requested through notification of a revision of the information referred to in Article 11(1) points (c), (e) and (h) in accordance with Article 69(9).’
- (4) In Article 26 (1), the following new sub-paragraph is inserted:

2. By way of derogation from Article 40(2), point (d) and the paragraph above, the monitoring committee shall be consulted on the programme amendment, where such amendment is strictly limited to what is necessary for the purposes of the transfer to the Recovery and Resilience Facility.

‘3. Where the Partnership Agreement has been approved and the transfer is requested as part of a programme submission, the resulting inconsistency shall not be taken into account when assessing the programme pursuant to Article 23(1).’

(5) The following Article is inserted:

‘Article 26a

Transfer to the Recovery and Resilience Facility

- (1) Member States submitting to the Commission a recovery and resilience plan containing a REPowerEU chapter in accordance with Regulation (EU) 2021/241 may request the transfer of up to 7.5% of their initial national allocation of each Fund to the Recovery and Resilience Facility, provided that the Member State has already requested transfers from that specific Fund up to the ceiling of 5% in accordance with the first and second sub-paragraphs of Article 26(1). The transfer request shall be made either in the Partnership Agreement, including through the notification of a revision of the information referred to in Article 11(1) points (c), (e) and (h) in accordance with Article 69(9) or in a request for an amendment of a programme. Where the request for transfer concerns an amendment of a programme, only resources of future calendar years may be transferred. Such transfers shall be additional to the possibility of transfer of resources envisaged under Article 26 of this Regulation.
- (2) Transferred resources shall be implemented in accordance with the provisions of Regulation (EU) 2021/241 and shall be used for the benefit of the Member State concerned.
- (3) Where the Partnership Agreement has been approved, and the transfer is requested before the approval of one or more programmes, the resulting inconsistency between the Partnership Agreement and the programmes shall not be taken into account when assessing the programme pursuant to Article 23(1). In such cases the Member State concerned shall submit a revision of the information referred to in Article 11(1) points (c), (e) and (h), which shall constitute a request for transfer within the meaning of this Article.
- (4) Where a programme need to be amended for the purpose of transfers set out in this Article, by way of derogation from Article 24(2) and (4), the Commission shall adopt or refuse the amendment as regards the transfer and the resulting changes to the programme within one month after the date of submission of the programme by the Member State. By way of derogation from Article 40(2), point (d), the monitoring committee shall be consulted on the programme amendment. Requests for an amendment of a programme shall set out the total amount transferred for each year by Fund and by category of region, where applicable.

- (5) JTF resources, including any resources transferred from the ERDF and the ESF+ in accordance with Article 27, shall not be transferable to the Recovery and Resilience Facility pursuant to this Article.
 - (6) Where the Commission has not entered into a legal commitment for resources transferred in accordance with paragraph 1, the corresponding uncommitted resources may be transferred back to the Fund from which they have been initially transferred and allocated to one or more programmes, in accordance with the provisions in Article 26(7), 26(8) and 26(9).'
- (6) Annexes II and V are amended in accordance with the Annex II to this Regulation.

Article 3

Regulation (EU) 2021/2115 is amended as follows:

- (1) The following Article is inserted:

Article 81a

Use of EAFRD delivered through the Recovery and Resilience Facility

- (1) Member States submitting to the Commission a recovery and resilience plan containing a REPowerEU chapter in accordance with Regulation (EU) 2021/241 of the European Parliament and of the Council may allocate, in the proposal for a CAP Strategic Plan referred to in Article 118 or in the request for amendment of a CAP Strategic Plan referred to in Article 119, up to 12.5% of its initial allocation for the EAFRD to the Recovery and Resilience Facility.
- (2) Member States shall determine the total amount contributed for each year. In case of request for amendment of a CAP Strategic Plan, those amounts shall concern only future years.
- (3) Where a CAP Strategic plan needs to be amended for the purpose of transfers set out in this Article, by way of derogation from Article 119(6), the Commission shall adopt or refuse the amendment containing the allocation and the resulting changes to the CAP Strategic Plan within one month after the date of submission of the request by the Member State. The amendment shall not count for the maximum number of requests for amendment provided for in Art. 119 (7).
- (4) Member States may revise the proposed CAP Strategic Plans for the purpose of allocation set out in this Article, at any time before their approval by the Commission.
- (5) The EAFRD allocation delivered through the Recovery and Resilience Facility, in accordance with paragraph 1, shall be fully included:
 - (a) in the calculation of the minimum financial allocation referred in Article 93 (1) and shall for the purpose of Article 93 (3) be considered as an intervention referred to in Article 93 (2). 100% of the allocated expenditure will be taken into account for the calculation referred to in Article 93(2);
 - (b) in the calculation of the reduction of the minimum financial allocation for eco-schemes as defined in Article 97(2) and shall for the purpose

