

Commission Notice

Guidance on Recovery and Resilience Plans in the context of REPowerEU

Since the adoption of the Regulation on the Recovery and Resilience Facility ('RRF')¹, the geopolitical context has changed considerably. The Russian invasion of Ukraine has drastically impacted the Union's society and economy. These unprecedented geopolitical challenges make it even more important and urgent to reduce the EU's dependency on fossil fuels, in particular those imported from Russia, including by full implementation of the Fit for 55 proposals, as well as increasing the use of renewables and further enhancing energy efficiency. To address these challenges, and upon the request of the European Council, on 18 May 2022 the Commission published a REPowerEU plan setting out joint European actions in this area supplementing the measures taken with respect to energy security of supply and storage. In particular, the REPowerEU plan proposes a set of actions to save energy, diversify supplies and accelerate Europe's clean energy transition.

- 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.
- 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 biomethane and renewable or fossil-free hydrogen.
- To accelerate Europe's clean energy transition, the share of renewables in the energy mix needs to increase and measures need to be taken to address infrastructure and regulatory bottlenecks as well as labour and skill shortages.

These three sets of interventions are supported by smartly combining investments and reforms.

The RRF can play an important role in mobilising and implementing available resources at Union and national levels to achieve the objectives of the REPowerEU plan. To make the RRF framework better equipped to effectively address the objectives of the REPowerEU plan, the Commission put forward a targeted proposal to amend the RRF Regulation with a view to addressing the REPowerEU objective (the 'Commission proposal for the Regulation on REPowerEU chapters in recovery and resilience plans'). The aim is to swiftly provide the necessary framework to ensure that investments and reforms strengthening the EU energy resilience are mobilised as soon as possible. The proposal defines a specific set of REPowerEU objectives that should underpin the investments and reforms to be included in the existing recovery and resilience plans ('RRPs') as part of dedicated REPowerEU chapters. In addition, it provides for dedicated funding sources to finance the relevant measures.

¹ Regulation (EU) 2021/241

The modalities for devising the REPowerEU chapters are explained in this Guidance. This Guidance is focused on the process to modify existing plans whereas the guidance of January 2021² remains valid for the preparation of RRP overall.

Part 1 of this Guidance explains the available legal grounds for modification of adopted RRP. Part 2 relates to the preparation and the contents of the REPowerEU chapter. It also specifies the information that Member States should submit to the Commission concerning the reasons, objectives and the nature of the changes to their RRP.

When preparing changes to their RRP to reflect the REPowerEU chapters, it is important to underline the following principles:

- **Member States should continue to focus on the implementation of the existing RRP, to allow progress with milestones and targets, considering their relevance to recover faster from the economic impact of the pandemic and become more resilient.**
- **The modification of RRP should therefore be well justified and limited to the range of situations outlined in this Guidance in order to allow for a swift adoption and mobilisation of the additional investments and reforms.**
- **The ambition of the RRP cannot be reduced, including notably on reforms addressing country specific recommendations. The additional investments and reforms contemplated for the revised RRP should focus on REPowerEU objectives.**

² Commission Staff Working Document (2021) 12 final

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PART I: GENERAL FRAMEWORK FOR THE MODIFICATION OF RECOVERY AND RESILIENCE PLANS

Introduction

In line with the RRF Regulation and the Commission proposal to amend the RRF Regulation, Member State could propose changes to a previously adopted RRP for the following purposes:

- Article 21a to benefit from the new category of non-repayable financial support for REPowerEU,
- Article 21b to benefit from resources from shared management programmes (Funds under Common Provisions Regulation, and European Agricultural Fund for Rural Development) for REPowerEU,
- Article 14(2): a *revision* of the plan accompanying a request for loans,
- Article 18(2): an *update* of the plan to take into account the updated maximum financial contribution following the calculation referred in Article 11(2),
- Article 21: an *amendment* or a submission of a new plan due to the plan including relevant milestones and targets being no longer achievable because of objective circumstances.

When modifying their RRP, Member States are encouraged to do so on the basis of a consolidated version of their initial plan, which should reflect the changes introduced during the assessment phase and be fully consistent with the respective Council implementing decisions. Member States that have not consolidated their initial plan are invited to do so before modifying their plan. Member States should submit modified plans in the form of an addendum to their consolidated plans.

Any modification of the adopted plans will entail a new assessment in line with Article 19 of the RRF Regulation. The Commission will apply the relevant assessment criteria to the whole RRP, understood as the previously adopted RRP plus the changes put forward.

The Commission's positive assessment of a modified plan will then need to be approved by Council's adoption of a Council implementing decision proposed by the Commission, in accordance with Article 20 of the RRF Regulation. This shall be followed, where necessary, by signing a new or amended financing and/or loan agreement between the Commission and the Member State concerned and, prior to any payment, signature of operational arrangements.

When submitting a modified RRP, the Member State concerned should clearly specify the legal basis for the proposed changes to its plan, accompanied by the justification required by the corresponding article(s) of the RRF Regulation. The request for modification of the plan can be based on any of the legal provisions mentioned above or a combination of them.

To optimise the process of modifying plans, each Member State is invited to combine all envisaged modifications of its plan in a single request to be submitted to the Commission. The financing and/or loan agreement(s) following the modifications of a plan based on a combination of legal bases (in so far as they include Article 18(2)) can be signed from January 2023.

Before submitting modified RRP, Member States are invited to first engage in an informal dialogue with the Commission services. This dialogue, similar to the one held before the submission of the initial RRP, is aimed at helping Member States prepare the RRP modifications.

I. Funding exclusive for reforms and investments included in the REPowerEU chapters

1. Article 21a – new resources for REPowerEU

The Commission Proposal for a Regulation on REPowerEU chapters in recovery and resilience plans introduces a new category of non-repayable financial support. These resources may only be used to finance reforms and investments included in the REPowerEU chapter referred to in Article 21c(1) of the RRF Regulation, as amended by the Commission proposal (see the dedicated section in Part II).

Member States wishing to benefit from these additional resources shall submit RRP (for those without adopted plans) or modified RRP in accordance with the Commission proposal for the Regulation on REPowerEU chapters in recovery and resilience plans ('Commission Proposal'). Member States are encouraged to make their submissions as early as possible after 30 June 2022, to enable a rapid uptake of the available resources for the implementation of the urgent REPowerEU objectives, as well as to facilitate the disbursement of this additional financial support. Instalment schedules of the REPowerEU contribution will be integrated with Member States' instalment schedules for the already adopted non-reimbursable financial support and loans.

A) Transfers from European funds under Article 26a of the Common Provisions Regulation (EU) 2021/1060 (the 'CPR')

In the context of the Commission proposal, an amendment to the Common Provisions Regulation has been proposed to introduce a new possibility for transfers to the RRF. Under the newly proposed Article 26a of the CPR, Member States have the possibility to transfer up to 7.5% of the national allocation of CPR funds to the RRF (on top of the 5% already foreseen by the Article 7 of the RRF Regulation). Such transfers are additional to the possibility of transfer of resources envisaged under Article 26 of the CPR.

The REPowerEU chapter and cohesion policy funds share the common objective of supporting the energy transition, meaning that investments to foster further energy efficiency and further

development of renewable energy sources can be supported under both types of instruments. In view of enhancing the synergies between these policies, Member States are advised to finance earlier investments under the RRF, whose timeframe runs until 2026, and finance later investments under cohesion policy funds, which in light of the N+3 rule may support investments until 2029. The proposed amendment of Article 21b of the RRF Regulation sets out that the transfers will finance new measures included in REPowerEU chapter. For this purpose, Member States will be required to submit a (modified) RRP including a REPowerEU chapter outlining the reforms and investments to be supported. The Member State may only transfer under Article 26a the amount which is necessary to finance costs of new reforms and investments, in order to ensure that the funds from shared management support additional measures and only where the Member State has already requested transfers from that specific Fund up to the ceiling of 5% set out in Article 26.

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 supporting 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.

Member States may request such transfers, as part of their Partnership Agreement or through programme amendments. For transfer requests made through programme amendments, only resources for future calendar years may be transferred. However, this has no impact on the total amount which can be transferred, which is up to 7.5% of the initial national allocation.

Member States and the Commission should discuss the best option based on the state of advancement of their respective Partnership Agreements and programmes.

If a Partnership Agreement has already been adopted, and one or more programmes have not yet been adopted, a stand-alone transfer may be requested through a notification to the Commission of a revision of a limited set of partnership agreement information (points (c), (e) and (h) of Article 11(1) of the CPR being the amounts to be transferred and the justification, breakdown of resources by category of region, as well as the list of planned programmes with the financial allocations by fund and corresponding national contribution by category of region).

Where a programme has already been adopted and needs to be amended to reflect such a transfer, a simplified adoption procedure will be followed. Indeed, contrary to the usual procedure set out in Article 40(2) of the CPR, the monitoring committee shall be consulted of the amendment, but its prior agreement shall not be required.

Moreover, the Commission will approve the amendment to the programme within one month of its submission.

Resources per Member State for the period from 1 January 2021 - 31 December 2027

Member State	Initial allocation 2021-2027 (EURm)				Total national allocation	Art. 26a - Maximum transfer (7.5%)
	EDRF	ESF+	Cohesion	EMFAF		
BE	1152	1168	0	40	2361	202
BG	5741	2625	1266	85	9718	732
CZ	10426	2701	6365	30	19523	1 485
DK	141	120	0	201	462	38
DE	10913	6527	0	212	17652	1 384
EE	1693	503	820	97	3113	230
IE	396	508	0	142	1046	89
EL	11452	5845	3023	375	20695	1 533
ES	23540	11153	0	1120	35814	2 654
FR	9070	6675	0	567	16312	1 263
HR	5356	1983	1182	244	8764	653
IT	26615	14535	0	518	41668	3 157
CY	467	222	178	38	906	67
LV	2493	711	1039	135	4378	321
LT	3464	1136	1419	61	6081	457
LU	15	15	0	0	30	4
HU	13360	5507	2602	38	21507	1 629
MT	474	124	165	22	786	59
NL	506	414	0	98	1018	97
AT	537	394	0	7	938	86
PL	47417	14913	9283	512	72125	5 413
PT	11497	7497	3399	379	22771	1 689
RO	17070	8239	3538	162	29009	2 191
SI	1538	727	718	24	3007	229
SK	8117	2404	1613	15	12150	926
FI	888	605	0	72	1564	124
SE	863	707	0	116	1685	144
EU27	215021	97958	36610	5310	355083	26 869

B) Allocation from the European Agricultural Fund for Rural Development

According to the Commission proposal on the REPowerEU Regulation, Member States shall have the possibility to transfer part of the European Agricultural Fund for Rural Development (EAFRD) allocation to the Recovery and Resilience Facility. A dedicated article will be added to the CAP Strategic Plan Regulation (EU) 2021/2115 to introduce a new possibility for transfers to

the RRF. Member States can opt to allocate up to 12,5% of the initial EAFRD allocation towards the reforms and investments included in the REPowerEU chapter. Member States should use this allocation in line with the proposed amendment to the RRF Regulation to support measures for farm investments for the benefit of farmers or groups of farmers, in increasing production of renewable energy and sustainable biomethane, i.e. produced from organic waste and agricultural and forest residues, as well as for boosting energy efficiency by reducing the use of synthetic fertilisers .

