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COMMISSION NOTICE

Guidance on Recovery and Resilience Plans in the context of REPowerEU

(2023/C 80/01)

Since the adoption of the Regulation on the Recovery and Resilience Facility ('RRF') ⁽¹⁾, the geopolitical context has changed considerably. The Russia's unprovoked military aggression on Ukraine has created huge challenges for the EU energy union, thereby aggravating the economic and social consequences of the COVID-19 crisis. To address these challenges, and upon the request of the European Council, on 18 May 2022 the Commission proposed to reinforce the firepower of the RRF in the framework of the REPowerEU plan.

The RRF Regulation, as amended by Regulation on REPowerEU chapters in the recovery and resilience plans, set to enter into force shortly ('the REPowerEU Regulation'), will improve the RRF's ability to effectively address the objectives of the REPowerEU plan and contribute towards energy security, the diversification of the Union's energy supply, an increase of the uptake of renewables and energy efficiency, an increase of energy storage capacities and the needed reduction of dependence on fossil fuels before 2030. The REPowerEU Regulation provides the necessary framework to ensure that investments and reforms strengthening the EU energy resilience are implemented as soon as possible. It defines specific REPowerEU objectives that should be addressed by the investments and reforms to be included in the existing recovery and resilience plans ('RRPs') as part of dedicated REPowerEU chapters. In addition, the Regulation provides dedicated funding sources to finance the relevant measures.

The RRF and its new REPowerEU component will also be instrumental in reinforcing the competitiveness of the EU industry. It offers significant additional funding opportunities to accelerate the EU industry's transition towards zero or low-carbon technologies on the road to net zero and to boost the investments in new manufacturing capacities for clean tech. The policy objectives enshrined in the REPowerEU Regulation explicitly include aims that are directly relevant to the accelerated and fair industrial transition to climate neutrality, including industrial decarbonisation, green skills and the development of value chains in technologies strategic to the green transition. Given the urgent need to address those challenges and bearing in mind the overall balancing of REPowerEU priorities, Member States are invited to integrate measures supporting the present and future competitiveness of clean-tech industries in their modified plans. As outlined in the Communication ⁽²⁾ adopted by the Commission, this should primarily consist of regulatory measures to accelerate the permitting procedures for clean-tech projects, tax breaks or other forms of financial support to incentivise the deployment of clean-tech projects and a renewed effort to upskill the workforce towards these clean technologies.

⁽¹⁾ Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17).

⁽²⁾ A Green Deal Industrial Plan for the Net-Zero Age of 1 February 2023, (COM(2023)62) <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52023DC0062>

The REPowerEU Regulation will also provide additional flexibilities to Member States within the framework of the 2014-2020 cohesion programming period through the SAFE (Supporting Affordable Energy) measures. Member States will thus be able to use unspent funds to provide direct support to vulnerable households and small and medium-sized businesses to help them face increased energy costs. These measures are not covered by the present Guidance.

This Guidance explains the process of modifying existing plans and the modalities for preparing REPowerEU chapters. Part 1 of this guidance explains the legal grounds for modifying adopted RRP, while Part 2 covers the preparation and contents of the REPowerEU chapter. It also specifies the information that Member States should submit to the Commission concerning the reasons, objectives, and nature of the changes to their RRP. This Guidance replaces the one published by the Commission on May 2022, while the Guidance from January 2021 ^(?) for the preparation of RRP overall remains valid.

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

- The first priority remains the swift implementation of the RRP. Member States should continue to undertake all possible efforts to submit payment requests on time and ensure progress with reforms and investments, allowing for a timely disbursement of funds.
- To ensure a rapid roll-out of REPowerEU measures, Member States should submit their modified RRP with REPowerEU chapters by 30 April 2023, at the latest. Member States should submit every revision of their RRP as part of a single addendum. The REPowerEU chapters should address in a comprehensive manner the challenges that Member States are facing.
- To ensure quick progress towards the REPowerEU goals, Member States should prioritise measures whose implementation is already under way and can be undertaken until 2026. Member States should also be mindful of the possible impact on the disbursement profile of changes to their existing RRP. Overall, Member States should also assess the implementation schedule of existing measures to make sure that they will be delivered according to the agreed timeframe.
- The remaining RRF loans provide additional funding for the reforms and investments in REPowerEU chapters. To ensure the optimal allocation of these loans, Member States should indicate their interest in taking up loans as soon as possible and no later than 30 days after the entry into force of the REPowerEU Regulation.
- The changes made to the RRP under Articles 18 and 21 should not reduce their overall ambition, particularly regarding measures addressing country-specific recommendations ('CSRs') and helping to achieve green and digital objectives. The additional investments and reforms included in the revised RRP should focus on the REPowerEU objectives.
- Member States are also invited to take stock and discuss with the Commission their experience in the implementation of the Facility so far, to determine whether any changes to their national implementation frameworks could help to improve the delivery of reforms and investments.

(?) https://commission.europa.eu/system/files/2021-01/document_travail_service_part1_v2_en.pdf

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PART I

ADDITIONAL FUNDING AND MODIFICATION OF RECOVERY AND RESILIENCE PLANS**I. Introduction**

When modifying their RRP, Member States are encouraged to do so in relation to 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 ('CIDs'). 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. Annex IV of this Guidance contains a dedicated template for such addendum.

Any modification of the plans will entail a new assessment by the Commission in line with Article 19 of the RRF Regulation. A CID approving a positive assessment of the plan upon a Commission proposal will be required, in accordance with Article 20 of the RRF Regulation. This shall be followed, where necessary, by signing of a new or amended financing and/or loan agreement between the Commission and the Member State concerned and, prior to any payment, a signature of operational arrangements.