of Article 97 (3) be considered as an intervention in accordance with Articles 70, 72, 73 and 74.

- (6) Where the Commission has not entered into a legal commitment for resources allocated in accordance with paragraph 1, the corresponding uncommitted resources may be transferred back to the EAFRD.
- (a) To this end, the Member State shall submit a request for a CAP Strategic Plan amendment in accordance with Article 119, at the latest 4 months before the time limit for commitments set out in the first subparagraph of Article 114(2) of the Financial Regulation. Such amendment shall not count for the maximum number of requests for amendment provided for in Art. 119 (7).
- (b) Resources transferred back to the EAFRD shall be implemented in accordance with the rules set out in this Regulation as from the date of submission of the request for programme amendment according to point (a) above.
- (c) For the resources transferred back to the EAFRD in accordance with paragraph 6 of this Article, the decommitment time limit as defined Article 34(1) of Regulation (EU) 2021/2116 shall start in the year in which the corresponding budgetary commitments are made.

In Article 112(2), point (d) is replaced by the following:

‘(d) where relevant, transfer of Member State’s allocations from the EAFRD for support under InvestEU or the RRF in accordance with Article 81 or 81a of this Regulation respectively, under Regulation (EU) 2021/783 or under Regulation (EU) 2021/817 in accordance with Article 99 of this Regulation;’

Article 4

- (1) In Directive 2003/87/EC, the following Article is inserted:

Article 10e

Recovery and Resilience Facility

- (1) For the period until 31 December 2026, the allowances released pursuant to Article 1(6) of Decision (EU) 2015/1814 shall be auctioned until the amount of revenue obtained from such auctioning has reached EUR 20 billion. This revenue shall be made available to the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and shall be implemented in accordance with the provisions of that Regulation.
- (2) The Commission shall ensure that the allowances destined for the Recovery and Resilience Facility are auctioned in accordance with the principles and modalities laid down in Article 10(4) of Directive 2003/87/EC and in accordance with Article 24 of Commission Regulation (EU) No 1031/2010^[1].
- (3) The European Investment Bank (EIB) shall be the auctioneer for the allowances to be auctioned pursuant to this Article on the auction platform appointed pursuant to Article 26(1) of Commission Regulation (EU) No 1031/2010^[2] and shall provide the auction revenues to the Commission.

- (4) The proceeds from auctioning those allowances shall constitute external assigned revenue for the purpose of Article 21(5) of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council.’

Article 5

Amendments to Decision (EU) 2015/1814

Article 1 of Decision (EU) 2015/1814 is amended as follows:

In paragraph 5, first subparagraph, the third sentence is replaced by the following:

‘By way of derogation from the first and second sentences, until 31 December 2030, the percentages and the 100 million allowances referred to in those sentences shall be doubled.’

In paragraph 6, the following subparagraph is added:

‘By way of derogation from the first subparagraph, for a period until 31 December 2026, a number of allowances shall be released from the reserve and auctioned in accordance with Article 10e of Directive 2003/87/EC, until the amount of revenue obtained from such auctioning has reached EUR 20 billion.’

Article 6

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council for a Regulation on REPowerEU chapters in recovery and resilience plans

1.2. Policy area(s) concerned

Cohesion

Economic and financial affairs

1.3. The proposal/initiative relates to:

a new action

a new action following a pilot project/preparatory action⁸

the extension of an existing action

a merger or redirection of one or more actions towards another/a new action

1.4. Objective(s)

1.4.1. General objective(s)

The proposed regulation has the general objective to contribute to a phase-out of the Union's dependency on fossil fuels well before 2030, by increasing the resilience of the energy system and diversifying gas supply sources via higher LNG and pipeline imports from non-Russian suppliers, and boosting the use of sustainable biomethane, i.e. produced from organic waste and agricultural and forest residues, and renewable or fossil-free hydrogen ('the REPowerEU objectives').