To benefit from the funds allocated from EAFRD, Member States are required to submit a (modified) RRP including a REPowerEU chapter outlining the reforms and investments supported by the allocated funds.

Member States may request such allocation, as part of their CAP Strategic Plans or through their amendments. In this respect, Member States and the Commission should discuss the best option based on the state of advancement of their CAP Strategic Plan. Such amendment shall not count for the maximum number of requests for amendment provided for in Art. 119 (7).

The funds allocated under the Article 81a of the CAP Strategic Plan Regulation should be spent on measures compatible and in synergy with the strategic framework established by the Member State for support to agriculture and rural areas, in coherence with the CAP Strategic Plans objectives. Stakeholders involved in the CAP strategic plans process should be consulted, when preparing the REPowerEU Chapter under the RRF. It is suggested that Ministries of Agriculture and/or Managing authorities in charge of the implementation of EAFRD are involved in the process as they have direct experience of these projects under EAFRD.

Where a CAP Strategic Plan has already been adopted and needs to be amended to reflect such a transfer, a simplified adoption procedure will be followed. Indeed, contrary to the usual procedure set out in Article 119 (6) of Regulation (EU) 2021/2115 on CAP Strategic Plans, the Commission shall adopt or refuse the amended CAP Strategic Plan no later than 1 month after receiving the submission. These short deadlines for the Commission adoption aim at ensuring that the implementation process of the strategic planning for the CAP continues as planned, and to ensure that fast support is provided to the farmers under both the CAP and the REPowerEU chapter of the RRF.

Furthermore, the funding allocated to the RRF will be included in the allocation of the minimal financial allocation for interventions addressing environmental and climate related specific objectives referred in Article 93 of the CAP Strategic Plan Regulation.

	<i>Initial EAFRD allocation (2023-2027)</i>	<i>Art 81a – maximum transfer</i>
BE	414	51
BG	1410	176
CZ	1296	161
DK	380	47
DE	5461	682

	<i>Initial EAFRD allocation (2023-2027)</i>	<i>Art 81a – maximum transfer</i>
<i>EE</i>	440	55
<i>IE</i>	1558	194
<i>EL</i>	2785	348
<i>ES</i>	5402	675
<i>FR</i>	7297	912
<i>HR</i>	1486	185
<i>IT</i>	6750	843
<i>CY</i>	119	14
<i>LV</i>	587	73
<i>LT</i>	977	122
<i>LU</i>	62	7
<i>HU</i>	2084	260
<i>MT</i>	100	12
<i>NL</i>	366	45
<i>AT</i>	2600	325
<i>PL</i>	6600	825
<i>PT</i>	2703	337
<i>RO</i>	4835	604
<i>SI</i>	551	68
<i>SK</i>	1295	161
<i>FI</i>	1772	221
<i>SE</i>	1059	132
<i>EU27</i>	60 393	7 549

II. Grounds for modification of RRP

1. Article 14(2) of the RRF Regulation: a revision of the plan to request a loan

To support new reforms and investments put forward in the modified plans, Member States can still benefit from funding under the highly favourable financing conditions of the RRF loans. Member States are particularly encouraged to rely on this considerable source of funding, which the Commission may grant by the end of 2023 in order to finance additional reforms and investments that accelerate the implementation of the REPowerEU objectives.

The final deadline for the submission of all loan requests, including those allocated under Article 14(6) of the RRF Regulation, is 31 August 2023, as set out in Article 14(2) of the RRF Regulation.

A) Assessment of loan support requests

In accordance with Article 14(1) of the RRF Regulation, loan support may be granted until 31 December 2023. Accordingly, all loan agreements should enter into force by 31 December 2023.

Thus, prior to that date, the Commission and the Member States concerned should sign the loan agreements and the Commission should receive the legal opinions certifying that all constitutional and legal requirements related to the entry into force of these agreements have been fulfilled.

A request for loan support should be carefully motivated and should include, in particular:

- a justification of higher financial needs;
- a list of additional reforms and investments, with the corresponding milestones and targets;
- cost estimates for the revised RRP.

Higher financial needs can result from:

- The Member State concerned putting forward additional reforms and investments.
- The Member State concerned having its maximum financial contribution decreased and thus modifying its RRP to shift some of the measures from grants to loans, so as not to lower the overall ambition of its plan.

If a Member States requests a loan to solely finance measures implementing the REPowerEU objectives, the information outlined above should be integrated within the REPowerEU chapter (see Part II Section I on the REPowerEU chapter).

Based on this information, the Commission will assess the loan requests individually for each Member State. In its assessment, the Commission will consider the contribution of the additional funding to the objectives of the RRF and, in particular, whether the additional measures to be supported by loans address the challenges identified in the 2022 country-specific recommendations ('CSRs') and the REPowerEU aims.

B) Exceptional circumstances under article 14 (6) of the RRF Regulation

In exceptional circumstances, and subject to the availability of resources, the amount of the loan support may be increased beyond 6,8% of GNI, in accordance with article 14(6) of the RRF Regulation. Based on the proposal of the Commission, when applying this article, the Commission and the Council shall consider the needs of the requesting Member State, as well as requests for loan support pursuant to this Regulation already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency, – similarly to the practice followed by the Commission when allocating to Member States the available loan envelope under SURE.

To facilitate the orderly handling of loan requests above 6.8%, Member States are invited to communicate their intention to take up loans as soon as possible and no later than 30 days after the entry into force of the Regulation for REPowerEU chapters in recovery and resilience plans.

C) Additional information on loans

The financing conditions for the RRF loans are highly advantageous due to the EU's highly rated issuances and a strong investor demand. The loan agreements concluded between the Member States and the Commission stipulate that amortised repayments of the principal will only start after a grace period of 10 years, allowing Member States to benefit from the growth triggered by reforms and investments before commencing the repayment. Following the initial grace period, Member States will have to make annual repayments corresponding to 5% of the disbursed amounts. Those conditions will be implemented in the same way for all Member States receiving RRF loans.

In July 2021, the Commission published a Decision that sets out how the costs incurred for the NextGenerationEU funding pool are allocated to Member States receiving RRF loans.³ The relevant costs are allocated to borrowing Member States based on their relative share of received financial support. This cost allocation methodology and its implementation will ensure an objective, fair and clearly documented basis for calculating and allocating the respective share of costs to the Member States receiving RRF loans. The benefits of these attractive funding conditions are passed on to the Member States receiving RRF loans⁴.

2. Article 18(2) of RRF Regulation: an update of the plan

Under Article 18(2) of the RRF Regulation, Member States can also update their RRFs to take into account the updated maximum financial contribution following the calculation referred in Article 11(2). The final maximum contribution will be updated by the Commission by 30 June 2022. Following the update, Member State will have the possibility to submit an updated plan, as per Article 18(2) of the RRF Regulation. The modalities for updating the plans and the extent of the modifications expected depend on the nature of the change in the final allocation (i.e. an upward or downward revision).

To reflect the update of the maximum financial contribution and legally commit the amount corresponding to 30% of the financial contribution calculated in accordance with Annex III of the RRF Regulation, the financing agreement should be amended in 2023. Importantly, all funds need to be committed before 31 December 2023. Hence, when preparing requests for the update of their plans, Member States should allow for sufficient time for both the Commission's assessment and the approval procedure by the Council.

³ Communication from the Commission to the European Parliament and the Council on a new funding strategy to finance NextGenerationEU, COM(2021) 250 final, as well as Commission Decisions C(2021)2501 and C(2021)2502

⁴ More information on NextGenerationEU funding operations can be found in the Report published on 22.02.2022, COM(2022) 43 final

Regardless of whether a Member State decides to modify its RRP, the new maximum financial contribution will need to be reflected in a new Council implementing decision, with the payment profile being adjusted to account for changes in the maximum financial contribution. The precise modalities of the adjustment of the instalment profile will need to be addressed bilaterally between the Member State and the Commission.

A) Upwards revision

Member States benefitting from a higher maximum financial contribution are strongly encouraged to make full use of the additional funds available by proposing relevant new reforms and investments or scale up the ones already envisaged. Importantly, the newly proposed measures should contribute to the REPowerEU objectives. To benefit from the full maximum financial contribution, the estimated costs of these new reforms and investments, with corresponding additional milestones and targets, should at least correspond to the difference between estimated costs of the previously adopted RRP and the new maximum financial contribution.

Importantly, given the performance-based nature of the RRF, the additional amount resulting from the upward revision of the financial contribution cannot be used to compensate for an increase in the estimated costs of measures included in the already adopted RRP. The assessment of the cost estimates was done as a part of the assessment of the initial RRP. Furthermore, if a Member State chooses not to benefit from the increase in the maximum financial contribution, there is no need for an updated plan nor for updating the Council implementing decision.

Finally, a number of Member States prepared their original RRP with an estimated total cost exceeding the initial maximum financial contribution, as they expected an upward revision of that contribution. If their updated contributions remain within the estimated total costs of their already approved RRP, these Member States can benefit from the additional funds without having to update their RRP.

B) Downwards revision

Even if their final maximum financial contribution is decreased, Member States are encouraged to continue implementing their adopted RRP, relying on alternative sources of funding. Given the importance of reforms and investments included in the RRP for addressing the challenges faced by Member States, their implementation should remain a key priority. Should a Member State nevertheless wish to adjust the investment or reform agenda of its RRP, it would need to submit an updated plan.

A downward revision of the final maximum financial contribution does not justify downgrading or removing reforms from the plans. In fact, reforms come with little to no associated costs and as such are not linked to the size of the maximum financial contribution. Furthermore, the

revised plan still needs to meet all assessment criteria, and in particular address all or a substantial set of CSRs.

To compensate for the reduced maximum financial contribution and address the REPowerEU objectives, besides relying on national funds, Member States facing a downward revision are encouraged to make use of the following options:

- Request a RRF loan,
- Transfers from cohesion policy as set out under Article 26 of the Common Provisions Regulation and Article 7(1) of the RRF Regulation,
- Shift investments which will be completed by end 2023 from the RRF to European Structural and Investment Funds for the 2014-2020 programming period, including through REACT-EU, in line with the N+3 rule,
- Shift some investments planned under the RRF to the 2021-2027 cohesion policy programmes,

Loans compensating downwards revision

As mentioned above, Member States can request loans until 31 August 2023. An option for compensating the decreased maximum financial contribution and addressing the new objectives of REPowerEU would be for the Member State concerned to take up a loan. Under such a scenario, the conditions of Article 14 of the RRF Regulation apply. The Member State should make clear in the revised RRP, which reforms and investments are shifted from the financial contribution (i.e. grants) to loans.

Transfers from CPR funds to the RRF under Article 26 of the Common Provisions Regulation

Article 7(1) of the RRF Regulation gives Member States a possibility to transfer resources allocated under shared management to the RRF, in particular through funds covered by the CPR. According to Article 26 of the Common Provisions Regulation (CPR, Regulation (EU) 2021/1060), up to 5% of the CPR funds for the 2021-2027 budgetary period can be transferred to other EU instruments, for the exclusive benefit of the Member State concerned, meaning already made transfers to other instruments (e.g. to Erasmus+) reduce the maximum amount that can be transferred to the RRF. This provision could enable the Member State to increase its resources available under the RRF, possibly covering for the downward revision of the final maximum financial contribution.

Member States may request such transfers either as part of their partnership agreement or as part of programme amendments or, where the Partnership Agreement has been approved and one or more programmes have not yet been adopted, through notification of a revision of certain limited information within the Partnership Agreement. Member States that wish to use such an option

should discuss with the Commission which way to choose based on the state of advancement of their partnership agreement and their programmes. Under Article 26(3) of the CPR, requests for such a transfer via programme amendment shall be duly justified with a view to the complementarities and impact to be achieved.

As part of the justification to be provided for such a transfer, Member States can rely on the fact that, in general, the reforms and investments under the RRP, which such transfers will enable, should also contribute positively to achieving the goals pursued under cohesion policy. For instance, many RRP include reforms to improve the effectiveness of public administration or reforms on public procurement that will help increase the effectiveness of Member States' investments under the cohesion policy funds.

This possibility to transfer up to 5% under Article 26 of the CPR can be used to compensate for a decrease in allocation in relation to any measure included in the existing RRP. It can also be used for reforms and investments included in the REPowerEU chapter. This is to be distinguished from the possibility to transfer up to 7.5% under the newly proposed article 26a of the CPR where the transferred resources can be used exclusively for reforms and investments included in the REPowerEU chapter and which can only be requested where the Member State has already requested transfers from that specific Fund up to the ceiling of 5% set out in Article 26 of the CPR.

Shift of some investments planned under the RRF to the 2014-2020 programmes

Member States that will see their RRF maximum financial contribution decrease and have unused cohesion resources may shift some of their RRP investments towards the 2014-20 cohesion programmes. In particular, in view of the additional resources provided under REACT EU, many Member States can still add new projects in the programmes to the extent that they fit within the existing programmes' priorities in order to ensure full absorption. In addition, these investments need to comply with cohesion policy rules, including eligibility rules related to legality and regularity. Projects need to be completed and functioning at the time of closure of programmes, that is, 15 February 2025. Importantly, the investments shifted from the RRP to the cohesion programmes should not be related to milestones and targets included in a previously submitted payment request.

The end date for eligible expenditure under 2014-20 cohesion programmes of 31 December 2023 needs to be respected. This means in practice that investments under 2014-20 programmes will still be reimbursed as long as the eligible expenditure has been incurred before end-2023. In this context, any payment application presented to the Commission under the programmes can relate to any implementation phase of a particular investment, including the starting phase. However, the operations need to be completed at the time of closure, unless they are phased into cohesion policy 2021-27. Investments under the RRF that are at an early implementation stage (e.g. launch of calls of proposals or selection of beneficiaries) are unlikely to be mature enough to be shifted

to the 2014-20 programmes. Member States are invited to focus on those investments where the early implementation stages are over and where concrete implementation, with payments to the relevant beneficiaries or contractors, has started.

Shift of some investments planned under the RRF to the 2021-27 cohesion programmes

The 2021-2027 cohesion policy programmes offer ample room both financially and time-wise for accommodating investments initially planned under the RRF. In this context, the following rules should be borne in mind:

- The transferred projects need to follow 2021-2027 cohesion policy eligibility and other rules and fit within the scope of the programme under which they are to be funded.
- Such transfers cannot lead to falling short of the thematic concentration or climate target requirements under cohesion policy.
- Under Article 63(6) of Regulation 2021/1060 (Common Provisions Regulation, CPR) operations shall not be selected for support by the Funds where they have been physically completed or fully implemented before the application for funding under the programme is submitted, irrespective of whether all related payments have been made.

3. Article 21 of the RRF Regulation: an amendment or replacement of the plan due to the plan or part of it being no longer achievable because of objective circumstances.

Where one or more milestones and targets included in an adopted RRP are no longer achievable due to objective circumstances, the Member State concerned may submit a reasoned request to the Commission to amend its RRP. The Commission will assess the reasoned requests on a case-by-case basis. Prior to making a formal submission, Member States are invited to enter into an informal dialogue with the Commission services, to, in particular, reach a common understanding on the practical modalities for this procedure.

When putting forward an amendment or submitting a new plan on the basis of Article 21, Member States should provide justification for the following three elements:

- 1) The specific measures that are no longer achievable;
- 2) The objective circumstances;
- 3) The direct link between the changes proposed and the objective circumstances.

Firstly, a Member State should justify that the adopted RRF can no longer be implemented:

- In part or in full;
- Within the timeline of the RRF (until 2026) or simply not at all, even with a delay.

Secondly, the Member State concerned should justify that the impossibility to implement (part of) the plan stems from objective circumstances. It is essential that the relevant objective circumstances are well evidenced and documented. When assessing the justification provided by the Member State concerned, the Commission will take into account in particular:

- *Anticipation of the circumstances*: whether the objective circumstances were present or could have been reasonably anticipated at the time of the adoption of the RRP;
- *Availability of alternative solutions*: whether there are alternative actions that the Member State concerned could reasonably pursue to still implement the relevant measures without modifying them.
- *Member State's accountability*: whether the Member State concerned is primarily responsible for the occurrence of the invoked objective circumstances.

Thirdly, the Member State concerned should provide a list of the measures to be amended, a description of the exact changes proposed and an explanation of the direct link between the proposed changes and the impact of the objective circumstances invoked to justify the amendment.

The proposed changes should not affect the level of ambition of the initial plan. Furthermore, measures replacing those deemed unachievable should contribute, to the extent possible, to the REPowerEU objectives (e.g. shift from gas boilers to heat pumps).

Request linked to price increase of specific investments

First, it should be recalled that the RRF is a performance-based instrument. The cost of the plan was estimated by the Member States and Member States received their maximum allocation of non-repayable support as long as these costs were equal or higher than this maximum.

Second, it should also be pointed out that the Member States have integrated to an extent inflation and their expectations of future inflation in their costing. Inflation assumptions, when specified by the Member States, were generally used on a measure-by-measure basis. These assumptions were assessed by the Commission as part of the plausibility and reasonableness assessment of estimated costs, following very detailed exchanges with the Member States on the assumptions used for each reform and investment.

However, Russian aggression on Ukraine has drastically affected prices of energy and construction materials and energy. It also put further strain on the global supply chains. The severity of those developments could not have been anticipated at the time the Facility was established, as well as at the time when most of the Member States submitted their recovery and resilience plans. These developments may have a direct impact on the delivery of some investments included in the recovery and resilience plans and can be invoked as objective circumstances, underpinning a request under Article 21.

If a major increase in the costs for a particular measure leads to a situation where the related milestone or target can no longer be achieved, the Member State may request the modification of

the related milestone or target. The request should be based on a thorough justification. Member States would need to provide evidence of the direct impact on the measure(s) they seek to revise. These increases could also not justify an amendment of investments that are not directly concerned by prices of raw materials (e.g. purchase of medical equipment or research grants for studies on social housing) or important supply chain constraints.

These price increases cannot constitute objective circumstances for revising reforms as reforms are not generally cost dependent. In addition, no request for amendments should undermine the overall implementation of the recovery and resilience plans.

4. Overview of the procedures

The table below provides an overview of the procedures applicable to all respective scenarios described in the preceding sections.

	Scenario	Need for a modified RRP / addendum
REPowerEU additional funding	Member State makes a transfer in accordance with Articles 26 and 26a of the CPR or Article 81a of the Regulation on CAP Strategic Plans.	Yes
	Member State wishes to benefit from the REPowerEU contribution referred to in Article 21a of the RRF Regulation.	Yes
Upward update of the maximum financial contribution	Maximum financial contribution increase beyond estimated costs of the previously adopted RRP, Member State wishes to benefit from it.	Yes
	Maximum financial contribution increase within the estimated costs of the previously adopted RRP, Member State wishes to benefit from it.	No
	Member State does not wish to benefit from the increase.	No
Downward update of the maximum financial contribution	Member State compensates for the decrease with national funds.	No
	Member State wishes to update the plan to reflect lower maximum financial contribution.	Yes
	Member State takes up a loan to compensate for the decrease.	Yes
	Member State compensates for the decrease with a (max 5%) transfer from 2021-27 CPR funds (Article 26 of the CPR).	Yes
	Member State compensates for the decrease by moving a number of the investments under the 2014-2020 cohesion programmes.	Yes

5. Overview of the possible modifications of the plans

It is expected that the modifications to the initial plans will in some instances be based on at least two and sometimes three legal bases, submitted in a single addendum. The table below summarises the applicable process. It should be noted that in every scenario presented below, the obligation to submit a REPowerEU chapter in line with Article 21c of the Commission’s proposal will also apply.

Scenario	RRF legal base
Member State proposes additional measures to address the objectives of REPowerEU and benefit from the contribution referred to in Article 21a of the RRF Regulation.	Article 18
Member State proposes additional measures to address the objectives of REPowerEU and benefit from additional loan support.	Articles 14
Member State proposes additional measures to address the objectives of REPowerEU and makes a transfer of Union funds in accordance with Articles 26 and 26a of the Common Provisions Regulation and Article 81a of the CAP Strategic Plans Regulation.	Article 18
Member State proposes additional measures to address the objectives of REPowerEU and benefit from an upward revision of the maximum financial contribution and from additional loan support.	Articles 14, 18
Member State modifies the RRP to request a loan to: <ul style="list-style-type: none"> • compensate a downward revision of its maximum financial contribution, • and to fund additional measures to address the REPowerEU objectives. 	Articles 14, 18
Member State modifies the RRP by proposing additional measures that address REPowerEU objectives and thereby: <ul style="list-style-type: none"> • benefit from an upward revision of the maximum financial contribution, • respond to an objective change of circumstances that prevents the implementation of some measures. 	Articles 18, 21
Member State modifies the RRP by proposing additional measures that address REPowerEU objectives and replacing existing ones in order to: <ul style="list-style-type: none"> • benefit from additional loan support, • cater for an objective change of circumstances that prevents its implementation of some measures. 	Articles 14, 21
Member State modifies the RRP by proposing additional measures that address REPowerEU objectives and replacing existing ones in order to: <ul style="list-style-type: none"> • benefit from the upward revision of the maximum financial contribution, • benefit from additional loan support, • respond to an objective change of circumstances that prevents the implementation of some measures. 	Articles 14, 18, 21
Member State modifies the RRP to account for objective change of circumstances that prevents its implementation of some measures by adapting the affected measures to cater for the new challenges.	Article 21

PART II: GUIDANCE ON THE DEVELOPMENT AND PRESENTATION OF ADDENDA

This section provides overall guidance on the development and presentation of the addendum to an adopted RRP, including the preparation of the REPowerEU chapter. Throughout this Part, the term ‘modification’ is used to cover all changes to the adopted RRP, independently of the legal basis. When modifying their plans, Member States should provide evidence related to the assessment criteria set out by the RRF Regulation as well as updated information referred to in Articles 18 and 21c of the RRF Regulation.