The aim is to enhance cohesion by securing sustainable and safe energy supply against the background of the current geopolitical situation, taking into account the national and regional disparities.

1.4.2. Specific objective(s)

Specific objective No

The specific objective is to use the Recovery and Resilience Facility as a strategic framework under which key reforms and investments contributing to the REPowerEU objectives can be funded. The existing regime will be complemented by dedicated additional funding sources and higher flexibility to transfer resources allocated to Member States under other programmes. The specific objective will be pursued in close cooperation with the Member States concerned.

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

⁸ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

Member States will have the possibility to reinforce their recovery and resilience plans, either to reflect the updated total financial contribution, or by adding new reforms and investments to be financed by additional funding. The existing possibilities will benefit from a stronger calibration towards the REPowerEU objectives. Modifications of recovery and resilience plans need to ensure that the funds still available under the RRF are used in the most adequate and efficient way, for instance to advance the transition towards renewable energy and to diversify energy supply.

1.4.4. *Indicators of performance*

Specify the indicators for monitoring progress and achievements.

Output indicators:

number of modified plans including a REPowerEU Chapter as approved by the Commission;

Result indicators:

number of measures in the REPowerEU Chapters implemented; overall contribution to REPowerEU objectives, and in particular towards phase out of Union's dependency on Russian gas.

Impact indicators:

the REPowerEU objectives pursued in the respective Chapters, which have been achieved due, inter alia, to the financial support received.

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

Following the launch of the NextGenerationEU in 2020, the European economy has been undergoing accelerated green and digital transitions. However, these twin transitions are now taking place in a disrupted global context, faced with new uncertainties. In this context, increasing the security of Union's energy supply became vital for a successful and sustainable recovery from the Covid-19 crisis.

1.5.2. *Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.*

The REPowerEU objectives can only be achieved if the Union can enable smart and fast investments across Europe. The objectives require additional capacity, additional and adjusted infrastructure and coordinated and sustained efforts to redesign the energy system and industrial practices. The Union's intervention will bring value by establishing a dedicated framework allowing to support Member States financially in the design and implementation of energy-related reforms and investments. Additional value will be generated by coordinating the actions to ensure a coherent EU-wide response, while putting forward measures tailored to the specificities of each Member State.

1.5.3. Lessons learned from similar experiences in the past

The Recovery and Resilience Facility is an existing and well-functioning framework, which can now be used to provide additional support for measures needed to accelerate the Union's reduction of dependence on fossil fuels. It offers an existing monitoring and reporting framework under which Member States could report the progress made in reaching the objectives of REPowerEU, in full synergy with the current delivery of existing national plans and the European Semester.

To meet its objectives, it needs to be further reinforced to increase the funding and provide additional incentives for an increased uptake of the REPowerEU measures in the recovery and resilience plans.

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

The proposal promotes coordination and synergies between the measures supported under the RRF and other actions financed by other sources, including national funds, by introducing the concept of national 'REPowerEU chapters'. This allows the RRF to facilitate and maximise complementarity, consistency and coherence of policies and actions taken to foster independence and security of the Union's energy supply. The proposal is closely aligned with the policy guidance provided under the European Semester.

1.5.5. Assessment of the different available financing options, including scope for redeployment

The changes to the RRF Regulation are complemented by legislative amendments to generate additional funding sources to help financing the new REPowerEU objectives under the RRF framework. To this end, revenues resulting from the auctioning of some Emissions Trading System ('ETS') allowances will be allocated to the financing of new energy-related measures. Member States will also benefit from a higher flexibility to transfer resources allocated to them both under the Common Provisions Regulation ((EU) 2021/1060) and the Regulation on CAP strategic plans ((EU) 2021/2115).

1.6. Duration and financial impact of the proposal/initiative

limited duration

– in effect from [DD/MM]YYYY to [DD/MM]YYYY

– Financial impact from 2022 to 2023 for commitment appropriations and from 2022 to 2026 for payment appropriations.

unlimited duration

– Implementation with a start-up period from YYYY to YYYY,

– followed by full-scale operation.