The extent of the new information provided should be proportionate to the changes proposed in the addendum. If the proposed changes have no impact on a section, there is no need to fill the related part of the template. The submission of the REPowerEU chapter can be compared to an additional component for these dedicated reforms and investments. There will be no need to restructure the already adopted plan and any repetitions should be avoided. Explanations regarding existing RRF-supported measures as well as non-RRF measures can be limited to the minimum necessary as further outlined below.

This Part II is divided into two main sections: first, guidance on the preparation of REPowerEU chapters and second, guidance on the information that should be submitted as part of the general modification of the RRP.

I. The REPowerEU chapter

1. Legal basis and the REPowerEU objectives

The Commission’s proposal for a Regulation on REPowerEU chapters in recovery and resilience plans aims to render the corresponding legal framework better suited to address the REPowerEU objectives. Point 1 of Article 21c, as proposed, defines a set of the REPowerEU objectives.

To achieve the REPowerEU objectives, Member States that decide to modify their RRP shall at the same time submit a REPowerEU chapter. The submission of a REPowerEU chapter can be combined with other types of RRP modifications, as explained under Part I.

The REPowerEU chapter should provide a short overview of all reforms and investments to be implemented by a Member State to meet the REPowerEU objectives. In practice, the REPowerEU chapter can take the shape of a dedicated RRP component. Besides the inclusion of the REPowerEU chapter as a dedicated RRP component, the modification of the RRP should also be accompanied by other information requested by Articles 18 and 21c, as proposed, which is presented in Section 4 below.

2. Content of the REPowerEU chapters

A) Reforms and investments financed by the RRF included in the REPowerEU chapters

Member States should put forward in their REPowerEU chapter reforms and investments that contribute to the REPowerEU objectives. In that regard, it should be recalled that the reforms and investments should contribute to effectively addressing all or 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.

Only reforms and investments that contribute to REPowerEU objectives are eligible for funding foreseen under Articles 21a and 21b. The Member States are also encouraged to support those measures with RRF loans under Article 14. Reforms and investments included in the REPowerEU chapter, as mentioned in Article 21c(1) of the Commission proposal, refers to reforms and investments that were not previously included in the Member State's RRP (as referred to in Article 21c(2)(a)), and which have been designed to address the REPowerEU objectives.

The REPowerEU chapter can in limited circumstances take up measures previously featured in RRP's but those measures should be scaled-up to the extent that they can be considered as 'new' measures. Only the investments where the changes lead to a substantive improvement reflected in the design and level of the milestone and targets, leading to an increased performance when looking at the quantification of energy savings or savings in consumption of fossil fuels, are eligible for additional funding. For instance, a Member State could maintain a measure in an existing component but significantly increase the target under the REPowerEU Chapter in order to benefit from the newly available funding (e.g. RES electricity generation capacity increased from 1000 MW to 1300 MW, would be presented as a scale up of 300 MW).

When drafting their REPowerEU chapters, Member States should ensure that reforms and investments included in the REPowerEU chapters are accompanied by a corresponding set of milestones and targets.

The investments and reforms of the REPowerEU chapters to diversify supply away from Russia and reduce demand for gas in the short term should be established demonstrating the spirit of solidarity as regards security of supply. For this purpose they should be dimensioned to address regional and national needs in a cost-effective way and take into account the EU overview of near-term preparedness to gas supply disruptions released to Member States.

Examples of investments that can be included in the REPowerEU chapters

Several types of investments contributing to REPowerEU objectives that could be supported under the RRF. As for investments in gas infrastructure, it is important that they are consistent with the results of the assessment of additional energy infrastructure needs as set out by the Commission's REPowerEU Communication of 8 March 2022 (COM(2022) 108 final) and the discussions with the Member States in the regional High-Level Groups operating in the context of the TEN-E policy. In particular, these investments can relate to:

- Increasing sustainable bio-methane and renewable or fossil-free hydrogen production capacity;
- Pursuing the reduction of energy and fossil fuel consumption (energy sobriety);
- Accelerating the uptake of renewable or fossil-free hydrogen in the hard-to-decarbonise sectors, by facilitating technology switch to hydrogen-based processes and applications;
- Hydrogen infrastructure, including pipelines, storage and port terminals.
- Energy efficiency and decarbonisation measures in industry sectors, especially in heat processes, demand-side management systems and demand-side response;
- Renovation schemes and technologies increasing the energy efficiency of buildings and the decarbonisation of heat, such as heat pump roll-outs, renewable district heating, photovoltaic (PV) rooftops, energy storage, smart thermostats, and top-grade insulation;
- Programmes to promote energy efficiency audits and advice for households and businesses.
- Electrification of industrial processes and substitution technologies to gas uses in industrial heat (especially low temperature heat), steams and feedstock applications;
- Facilities for energy storage and facilities for gas storage;
- Renewable energy sources production capacity;
- Development of the national electricity distribution and transmission system
- Construction of electricity interconnectors;
- Infrastructure and facilities enabling the diversification of Member States' gas supply including LNG terminals (such as LNG floating storage and regasification units), gas pipelines and storage and their cybersecurity.
- Development of value chains in key materials, technological components and equipment linked to the green transition.
- Re- and upskilling to facilitate the reallocation towards new jobs, especially in renewable energy production and other sectors of the green economy
- Support the electrification of the transport infrastructure, including railways, and the deployment of alternative refueling and recharging infrastructures that supply vehicles with electricity or hydrogen for transport purposes
- Zero-emission public transport vehicles, which have a significant and direct effect in terms of reduction of demand for fossil fuels.

For measures contributing to the security of supply, such as energy infrastructure and facilities, interconnectors or production capacities, Member States are invited to pay attention to the cybersecurity dimension of the projects, to diminish as much as possible the potential risks to energy disruption.

Examples of reforms that can be included in the REPowerEU chapters

Furthermore, there are various types of reforms that Member States could consider to maximise the impact of the investments implemented in the context of REPowerEU. These include:

- Reforms speeding-up permit-granting procedures for renewables projects and minimising the time for their roll-out as well as reforms related to grid infrastructure improvements,

accompanied by the necessary reinforcements to the administration to deal with the acceleration and increased number of permitting requests;

- Transparent schedules for updates of distribution grids and renewable energy auctions;
- Risk insurance and mitigation schemes for investments in renewable heating and district heating development/modernisation projects, planned replacement schemes of fossil heating systems with renewable technologies, tax incentives for companies and consumers to shift from fossil-based heating towards low-carbon options (renewable heat, renewable-based district heating, use of industrial waste heat and cooling networks) and deploy local renewable capacity;⁵
- Incentives to promote the creation of quality jobs in renewable energy production and other sectors of the green economy, including targeted and well-designed hiring and transition incentives⁶
- Reforms to enhance the power system flexibility, enable demand-side resources to participate in electricity markets and develop incentives for demand response, including energy storage
- Incentives to upskill the existing workforce and train skilled professionals in the construction sector, such as installers of renewable-based heating;
- Devising appropriate legislative framework for renewable or fossil-free hydrogen, transportation and storage;
- Incentives for the deployment of alternative refueling and recharging infrastructures that supply vehicles with electricity or hydrogen for transport purposes;
- Development of labour market and skills intelligence and foresight, and adaptation of education and training curricula to the needs of the green transition.

Cross-border and multi-country projects supporting REPowerEU objectives

Member States are strongly encouraged to develop and reinforce cross-border initiatives. Projects of Common Interest (PCIs), selected under the Trans-European Networks for Energy (TEN-E) Policy, are eligible for support by the Connecting Europe Facility. In parallel to the projects of common interest, the Connecting Europe Facility also supports renewable energy cross-border projects, developed by more than one Member State on the basis of the cooperation mechanisms laid down in the Renewable Energy Directive. These projects already contribute to the REPowerEU objectives by providing renewable energy alternative to fossil fuels, reducing import dependency and making better use of Europe's renewable potential.

Projects not financed by CEF should be prioritised by Member States, when considering measures proposed for additional financial support from REPowerEU funding sources within the RRF. Member States are particularly encouraged to consider the possibility of RRF financing for additional gas projects identified by the infrastructure needs assessment carried out for the

⁵ For best practice examples and comprehensive information and impact analysis of renewable heating & cooling technologies, decarbonisation options, scenarios and possible measures, including country specific fact sheets, data and impact assessment Member States are encouraged to consult a series of studies on the heating & cooling sector available at: https://energy.ec.europa.eu/topics/energy-efficiency/heating-and-cooling_en

⁶ See also COM(2021) 801 final of 14 December 2021.

purpose of the REPowerEU plan. For instance, the RRF can play an instrumental role in achieving the ambition of Member States to develop further key value chains, in particular in cross-border energy transmission, renewable or fossil-free hydrogen and supply of critical raw materials.

B) Measures contributing to REPowerEU already included in the RRP

In order for the REPowerEU chapters to be exhaustive and self-standing, these chapters should also include a description of how the measures that already feature in the adopted RRP contribute to the REPowerEU objectives (Article 21c (2)(a) of the RRF Regulation as amended by the Commission proposal).

The REPowerEU chapters should include a list of these measures, together with a short explanation of their contribution to REPowerEU objectives. The objective is not to move measures in existing components to the REPowerEU chapter, to avoid restructuring the whole RRP and potentially affecting its balance and coherence, but to explain the contributions that existing measures provide to the REPowerEU objectives.

The following table should be used to that effect:

<i>FENIX reference number</i>	<i>Measure name</i>	<i>Contribution to REPowerEU objectives</i>	<i>Expected reductions of fossil fuel imports</i>
CX.RX	<i>Reform of the green taxation</i>	Providing incentives to enterprises and individuals to shift to zero-emission and low-emission vehicles will ensure a lower consumption of fossil fuels and thus reduce the dependency on foreign imports of these fuels.	
CY.IY	Building renovation	Renovation of X million square meters, with an objective of at least 30% increase of energy savings	
CZ.IZ	Offshore wind	Installation of 500 MW of offshore wind	

C) REPowerEU measures funded by sources other than the RRF

In order for the REPowerEU chapter to provide a comprehensive picture of all measures that will contribute to the REPowerEU objectives, this chapter should also include important measures funded by other sources, whether national or at Union level, which also contribute to the REPowerEU objectives. Importantly, these measures will not be taken into account in the determination of the available funding under the RRP. These measures are also not covered by audit and control requirements set out by the RRF Regulation.

The monitoring of the REPowerEU measures that are not funded by the RRF will be conducted primarily within the European Semester framework. For each REPowerEU measure funded from sources other than the RRF, Member States should include in the REPowerEU chapter the following information:

- Name of the measure;
- Estimated cost and funding source(s);
- Objective of the measure and link to the REPowerEU objectives;
- Implementation modalities;
- Main steps and the related implementation calendar;
- Estimated impact of the measure, e.g. savings/diversifications of gas import sources, overall energy savings, installed capacity of production for renewable energy, expected reduction in GHG emissions.
- Reference of RRP measures it complements or is complemented by (if any)

Member States should illustrate complementarity between the measures included in their REPowerEU chapter. They should notably explain how measures reinforce one another.

In addition to the description of all measures referred to in the sections above, REPowerEU chapters should explain how the combination of all these measures is coherent, effective and proportionate to reach the REPowerEU objectives (Article 21c (2)(c) of the Commission Proposal amending the RRF Regulation).

- In response to the “*coherence*” requirement, Member States are expected to set out their reasoning behind the addition of the measures included in the REPowerEU Chapter to the already existing or planned ones. They should explain why these measures fill remaining gaps at national and/or EU level, which previous measures do not yet address.
- As regards the “*effectiveness*” criterion, it should be reasoned why and how the REPowerEU measures are generally well-suited for the above purposes.
- To provide a satisfactory “*proportionality*” argument, Member States should describe how the measures included in the REPowerEU Chapter are commensurate with what is necessary to achieve the REPowerEU objectives, and how a balancing of legitimate interests supports the measures in question.

Member States should provide a quantitative analysis of the contribution of their REPowerEU measures to the target set by the REPowerEU plan.

3. Assessment of the REPowerEU chapter

As set out in Article 21c(4) of the proposal to amend the RRF Regulation, the other provisions of the RRF Regulation shall be applicable *mutatis mutandis* to the reforms and investments of the REPowerEU chapter, unless provided otherwise. Accordingly, reforms and investment included in the REPowerEU chapter and financed by the RRF will constitute an integral part of the RRFs. They should fulfil all conditions of Article 18 and are subject to the assessment criteria set in

Article 19 and Annex V, unless specified otherwise, notably in relation to the digital tagging under Article 19(3)(f) and Section 2.6 of Annex V to the RRF Regulation.

A) Exemption from the obligation to contribute to the 20% digital target

Without prejudice to the above, in line with Article 21c(3) of the proposal to amend the RRF Regulation, the reforms and investments included in the REPowerEU chapters to be financed under the RRF will be subject to the digital tagging methodology set out in Article 19(3)(f) and Annex VII to the RRF Regulation, however the support for measures under the REPowerEU chapter will not be considered in the calculation of whether the 20% digital target has been achieved. Given the unprecedented urgency and importance of energy challenges faced by the Union, such exemption is necessary to ensure that the digital tagging does not reduce the ability of the Member States to fund the measures contributing towards the REPowerEU objectives.

Although reforms and investments put forward in the REPowerEU chapter are exempt from the calculation of the digital target, Member States are invited to put forward digital investments relevant for the objectives of REPowerEU. Such investments could for instance include:

- Digitalisation of energy networks, including smart grid;
- Deployment of smart meters, smart charging smart management systems and sensors coupled with energy efficiency renovation works;
- Climate neutrality of the data centres and networks and reuse of their waste heat;
- Cybersecurity for the energy system, vital from the security of supply perspective;
- Data infrastructures to enable a widespread development of demand response (e.g. with the Common European energy data space) and energy storage;
- Measures for the digitalisation of transport that are in part dedicated to GHG emission reduction;
- Digital skills or applications for energy consumer empowerment.

Finally, to uphold the RRF's digital ambitions, the digital tagging will remain applicable to all support for measures put forward in the revisions of the RRFs that fall outside the scope of Article 21c(1) of the RRF Regulation.

B) Additional assessment criterion related to the REPowerEU objectives

In addition, reforms and investments included in the REPowerEU chapters and financed under the RRF will be assessed under an additional 12th assessment criterion, set out by Annex V, Section 2.12 of the proposed amendment to the RRF Regulation, related to their effective contribution to the REPowerEU objectives. As per Annex V to the Commission proposal, this criterion can be considered as fulfilled if these measures meet one of these objectives:

- improve 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;

- boost energy efficiency in buildings, decarbonise industry, increase production and uptake of sustainable biomethane and renewable or fossil-free hydrogen and increase the share of renewable energy;
- address internal and cross-border energy transmission bottlenecks, in particular by constructing links with other Member States, or supports zero emission transport and its infrastructure, including railways;
- support the above objectives 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;

and also meet this condition:

- Complementarity and significant contribution of reforms and investments included in the REPowerEU chapter (Article 21c(1)), together with the other described measures (21c (2) (a) and (b)), to achieve the Union’s diversification of energy supply or reduction of dependence on fossil fuels before 2030.

C) Measuring impact

Member States, should demonstrate that the investments and reforms will deliver on the REPowerEU objectives by measuring:

- The reduction in imports of fossil fuels from Russia;
- For gas imports, an estimation of the reduction in billion cubic meters saved from Russia by equivalent measures;
- Estimated reduction in energy consumption;
- Modernisation of the grid infrastructure towards decentralisation, market integration or enhancing security of supply.

The REPowerEU chapter should include a table indicating the nature of each measure (i.e. new or modified measure, existing RRP measures, measures funded from other sources), their expected impact on the reduction in natural gas imports from Russia, expressed in billion cubic metres.

<i>Measure name</i>	<i>Expected reduction in natural gas imports from Russia in 2027 compared to 2019 (in billion cubic meters)</i>
Reform X	
Investment Y	
Total	

D) Do no significant harm (DNSH) principle:

According to the Commission proposal, measures 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 will not need to comply with the DNSH principle.

This concerns in particular the investments in gas and oil capacities critical to ensure a very rapid reduction of dependency on Russian suppliers. This derogation concerns measures necessary to guarantee the short term security of supply, and should not hinder the overall progression towards the 2050 climate targets, taking into account the national energy and climate plans.

All other measures related to REPowerEU objectives need to comply with the DNSH principle, in accordance with the RRF Regulation. In general, compliance with DNSH supports achieving the objectives of REPowerEU in line with the following guiding principles:

- Measures for which there is a technologically and economically feasible alternative with low environmental impact generally comply with the DNSH principle, in particular those that are not based on fossil fuels like renewable energy sources. This not only reduces the import dependency of fossil fuels from Russia, but also improves environmental quality.
- For measures for which there is no technologically and economically feasible alternative with low environmental impact, Member States may demonstrate compliance with the DNSH principle by proposing the best available levels of environmental performance in the sector. This may comprise activities and assets using fewer or no fossil fuels. The DNSH principle thus supports reducing import dependency, thereby contributing to the objectives of REPowerEU.

These principles support in particular the second pillar of REPowerEU, which calls for investing in an integrated Union-wide energy system largely based on renewable energy and significantly higher energy efficiency in order to reduce the EU's dependence on fossil fuels.

Many measures supporting the REPowerEU objectives have already been included in the adopted recovery and resilience plans and found compliant with the DNSH principle. These include measures to promote renewable energy, to deploy future-proof flexible energy infrastructure and to increase energy-efficiency. In order to facilitate the preparation of modified plans, the examples below illustrate how to ensure compliance with the do no significant harm principle for the climate change mitigation objective for further REPowerEU measures.

Decarbonisation of industry: Under the RRF, in line with Footnote 27 of the Technical Guidance, measure supporting installations that are covered by the EU Emissions Trading System (ETS) have to achieve projected GHG emissions that are significantly lower than the relevant benchmarks⁷. While for some of these activities, there is no technologically and economically feasible alternative with no or low environmental impact currently available, this approach will support reducing the use of fossil fuels, thereby decreasing the import dependency of the EU. For the production of hydrogen, the use of renewable energy sources is encouraged.

⁷ Where the activity supported achieves projected GHG emissions that are not significantly lower (but still lower) than the relevant benchmarks, an explanation of the reasons why this is not possible should be provided. Benchmarks established for free allocation for activities falling within the scope of the Emissions Trading System, as set out in the Commission Implementing Regulation (EU) 2021/447.

***Greater electrification:** The DNSH Technical Guidance states that measures promoting greater electrification (e.g. industry, transport, buildings) are considered compatible with the DNSH criterion for the climate change mitigation, provided that Member States justify that greater electrification is accompanied by increased renewables generation capacity at the national level. Member States may include in their modified plans (additional) measures to support further electrification of key sectors, which – combined with electricity from renewable sources – is expected to directly support the REPowerEU objectives.*

II. General guidance for the modification of RRP

The sections below provide an overview of the elements Member States should reflect in their modified RRP. This guidance addresses the questions most frequently raised by Member States and provides practical guidelines on how to structure the addendum to the RRP in line with the requirements of Article 18 of the RRF Regulation.

To ensure consistency in the presentation of the addendum and the RRP, the below structure follows the RRP Guidance of January 2021. Member States are encouraged to continue using the same structure for their RRP and limit the changes to the existing sections of the RRP.

1. Objectives of the modifications

In this section Member States should explain the reasons underpinning the proposed changes to their previously adopted RRP.

The justification to be provided will depend on the nature and purpose of those changes, as outlined in Part I of this document. Member States should therefore indicate the legal basis for each change, that is, whether it relates to a loan request, an update under Article 18(2) to take into account the revised financial contribution, and/or an amendment under Article 21 due to objective circumstances. Given the considerable time and resources that the Commission and national authorities need to devote to this process, each Member State is invited to **combine all envisaged modifications to its plan in a single request**. The choice of the legal basis will have an impact on the level of changes that Member States are able to make and the conditions they need to fulfil for the modified RRP to obtain a positive assessment. If the revision is motivated by more than one reason, the Member State will need to clearly articulate how it fulfils the conditions and provide the justifications attached to each of them (e.g. additional financial needs to request loan under Art. 14 and objective circumstances preventing the implementation of (part of) the plan under Art. 21).

A) Comprehensive and adequately balanced response to the economic and social situation / contribution to the 6 pillars

The modified RRP should continue to represent a comprehensive and adequately balanced response to the economic and social situation and contribute appropriately to all six pillars in

Article 3 of the RRF Regulation. The changes to the initial plan should maintain this balance, or, should they modify it, be justified by showing that this is in line with the new challenges faced and/or new financial allocation of the Member State. To that effect, Member States should describe how the modified RRP still represents a comprehensive and adequately balanced response to the economic and social situation of the Member State concerned. If the changes to the plan are marginal, the Member States can simply assume that the contribution to the six pillars continues to be balanced without the need to provide detailed additional explanations.