1.7. Management mode(s) planned⁹

Direct management by the Commission

– by its departments, including by its staff in the Union delegations;

– by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

– third countries or the bodies they have designated;

– international organisations and their agencies (to be specified);

– the EIB and the European Investment Fund;

– bodies referred to in Articles 70 and 71 of the Financial Regulation;

– public law bodies;

– bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees;

– bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees;

– persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

n/a

⁹ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The proposal is based on existing modalities to monitor, evaluate, and report the progress of the reforms and investments included in the RRFs, as per the RRF Regulation. Reforms and investments included in the REPowerEU chapter will be subject to the same monitoring arrangements as other RRF measures, with dedicated provisions designed to track the progress in achieving REPowerEU objectives.

The new REPowerEU chapters would also provide information on measures to be funded not under the RRF, but with either national or other Union funds. This would allow a comprehensive and quantified overview of the planned policy action to achieve the REPowerEU objectives, to ensure that each reform and investment is supported by the most adequate financing source, taking into consideration its scope, implementation modalities and timeline.

Measures funded by sources other than the RRF will be monitored within the existing European Semester framework.

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The RRF is a well-positioned legal framework to govern the European response to the newly emerging energy challenges, given the direct links between a sustainable recovery and a resilient Union, and the EU's energy security.

The concept of REPowerEU chapters introduced in the Proposal extends the well-functioning RRF management and control framework to additional reforms and investments supporting the REPowerEU objectives.

Furthermore, the REPowerEU chapter ensures effectiveness and coherence of the measures supported by the RRF with other measures funded by alternative sources.

The general control system applies to the REPowerEU chapters, meaning that the Member States should demonstrate how their control systems put in place effectively ensure complementarity and avoidance of double funding.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

As already under the existing RRF regime, the risk relates to the performance measurement (non-achievement of pre-defined targets/milestones).

The measures that will be put into place to mitigate these risks are the following:

- thorough evaluation process before the disbursement of funds for achievement of the milestones/targets by the beneficiary Member States;
- activation of suspension, and cancellation of payments in case of non-achievement of the milestones/targets by beneficiary Member States.

The Facility will be implemented in direct management by the Commission in accordance with the Financial Regulation

- 2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

Financial contribution will be provided to Member State in the form of financing not linked to cost referred to in point (a) of Article 125(1) of the Financial Regulation.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

Standard fraud and irregularities prevention and protection provisions are contained in the existing RRF Regulation.

DG ECFIN will apply its Anti-fraud Strategy, having regard to the proportionality and cost benefit of the measures to be implemented.

Appropriate internal control processes will apply at levels of management and be designed to provide reasonable assurance of achieving the following objectives: effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; adequate management of the risks relating to the legality and regularity of the underlying transactions, and prevention, detection, correction and follow up of fraud and irregularities.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Member States shall have the possibility to transfer up to 7.5% of their allocation under the cohesion instruments¹⁰ (up to EUR 26.9 billion) and 12.5% of their allocation under the European agricultural fund for rural development (up to EUR 7.5 billion) to the Recovery and Resilience Fund in order to finance measures included in the REPowerEU Chapter.

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. ¹¹	from EFTA countries ¹²	from candidate countries ¹³	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[06.00201] Recovery and Resilience Facility — Non-repayable support	Diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[XX.YY.YY.YY]		YES/NO	YES/NO	YES/NO	YES/NO

¹⁰ European Regional Development Fund, Cohesion Fund, European Social Fund Plus and European Maritime, Fisheries and Aquaculture Fund

¹¹ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹² EFTA: European Free Trade Association.

¹³ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

The initiative will be mainly financed through external assigned revenues (see point 3.3)

Member States shall have the possibility to transfer up to 7.5% of their allocation under the cohesion instruments¹⁴ (up to EUR 26.9 billion) and 12.5% of their allocation under the European agricultural fund for rural development (up to EUR 7.5 billion) to the Recovery and Resilience Fund in order to finance measures included in the REPowerEU Chapter.