Member States should link the new measures to the relevant pillars, by explaining how they will contribute to them. If the modified plan removes or downsizes certain measures, it should explain how the overall contribution of the plan towards the affected pillars will remain sufficient. Where relevant, this explanation should draw a link between the measures removed and any new measures proposed as a replacement to the former, with reference to the affected pillars.

The explanations provided should take due account of any new developments in the Member State or in EU policies affecting the six pillars. Member States are especially encouraged to consider the impact of the latest geopolitical developments on the plan's contribution to the green transition pillar, in view of the REPowerEU objectives. In this context, addenda with additional measures covering only one or two of the pillars are acceptable, in so far as this is justified by the new challenges faced by Member States.

B) Link with CSRs and the European Semester

The modified RRP should take into account all challenges identified in relevant CSRs, comprising those given in the 2019 and 2020 European Semester cycles and in later Semester cycles up to the date of submission of the modified RRP.⁸ The CSRs issued in the 2022 cycle will be particularly relevant. The 2022 country reports take stock of the implementation of the measures included in the RRP and identify key outstanding or newly emerging challenges not sufficiently covered in the RRP, which are basis for the 2022 CSRs.

As underlined in Section I, downward revisions of the maximum financial contribution do not affect the need to address all or a significant subset of the relevant CSRs. Therefore, a modified RRP would need to keep the same level of ambition as in the previously adopted plan,

For those Member States requesting a loan or seeing their RRF maximum financial contribution (substantially) increase, the full set of the 2019, 2020 and 2022 CSRs need to be taken into account when making additions to the initial plan. This applies, in particular the additional reform and investment needs identified in the 2022 European Semester exercise, including the ones related to the need to reduce energy dependencies. The presentation of addenda is also an opportunity to address challenges identified in previous European Semester cycles that are not or are only partially or not addressed in the adopted RRP.

⁸ As part of the regular European Semester cycle, country-specific recommendations are usually proposed by the Commission towards the end of May/beginning of June, endorsed by the European Council and finally adopted by the Council in early July.

When preparing their addendum, Member States should ensure that the impact of proposed changes on fiscal sustainability is consistent with the 2022 CSR related to fiscal and fiscal-structural matters, as approved by Council. When assessing and presenting the fiscal impact of proposed modifications to their RRP, In addition, Member States whose currency is the euro should ensure that the updated measures in the RRP are consistent with the priorities identified in the most recent recommendation on the economic policy of the euro area, as adopted by the Council.

C) The overall impact of the RRP

In line with the 2021 RRP guidance, Member States should explain to what extent the proposed changes are expected to alter the overall impact of their RRP. This explanation should present the expected impact of the modified RRP as a whole, taking into account the measures added or removed. In application of the 2021 RRP guidance, the following elements should be reflected:

- Macroeconomic and social outlook;
- Macroeconomic and social impact of the RRP;
- Sustainability;
- Cohesion.

Member States are invited to provide updated figures about the impact of their modified RRP, to the extent that they have significantly changed compared to the ones submitted as part of the previously adopted RRP. In doing so, Member States can rely on the information provided in their National Reform Programmes and can use cross-references if needed. The extent of the new information provided should be proportionate to the changes proposed in the addendum.

D) Coherence

The impact of proposed changes on the coherence of the modified RRP should be presented by explaining the interactions between new or modified measures and those included in the previously adopted RRP, by referring both to the measures maintained and withdrawn in the modified plan. Member States are also invited to explain how the overall balance between reforms and investments is maintained. New or modified measures should not create inconsistencies and should not worsen the overall coherence of the RRP.

E) Gender equality and equal opportunities for all

Member States should describe how the changes affect the contribution of their modified RRP to the objectives of gender equality and equal opportunities for all. In the context of the recent developments, mitigating the risks of energy poverty is of vital importance.

Member States should follow the 2021 RRP guidance for this purpose while also reflecting recent developments by, for instance:

- Considering how to best factor these objectives in the implementation and monitoring process, taking into account the experience gathered so far in the implementation of their plans.

- Providing for the involvement of equality and non-discrimination bodies in the RRP's implementation, for instance as part of relevant monitoring bodies.
- Better reflecting these objectives in the revised milestones and targets, for instance by disaggregating them by gender, age, disability, or racial or ethnic origin, where possible.

The extent of the new information provided should be proportionate to the changes proposed in the addendum.

F) Cross-border and multi-country projects

Most of the adopted RRP's include multi-country or cross-border initiatives. This notably includes participation in Important Projects of Common European Interest (IPCEIs) in line with EU State Aid rules. In the context of the possible revision of their RRP's, Member States are strongly encouraged to consider reinforcing the support to the cross-border or multi-country initiatives, in particular those aligned with REPowerEU objectives.

G) State aid

State aid rules fully apply to the additional or revised reforms and investments. It is the responsibility of each Member State to ensure that such reforms and investments comply with EU State aid rules and follow the applicable State aid procedures. Member States need to take into account the State aid regulatory framework, including the Climate, Energy and Environmental Aid Guidelines 2022 ('CEEAG')⁹ in the design of their RRP's. Moreover, the General Block Exemption Regulation ('GBER') declares specific categories of State aid compatible with the Treaty, provided that they fulfil clear conditions, and exempts these categories from the requirement of prior notification to and approval from the Commission. By way of example, with regard to measures contributing to the REPowerEU objectives, Member States are encouraged to consider the provisions of Section 4 of the GBER concerning aid for research, development and innovation and Section 7 on aid for environmental protection.

The State aid Temporary Crisis Framework adopted by the Commission on 23 March 2022 to support the EU economy in the context of Russia's invasion of Ukraine, may also be relevant for the State aid assessment of RRF measures in individual instances, where the aid remedies the economic effects following the aggression against Ukraine by Russia.

As per the 2021 RRP guidance and template, Member States are invited to specify in their updated RRP's for each new or revised reform and investment whether they consider that the measure requires a State aid notification, and if so, provide an indication of the timing of the pre-notification and notification. If the Member State considers that the measure does not require notification, the Member State should include a reference to the existing State aid authorisation decision or provisions in the GBER or other block exemption regulations considered applicable to the measure, with the underlying justifications, or a description of the reasons why the measure does not qualify as State aid. When anticipating the timeline for the fulfilment of the relevant milestones and targets, the Member States need to ensure sufficient time for the

⁹ SEC(2022) 70 final - SWD(2022) 19 final - SWD(2022) 20 final

Commission to clear any State aid that might be present in the relevant investment measures and that requires a State aid notification. The Commission stands ready to provide preliminary guidance to the Member States on the compliance of each investment foreseen in their modified RRP with the State aid regulatory framework. Member States are encouraged to share their (pre)notification schedule with the Commission to ensure sufficient anticipation.

Based on previous experience with measures included in the RRP and reviewed from a State aid point of view, early communication with the Commission services in the preparation of RRP is fundamental for a swift State aid assessment of the notified measures. Member States are invited to engage in discussions with the Commission services to fully take advantage of the possibilities granted by the different State aid frameworks in order to design measures in line with the applicable rules.

2. Description of the changes

As per the 2021 RRP guidance and template, this section should be structured per component. The section should be provided only for those components for which changes are made. It should not repeat the information provided in other sections but indicate which changes are made compared to the previously adopted RRP (with precise references to the relevant sections and measures).

Member States can rely on the existing components for adding a few reforms and investments of the same topic (e.g. a new building renovation measure can be added to an existing component on energy renovation). Member States can also add completely new components in case of new investments and reforms with different priorities.

A) Description of reforms and investments

For each component where there are changes in the underlying measures, Member States should indicate which investments or reforms are ‘added’, ‘removed’ or ‘modified’ compared to the RRP on the basis of which the previous Council Implementing Decision (CID) was adopted.

Use of financial instruments

The use of financial instruments, funded or backed by RRF funds, including loans, can be an attractive solution to deliver the investments foreseen in the RRP for several reasons:

- Financial instruments can embed the repayment of the principal received by the beneficiaries back to the Member State, thereby limiting the creation of public debt in the long term.
- They need to allow the reuse of the flows, including the repayment of the principal, for the same policy objectives including after 2026 and/or to repay the RRF loans.
- They can serve to finance many small investments within a coherent framework and facilitate the outreach to potential beneficiaries through decentralized partner structures.
- They can help to harness additional financial resources or co-investment, in particular from private companies and private financial institutions.

Of the 22 RRFs adopted by end February 2022, 15 plans contain a total of 53 financial instruments with a volume of approximately EUR 22.4 billion, of which EUR 19.9 billion financed with RRF loans. They support themes, which are particularly pertinent in the context of the latest geopolitical challenges, such as the green and digital transitions of businesses, energy efficiency, innovation, social housing or agriculture. They comprise funded instruments (loans, equity, quasi-equity/mezzanine, venture capital) and unfunded ones (guarantees and interest rate subsidies). The funded instruments amount to approximately EUR 19.2 billion. The implementing partners include the EIB, EIF, EBRD, national promotional banks and institutions, state agencies or funds, ministries, and commercial banks.

Based on existing plans, the following type of financial instruments could be deployed:

- Guarantee instruments to de-risk energy efficiency renovation schemes
- PPAs for renewable energy sources investments
- Equity investments in companies or in equity funds supporting the green transition

The Annex provides further information on the use of financial instruments under the RRF, based on the experience gathered with the preparation and implementation of the initial RRFs.

B) Green and digital dimensions

Member States should explain to what extent their modified RRFs will contribute to the green transition and to reducing EU's energy dependence, as well as to a future-proof digital transition and a robust Digital Single Market or address the challenges resulting from it. This can include research and innovation measures with a relevant timeline. Both transitions are to be considered as mutually reinforcing, in line with the concept of twin transitions, and will be looked at conjunctly by the Commission.

The green dimension of the RRF's measures will continue to be assessed under both a qualitative approach (the link between those measures and the energy, climate and environmental challenges of each Member State) and a quantitative approach (the total contribution of the modified RRF to climate objectives must account for at least 37% of the plan's total allocation – see section X on climate tracking).

Member States are invited to explain how their modified RRF will contribute to achieving the EU climate targets enshrined in the Climate Law and takes into account the Fit-for-55 packages proposed in July and December 2021¹⁰ The Fit-for-55 package sets out legislative actions to make climate, energy, land use, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, and to achieve climate neutrality which is enshrined in the European Climate Law.

The digital dimension of RRF measures will also continue to be assessed under both a qualitative approach and a quantitative approach. On 9 March 2021, the European Commission presented a “2030 Digital Compass: the European way for digital decade”, structured around four cardinal

¹⁰ COM(2021) 550 final; COM(2021) 801 final.

points: skills, secure and sustainable digital infrastructures, digital transformation of businesses, and digitalisation of public services. It defines ambitious targets at EU level for each of these points, with a 2030 horizon. This was followed by a proposal for a Decision on a 2030 Policy Programme “Path to the Digital Decade”, expected to come into force by the end of 2022. The Programme would establish a governance structure whereby Member States and the Commission cooperate in a structured way to reach the targets and would facilitate the implementation of multi-country projects. Member States are invited to indicate how any additional or modified measures addressing the digital transition, or challenges resulting from it, would contribute to the four cardinal points and to achieving the 2030 targets.

As regards the quantitative approach, the total contribution of the modified RRP to digital objectives must account for at least 20% of the plan’s total allocation.

C) Climate tracking and digital tagging

The 37% climate target and 20% digital target set forth in Article 19(3) point (e) and (f) of the RRF Regulation remain mandatory in case of changes of the RRP, irrespective of the grounds leading to those changes (excluding cost of measures included in the REPowerEU chapter with respect to digital tag). It is thus important for Member States to take into consideration the RRP’s total allocation when introducing revisions to their RRP, including whenever the revised financial contribution has increased or decreased.

The 2021 RRP guidance remains valid and Member States should therefore explain, for each new or modified measure, the contribution to the climate and digital targets. A new assessment of the tagging to verify the continued achievement of the two targets will be necessary in case the total estimated cost of the RRP, or the cost of any measures with a climate or digital tag, is changed. A tagging assessment will have to take place also in case of any changes to the initial scope, nature or design of an existing measure.

It is important to note that both targets are calculated for the modified RRP *as a whole*, consisting of both the previously adopted RRP and the addendum, excluding the costs of measures included in the REPowerEU chapter with respect to digital tag. The climate and digital contributions will be recalculated for the modified RRP taking into account the changes brought to the measures in the RRP and the modified total estimated cost. The climate contribution will be compared to the total allocation of the RRP, including the REPowerEU chapter. The digital contribution will be compared to the total allocation of the RRP, excluding the amounts for reforms and investments in the REPowerEU chapter.

Based on the experience with the 24 positively assessed plans by end-April 2022, for measures covering multiple areas such as in the case of horizontal measures, there is a need to apply the climate tracking and digital tagging where relevant at sub-measure (a distinct part of a measure relating to a specific intervention field) level using different intervention fields (under Annexes VI and VII of the RRF Regulation).

Furthermore, it is worth recalling that Article 19(3) points (e) and (f) of the RRF Regulation and Annexes VI and VII, set out applicable coefficients for the calculation of support to the climate and digital targets. According to those provisions, the coefficients for support to the climate

objectives may be increased (up to a total amount of 3 % for the climate tagging), provided that they are accompanied by measures that increase their impact. Member States should sufficiently justify the use of such provisions where relevant.

Member States should describe the specific approach that they propose for the tagging of such measures. The Commission can help Member States to retrieve examples of how similar measures have been tagged in the RRFs previously adopted by the Council.

D) Do no significant harm (DNSH)

The DNSH Technical Guidance (2021/C 58/01) that sets out the guiding principles and modalities for the application of the DNSH principle in the context of the RRF will continue to be fully applicable, taking into consideration its specific characteristics. It also provides a ‘checklist’ to follow in the DNSH self-assessment to be included in the modified RRF for each measure. This section summarizes the Guidance’s key elements and explains their application for new or revised measures. It also provides further clarifications based on the experience with the previously adopted RRFs.

How should the DNSH principle be applied in the context of RRFs’ revisions?

Member States need to provide a DNSH self-assessment for every new or modified measure included in the modified RRF, except in those cases, where the DNSH does not apply (see also Section 2.1 and Annex I to the DNSH Technical Guidance). The following cross-cutting considerations should be taken into account (see also Annex with additional information on how DNSH can be complied with):

- *Newly available low-impact alternatives:* The principles in Section 2.4, including Footnote 25 of the DNSH Technical Guidance remain applicable for the assessment of new or revised measures. The DNSH assessment for those measures should reflect the information on low-impact alternatives available at the moment of submission of the modified RRF.
- *No increase of environmental impact compared to the initial measure:* In the case of a modification to an existing measure, the modification should not increase its relative environmental impact compared to the impact of the initial measure. This should be demonstrated by the Member State. When there is an increased impact, the Member State should demonstrate that the measure still complies with the DNSH principle despite its larger environmental impact.
- *REPowerEU measures:* Measures dedicated to renewable energy generation, including bioenergy meeting sustainability and greenhouse gas emission savings criteria set out in the Renewable Energy Directive 2018/2001/EU (REDII), electricity networks and storage, energy efficiency, hydrogen-ready infrastructure, have already been included in the adopted recovery and resilience plans in accordance with the DNSH principle. They were generally attributed a 100% climate coefficient and therefore benefitted from a simplified DNSH assessment for the climate change mitigation objective. This possibility remains valid for similar measures meeting the conditions for a 100% climate coefficient in modified RRFs. Similarly, measures promoting industrial decarbonisation and greater

electrification are generally considered compliant with DNSH for the climate change mitigation objective provided that they meet the conditions set out in Part II, Section I(3)(D) of this guidance.

How should Member States show in their RRP that the measures comply with DNSH?

In the case of changes, two main scenarios with different impact on the DNSH assessment process could be envisaged:

- *Introduction of a new measure:* If a Member State chooses to add a new measure to their RRP, the same process as for the initial submission of the RRP should be followed. The Member State should fill in the checklist in Annex I to the DNSH Technical Guidance to support their analysis of whether and to what extent the new measure impacts environmental objectives.
- *Change of an existing measure:* Member States might wish to change the design, nature or scope of an existing measure. Member States should submit the corresponding DNSH assessment, amending it as necessary to reflect the changes in the measure. The Member State should indicate the reference to the section of the previously adopted RRP in which the initial DNSH assessment is featured.

E) Open strategic autonomy

The 2021 RRP guidance remains the reference point for providing an assessment on the strategic autonomy. The Recovery and Resilience Plans should strengthen the resilience and strategic autonomy of the Union. In line with the Versailles Declaration both EU and national levels should complement each other in the delivery of measures to secure a more robust economic base by reducing strategic dependencies.

Member States are also invited to focus on the critical value chains in key materials and technologies linked to the green transition. This includes, in particular, the production of low-carbon energy equipment and technologies. In view of the current geopolitical situation which is very likely to persist in the coming years, Member States need to consider providing support towards developing and expanding their industrial value chains to manufacture and recycle the low-carbon technological components and equipment needed to deliver on their energy and climate objectives. Support to industry in this respect may cover the manufacturing capacity of clean-tech equipment, notably solar, wind, heat pumps, electrolysers, and other low-carbon technologies. This includes circular economy measures, to ensure the supply of raw materials in critical sectors

Member States should provide a security self-assessment for investments in digital capacities and connectivity where relevant. The security self-assessment should identify any security issues and how they will be addressed. Member States who have not done so already, should conduct such a self-assessment and provide further explanations describing how the measures will contribute to the Union's open strategic autonomy and security issues. Additional explanations should clearly identify the associated risks and what kind of measures are envisaged to mitigate them.

F) Milestones, targets, and timeline

When modifying their RRFs, Member States should ensure that each new or modified measure supported under the RRF is accompanied by a corresponding set of milestones and targets. When defining new milestones and targets, or when proposing any modifications to existing ones, Member States should follow the principles outlined in the 2021 RRF guidance, including as regards their specificity and robustness.

The proposal of new or modified milestones or targets follows strictly from the inclusion of new or modified measures in the modified RRF. They are subject to the same requirements pertaining to the legal basis justifying the revision of a previously adopted RRF, as identified in Section I of this document. For instance, an update under Article 18 to reflect the revised financial contribution cannot be used to revise the substance of milestones or targets of measures not affected by such an update. The main principle is that the degree of ambition of the underlying measures should not be lowered. Measures included in the REPowerEU chapter, which do not receive financial support from the RRF do not require milestones and targets.

As Member States are encouraged to participate in cross-border or multi-country projects supporting the REPowerEU objectives, specific care should be taken to ensure a sound design of related milestones and targets. On the one hand, these should be clearly divided between the different Member States participating in such projects to avoid overlaps and delays in assessment and implementation. The successful completion of one recovery and resilience plan should be independent of that of another Member State. On the other hand, the milestones and targets should be designed in a well-coordinated manner, to ensure that unavoidable interdependencies between Member States are properly assessed and prudent implementation timelines are set. The Commission stands ready to assist groups of Member States involved in cross border or multi-country projects to ensure that their milestones and targets are designed adequately.

To avoid delays in the submission of payment requests to the Commission, Member States may propose a revised timeline for some milestones or targets, provided the ambition of the relevant measures is not diminished by such changes.

The implementation period of some investments included in the REPowerEU chapter in the context may span beyond 2026. In such cases, the related milestones and targets should be designed in such a way to only include actions supported by the RRF within the lifetime of the Facility, while the design of the measures should clearly identify which implementation steps will be supported by national or other EU funds after 2026. In case a Member State proposes to amend its RRF based on Article 21, changes to existing milestones and targets can be undertaken only to the extent that these are linked to the objective circumstances put forward to justify the amendment. As explained under Part 1 of this Guidance, there should be a causal link between the objective circumstances and the changes proposed.

Clerical errors spotted in the Council implementing decision can be flagged to the Commission and the Council at any point in time during the implementation of the RRFs. They will be taken into account in the Commission proposal for a new/revised Council implementing decision or else in a dedicated corrigendum.

G) Financing and costs

New measures: Member States shall provide estimated total costs of the new reforms and investments put forward in an addendum. This obligation also relates to reforms and investments included in the REPowerEU chapters. No costing information is required for reforms and investments not financed under the RRF.

Revised measures: For each revised measure, where the changes affect the costing estimates, the Member State shall provide updated costing estimates. If the change only relates to the scale of the measure, the revision of the estimated costs should be done on a proportional basis.

Methodology: When preparing these cost estimates, Member States should follow the specific instructions provided in the 2021 RRP guidance. As a rule, Member States are not expected to provide revised cost estimates for measures that are neither new nor modified. Member States may provide a validation of costing estimates by an independent public body, which could contribute to strengthen the plausibility of the estimates.

3. Complementarity and implementation of the RRFs

A) Consistency with other initiatives

As per Article 17 of the RRF Regulation, all RRFs, including the addenda, shall be consistent with the relevant CSRs (generally, those of 2019, 2020 and 2022) as well as with the information included in National Reform Programmes, National Energy and Climate Plans (NECPs) and updates thereof under Regulation (EU) 2018/1999, territorial just transition plans, Youth Guarantee implementation plans, partnership agreements and operational programmes.