3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

EUR million (to three decimal places)

Heading of multiannual financial framework	Number	
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DG: <.....>			Year N ¹⁵	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
○ Operational appropriations										
Budget line ¹⁶	Commitments	(1a)	p.m	p.m	p.m	p.m				
	Payments	(2a)	p.m	p.m	p.m	p.m				
Budget line	Commitments	(1b)								
	Payments	(2b)								

¹⁴ European Regional Development Fund, Cohesion Fund, European Social Fund Plus and European Maritime, Fisheries and Aquaculture Fund

¹⁵ Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

¹⁶ According to the official budget nomenclature. Amounts will depend on the take up by Member States of the transfer possibilities

Appropriations of an administrative nature financed from the envelope of specific programmes ¹⁷										
Budget line		(3)								
TOTAL appropriations for DG <.....>	Commitments	=1a+1b +3								
	Payments	=2a+2b +3								

○ TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
○ TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADING <....> of the multiannual financial framework	Commitments	=4+ 6								
	Payments	=5+ 6								

If more than one operational heading is affected by the proposal / initiative, repeat the section above:

○ TOTAL operational appropriations (all operational headings)	Commitments	(4)								
	Payments	(5)								
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)								
TOTAL appropriations under HEADINGS 1 to 6 of the multiannual financial framework	Commitments	=4+ 6								
	Payments	=5+ 6								

¹⁷ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

(Reference amount)										
--------------------	--	--	--	--	--	--	--	--	--	--

Heading of multiannual financial framework	7	'Administrative expenditure'
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This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex V to the internal rules), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
DG: <.....>									
<input type="radio"/> Human resources									
<input type="radio"/> Other administrative expenditure									
TOTAL DG <.....>		Appropriations							

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)								
--	--------------------------------------	--	--	--	--	--	--	--	--

EUR million (to three decimal places)

		Year N ¹⁸	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework	Commitments								
	Payments								

¹⁸ Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

3.2.2. *Estimated output funded with operational appropriations*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year N		Year N+1		Year N+2		Year N+3		Enter as many years as necessary to show the duration of the impact (see point 1.6)						TOTAL		
	OUTPUTS																		
	Type ¹⁹	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No
SPECIFIC OBJECTIVE No 1 ²⁰ ...																			
- Output																			
- Output																			
- Output																			
Subtotal for specific objective No 1																			
SPECIFIC OBJECTIVE No 2 ...																			
- Output																			
Subtotal for specific objective No 2																			
TOTALS																			

¹⁹ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

²⁰ As described in point 1.4.2. ‘Specific objective(s)...’

3.2.3. Summary of estimated impact on administrative appropriations

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year N ²¹	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
--	-------------------------	-------------	-------------	-------------	--	-------

HEADING 7 of the multiannual financial framework							
Human resources							
Other administrative expenditure							
Subtotal HEADING 7 of the multiannual financial framework							

Outside HEADING 7²² of the multiannual financial framework							
Human resources							
Other expenditure of an administrative nature							
Subtotal outside HEADING 7 of the multiannual financial framework							

TOTAL							
--------------	--	--	--	--	--	--	--

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

²¹ Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

²² Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.1. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)
○ Establishment plan posts (officials and temporary staff)					
• 20 01 02 01 (Headquarters and Commission's Representation Offices)					
• 20 01 02 03 (Delegations)					
• 01 01 01 01 (Indirect research)					
• 01 01 01 11 (Direct research)					
• Other budget lines (specify)					
○ External staff (in Full Time Equivalent unit: FTE)²³					
• 20 02 01 (AC, END, INT from the 'global envelope')					
• 20 02 03 (AC, AL, END, INT and JPD in the delegations)					
• X 01 xx yy zz ²⁴	X	• at Headquarters	•		
		• in Delegations	•		
• 01 01 01 02 (AC, END, INT - Indirect research)					
• 01 01 01 12 (AC, END, INT - Direct research)					
• Other budget lines (specify)					
• TOTAL					

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

²³ AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

²⁴ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. Compatibility with the current multiannual financial framework

The proposal/initiative:

- can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).

Member States shall have the possibility to transfer up to 7.5% of their allocation under the cohesion instruments (up to EUR 26.9 billion) and 12.5% of their allocation under the European agricultural fund for rural development (up to EUR 7.5 billion) to the Recovery and Resilience Fund in order to finance measures included in the REPowerEU Chapter. It does not require a revision of the relevant headings of the Mutiannual Financial Framework

- requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation.

Explain what is required, specifying the headings and budget lines concerned, the corresponding amounts, and the instruments proposed to be used.