- For consistency with the relevant CSRs and National Reform Programmes, please see section of this Guidance on the European Semester.
- The addenda will also need to be consistent with the activities towards a climate-neutral economy that will have been devised in the territorial just transition plans.
- Finally, the addenda will need to be consistent with the partnership agreements and operational programmes that will have been adopted since the adoption of the initial RRFs. Given the fact that all Member States are in the process of finalising (or have finalised) their partnership agreements, they should explain how new or modified RRF measures are complementary with the implementation of the programmes under the 2021-2027 period¹¹, taking into account the possibility to transfer funds in accordance with the Articles 26 and 26a of the CPR Regulation.

B) Complementarity of funding

In line with Article 9 of the RRF Regulation, Member States should provide information on complementarity and (possible) other EU funding provided or planned for each new or modified

¹¹ Please refer to Part 1 regarding the modalities for requesting transfers between the RRF and the cohesion policy funds

measure. Please refer to the REPowerEU chapter section II (1) for dedicated guidance on complementarity of the relevant measures. Where the Member State intends to remove or downsize a measure or intends that this measure is instead funded/implemented through another funding programme, this should also be indicated. Furthermore, the Member State should also communicate to the Commission any changes with regard to the other funding methods also for measures that have already been part of the previously adopted RRP.

When demonstrating complementarity between different RRF- and non-RRF REPowerEU measures, Member States should clearly indicate the funding sources, e.g. specifying which measures are supported by the Connecting Europe Facility, provided that they have PCI status, or Modernisation Fund. If the same measure is supported by both the RRF and other EU funding sources, Member States should clearly delineate the costs covered by each funding instrument in order to avoid double funding.

C) Avoidance of double-funding

Member States should specify in their modified RRP whether the modalities put in place to ensure the complementarity of funding and compliance with Article 9 of the RRF Regulation have changed. In that regard, the 2021 RRP guidance remains fully applicable. As set out in the 2021 RRP guidance and in line with Article 18(4)(r) of the RRF Regulation, the complementarity section of the RRP should reflect the arrangements that aim to avoid double funding from the RRF and other Union programmes. Measures supported by the RRF can only receive additional support by other EU funds where such support does not cover the same cost. When assessing compliance with this condition, the Member State needs to take into account two distinguishing features of the RRF as opposed to most other Union programmes:

- The RRF is a performance-based instrument under which financing is not linked to cost but rather disbursed in instalments upon the satisfactory fulfilment of milestones and targets. However, each RRP contains a cost estimate, which clearly identifies which part of a measure and associated costs are supported by the RRF. The milestones and targets should therefore only reflect actions supported by the RRF. The underlying understanding that these costs are covered by RRF funds helps to avoid that support by other Union funds is used to cover the same costs.
- According to Article 22 (1) of the RRF Regulation, beneficiaries of the RRF are Member States rather than ultimate recipients of funds such as individuals or businesses. However, it is the responsibility of Member States to ensure that no final recipient receives funding beyond its actual costs and that no final recipient receives different EU funding covering the same costs.

D) Implementation

The implementation framework was assessed as part of the initial RRP and the assumption is that Member States will continue to rely on the same arrangements for implementing their modified RRP. Any proposed changes to the implementation framework should however be explained.

In case the Member States have encountered difficulties in the implementation of their RRP's so far (for example linked to a lack of administrative capacity, an undeveloped IT system or a not clear enough mandate for the authorities in charge), they are encouraged to pro-actively reconsider their existing arrangements to make them more efficient. Member States are also invited to discuss with the Commission the experience gathered so far to determine whether any changes to the implementation framework may help to improve the delivery of reforms and investments.

Where a Member State modifies its RRP to benefit from a larger maximum financial contribution or a loan request, it should demonstrate that the authorities in charge of coordinating and implementing the plan have sufficient administrative capacity and the appropriate mandate.

The 2021 RRP guidance also remains valid as regards the use of the Technical Support Instrument (TSI) in the RRF. Member States may also make use of the TSI for the implementation of investments and reforms in the REPowerEU chapter. Member States are invited to indicate any wish to use Article 7(2) of the RRF Regulation as part of the specific reform or investment to which the technical support would relate. Where the Member State has requested, or intends to request, horizontal support under the TSI in relation to the RRP implementation, e.g. on communication measures, it is invited to indicate it in this section.

E) Consultation process

Member States should provide a summary of the consultation process conducted in accordance with their national legal frameworks, leading up to the submission of the modified RRP / addendum. The consultation process should be commensurate with the magnitude of the changes introduced in the RRP's. For instance, modifications to reflect a slightly amended financial allocation would not require the same type of consultation process as requesting a significant loan amount.

Since the extent of consultations in the preparation of the initial RRP's varied, given in particular the COVID-19 emergency, Member States are encouraged to enhance this process if they modify their RRP's. They should ensure that stakeholders, including local and regional authorities, social partners, non-governmental organisations and, where relevant, stakeholders from the agricultural sector are involved in the design, implementation and monitoring of any new or revised measures, in line with their national legal frameworks, in a timely and meaningful way.

For the implementation of relevant measures, it may be appropriate for Member States to include conditions linked to regional or local considerations in milestones or targets that entail a geographical dimension (for instance by adding specific conditions linked to the consultation of local and regional authorities). They may also include similar conditions for the consultation of social partners and, where relevant, stakeholders from the agricultural sector linked to the implementation of relevant reforms or investments.

In addition, the European Semester will be an important framework to discuss the progress of implementation of the RRP's with stakeholders, in line with the practices and traditions of each Member State. Furthermore, Member States can also use their National Reform Programmes to describe the consultations undertaken so far and outline the consultations envisaged for the future.

The implementation of the RRP will only be successful with strong regional and local ownership, as well as support from social partners and civil society.

F) Controls and audit

Internal control systems are essential to ensure RRP fully comply with Article 22 of the RRF Regulation. In this context and in light of the changes resulting from the revision of an RRP, it is essential that Member States justify precisely how the control structures put in place are still appropriate and, where applicable, how they will be reinforced to assure appropriate resources and structures. In particular, in case the modified RRP contains new or revised measures, the Member State should explain and demonstrate that the control structures are still adequate and/or how their capacity, including staffing and processes, will be enhanced proportionately to the increase in the size of the RRP.

When the addendum does not increase substantially the maximum financial contribution but still makes changes compared to the initial RRP, Member States are requested to provide an updated explanation of the control arrangements and systems, including the repository system on final recipient data.

G) Communication

Member States should continue implementing their communication strategy, updating it if it is necessary to include the newly added reforms and investments, in order to ensure the public awareness of the Union funding, in line with Article 34 of the RRF Regulation and Article 10 of the Financing Agreements. When submitting modified RRP, Member States are invited to describe the actions they have taken to implement these obligations, to facilitate the Commission's monitoring of compliance with the provisions mentioned.

Communication campaigns should focus on raising awareness of key reforms and investments; and improving the knowledge of RRP and their purpose for the general public. Member States are encouraged to focus their RRF communication activities on the following areas:

- Explain and recall the goals of its RRP and its benefits for the Member State.
- Illustrate why reforms and investments are beneficial to society, with practical evidence.
- Ensuring that the high-level political endorsement of the RRP is sufficiently visible.
- Communicate on landmark projects and attribute their realisation to the RRF.
- Encourage potential beneficiaries to apply for funding within the framework of the RRP.
- Showcase overall progress with implementation of both reforms and investments, including in regular exchanges with social partners, affected communities and the civil society at large.

The Commission is also available through the Inform EU network to help Member States in the implementation of their national communication strategies, including for their modified RRP.

ANNEX: FINANCIAL INSTRUMENTS

Member States can decide on the type of financial instrument, its set-up and the selection of implementing/entrusted entities and are encouraged to discuss with the Commission services the best delivery method for the intended use of financial instruments, taking into account the objectives of the measures, the existing structures and the links with the work of partners.

In general terms, Member States have two main choices to use financial instruments, either by transferring money from the RRF to the InvestEU Member State compartment or by using other structures, for example national structures. The conditions attached to both options are described in the January 2021 RRP Guidance and further elaborated below.

First phase: preparation of the measure: Ensure that the financial instruments contribute to the objectives of the RRP, namely by:

- Describing the investment policy to be supported (e.g. energy efficiency, broadband, digitalisation of SMEs), which determines how the RRF funds will be used in the financial instrument and how this is in line with the scope and assessment criteria of the RRF, including describing the underlying market failure which makes it necessary to deploy public funds for private investments.
- Defining the financial instrument (and notably defining among others the risk/return policy between the RRF and other sources of funds within the financial instrument) and how it will contribute to the achievement of the objectives of the RRP.
- Providing a detailed DNSH self-assessment and the necessary safeguards to ensure that compliance with the DNSH principle will be respected during the implementation of the measure.
- Identifying the relevant State aid provisions and possible application of General Block Exemption Regulation and related criteria to be fulfilled by the financing products.
- Defining clear milestones (linked to the setup and implementation of the instrument) and targets (linked to the outputs/outcomes of the underlying projects financed by the instrument).
- Defining the type of support to be deployed (e.g. loans, guarantees, equity), the targeted beneficiaries (e.g. SMEs, larger corporates, PPPs) and investments (e.g. innovation, broadband, infrastructure) to determine the investable assets.
- Setting out the timetable for deploying the financial instrument (establishing a financial instrument can take up to two years on average), including investments in the real economy and related impact.
- Describing the monitoring system to report on targets and milestones in line with RRP.

Second phase: Implementation agreement with the entrusted entity in charge of financial instrument

- To implement the financial instrument, an agreement with the implementing partner/entrusted entity (in case of funds, this would be the fund manager on behalf of the partners) needs to be concluded translating the obligations from the RRP. The framework agreement between the Member State and the implementing/entrusted entities should translate all the obligations under the RRF Regulation and the Council implementing decision of Member State's RRP – with particular attention to the obligations on State aid, DNSH, and audit and control, possible limitations on the beneficiaries.
- Relevant State aid and public procurement rules need to be respected.
- One of the first milestones in the RRP can be linked to the conclusion of the implementation agreement setting up the financial instrument or adjusting an existing instrument (in line with the investment policy agreed in the RRP) between the Member State and the entrusted entity.
- As part of that first milestone in the RRP, when submitting the first disbursement request, the Member State will provide to the Commission the rules and investment policy of the financial instrument so that its compliance with the RRP can be verified.

Deployment of investments into the real economy by the entrusted entity or financial intermediaries (e.g. commercial banks, investment funds):

- All subsequent milestones will be linked to the deployment of investments to the real economy by the entrusted entity or financial intermediaries.
- At the completion of the financial instrument, provisions and reflows that have not been consumed for losses will return to the Member State in accordance with the terms and conditions set out in the investment policy and the exit strategy of the instrument. An obligation will cater for the fact that proceeds and reflows should be used for equivalent purposes.