- requires a revision of the MFF.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. Third-party contributions

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year N ²⁵	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

²⁵ Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue
 - please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ²⁶				
		2023	2024	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)
Article		p.m	p.m	p.m	p.m	

For assigned revenue, specify the budget expenditure line(s) affected.

The financial envelope of the Facility shall be increased by EUR 20 billion (in current prices). The envelope (in commitment and payment appropriations) will be financed from the auctioning of ETS allowances. The amount will be made available to Member States and included in the REPowerEU chapter. The amount for the non-repayable support represents external assigned revenue within the meaning of Article 21(5) of the Financial Regulation in the form of non-repayable support under direct management, to support exclusively reforms and investments Regulation. At this stage, the distribution by year is not known.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

²⁶ The maximum amount reaches EUR 20 billion. The split across years will depend on the auctioning of ETS allowances



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ANNEXES 1 to 2

ANNEXES

to the

**Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE
COUNCIL**

**amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and
resilience plans and amending Regulation (EU) 2021/1060 , Regulation (EU) 2021/2115,
Directive 2003/87/EC and Decision (EU) 2015/1814**

ANNEX I

Annex V of Regulation 2021/241 is amended as follows:

(a) In section 2, the following point is added:

‘2.12. The measures referred to in Article 21c (1) and (2) are expected to effectively contribute towards the Union’s security of supply for the Union as a whole, notably through a diversification of energy supply or reduction of dependence on fossil fuels before 2030.’.

When assessing the measures referred to in Article 21c (1) under this criterion, the Commission shall take into account the following elements:

Scope

— the implementation of the envisaged measures is expected to significantly contribute to the improvement of energy infrastructure and facilities to meet immediate security of supply needs for oil and gas, notably to enable diversification of supply in the interest of the Union as a whole,

or

— the implementation of the envisaged measures is expected to significantly contribute to boosting energy efficiency in buildings, decarbonising industry, increasing production and uptake of sustainable biomethane and renewable or fossil free hydrogen and increasing the share of renewable energy,

or

— the implementation of the envisaged measures is expected to address energy infrastructure bottlenecks, in particular by constructing cross-border links with other Member States, or supports zero-emission transport and its infrastructure, including railways,

or

— the implementation of the envisaged measures is expected to significantly contribute to supporting a requalification of the workforce towards green skills, as well as supporting value chains in key materials and technologies linked to the green transition,

and

— whether the measures and explanation, provided under Article 21c (1) are complementary to each other and significantly contribute, together with measures under Article 21c(2), points (a) and (b), to achieve the Union’s diversification of energy supply or reduction of dependence on fossil fuels before 2030.’

Rating

A – to a large extent

B – to a medium extent

C – to a small extent

(b) In section 3 the part which starts with the words “As a result of the assessment process, and taking into account the ratings” is replaced by the following:

‘As a result of the assessment process, and taking into account the ratings:

(a) The recovery and resilience plan complies satisfactorily with the assessment criteria:

If the final ratings for the criteria under point 2 include scores with:

— an A for criteria 2.2, 2.3, 2.5, 2.6 and 2.12;

and for the other criteria:

— all As,

or

— no majority of Bs over As and no Cs.

(b) The recovery and resilience plan does not comply satisfactorily with the assessment criteria:

If the final ratings for the criteria under point 2 include scores with:

— not an A in criteria 2.2, 2.3, 2.5, 2.6 and 2.12;

and for the other criteria:

— a majority of Bs over As,

or

— at least one C.’

ANNEX II

- (1) In paragraph 4.2 of Annex II of Regulation (EU) 2021/1060, the following is inserted:

‘Reference: Articles 26(1) **and 26a** CPR’

- (2) In paragraph 3.1 of Annex V of Regulation (EU) 2021/1060, the following is inserted:

‘Reference: Articles 14, 26, **26a** and 27 CPR’

- (3) In footnote 1 of paragraph 3.1 of Annex V of Regulation (EU) 2021/1060, the following is inserted:

‘¹ Applicable only to programme amendments in accordance with Articles 14, 26, **and 26a** except complementary transfers to the JTF in accordance with Article 27 CPR. Transfers shall not affect the annual breakdown of financial appropriations at the MFF level for a Member State. ’