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

Member States are strongly encouraged to submit modified RRP by April 2023, at the latest, before the legal deadline of 31 August 2023 for the submission of the modified RRP with a loan request. Irrespective of whether a Member State requests a loan or not, given that the deadline for committing the amounts available under the remaining 30 % of the grant allocation is end-2023, Member States are very strongly encouraged not to submit any modified RRP after August 2023, as there will be no guarantee that the assessment and adoption process can be finished on time for signing of the financing and/or loan agreements still in 2023. In such case, the Member State encounters the risk of losing 30 % of its grant allocation and its access to loans.

II. Additional funding

With the entry into force of the REPowerEU Regulation, any modified RRP which would entail additional financial support in the form of loans, resources from the Emissions Trading System ('ETS') under Directive 2003/87/EC of the European Parliament and of the Council and/or transfers from the Brexit Adjustment Reserve ('BAR') established by Regulation (EU) 2021/1755 of the European Parliament and of the Council would need to include a REPowerEU chapter, in accordance with Article 21c of the RRF Regulation. The additional financial support related to the REPowerEU chapter will be disbursed together with the rest of the RRF financial contribution and, where applicable, the loan support according to a common instalment schedule.

ETS resources for REPowerEU

The REPowerEU Regulation 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 (see the dedicated section in Part II) – except for the measures subject to 'do no significant harm' ('DNSH') derogation. The access to this additional non-repayable financial support requires additional milestones and targets, to be integrated in the instalment schedule of each CID. There will not be any distinction between the sources of funding for the disbursement profile.

As already done for the initial RRP, the Commission will deduct a share from the additional non-repayable financial support stemming from the ETS resources to cover administrative expenditures, in line with Article 21a(3) of the RRF Regulation.

Table 1

Additional REPowerEU grants per Member State

Member State	Share (% of the total)	Amount (in EUR, current prices)
Belgium	1,41 %	282 138 922
Bulgaria	2,40 %	480 047 020
Czechia	3,41 %	681 564 712
Denmark	0,65 %	130 911 150
Germany	10,45 %	2 089 555 318
Estonia	0,42 %	83 422 597
Ireland	0,45 %	89 598 110
Greece	3,85 %	769 221 929
Spain	12,93 %	2 586 147 350
France	11,60 %	2 320 955 407
Croatia	1,35 %	269 441 467
Italy	13,80 %	2 760 000 000
Cyprus	0,26 %	52 487 457
Latvia	0,62 %	123 982 817
Lithuania	0,97 %	194 020 453
Luxembourg	0,15 %	30 000 000
Hungary	3,51 %	701 565 457
Malta	0,15 %	30 000 000
Netherlands	2,28 %	455 041 644
Austria	1,05 %	210 620 057
Poland	13,80 %	2 760 000 000
Portugal	3,52 %	704 419 725
Romania	7,00 %	1 399 326 315
Slovenia	0,58 %	116 909 535
Slovakia	1,83 %	366 959 257
Finland	0,56 %	112 935 884
Sweden	0,99 %	198 727 417

Transfers and other funding opportunities related to EU funds

Shared management funds covered by the 2021-2027 Common Provisions Regulation

Article 7(1) of the RRF Regulation envisages the possibility for Member States to transfer up to 5 % of their initial allocation under each Fund – except the Just Transition Fund - covered by Regulation (EU) 2021/1060 (the 2021-2027 Common Provisions Regulation, CPR) to the RRF, in line with the conditions of the CPR. According to Article 26 of the CPR, up to 5 % of the CPR funds for the 2021-2027 budgetary period can be transferred to any other EU instruments managed directly or indirectly, for the exclusive benefit of the Member State concerned. The rules of the EU instrument to which the resources are transferred shall fully apply. This provision enables a Member State to increase its resources available under the RRF.

Member States may request such transfers as part of a programme's amendment. Under Article 26(3) of the 2021-2027 CPR, requests for such transfer via a programme's amendment shall be duly justified in relation to the complementarities and impact to be achieved.

This possibility to transfer up to 5 % of the funds under Article 26 of the 2021-2027 CPR can be used to compensate for a decrease in the RRF financial 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 ⁽⁴⁾.

In addition, Member States, according to Article 26a of the CPR, as amended by the REPowerEU Regulation, may use up to 7,5 % of their initial national allocation under the European Regional Development Fund, the European Social Fund Plus and the Cohesion Fund to support the REPowerEU objectives, in line with Fund-specific rules, through an amendment of a programme under Article 24 of the CPR.

Table 2

Available amounts for transfers under Article 26 of the CPR

EUR million, rounded	Available potential amounts for transfers under Article 26 of the 2021-2027 CPR (as of December 2022) ^(*)
BE	134,7
BG	363,4
CZ	910,2
DK	25,9
DE	865,9
EE	153,7
IE	59,9
EL	412,8
ES	1 769,4
FR	842,6
HR	435,4
IT	2 104,9
CY	45,2
LV	214,6
LT	305,1
LU	2,9
HU	1 086,4
MT	24,9
NL	64,9
AT	57,5
PL	3 609,0
PT	1 112,6

⁽⁴⁾ In accordance with Article 26a(1) of the CPR, Member States submitting a REPowerEU chapter may request that up to 7,5 % of their initial national allocation under the ERDF, the ESF+ and the Cohesion Fund is included in priorities contributing to the REPowerEU objectives, as established in Article 21c of the RRF Regulation, provided that such support contributes to the specific objectives of the Fund concerned, as set out in the Fund-specific Regulations. However, the 7,5 % of the national allocation under the CPR used for investments contributing to the REPowerEU objectives is not part of the REPowerEU chapters, nor of the RRFs.

RO	1 461,0
SI	152,9
SK	617,9
FI	65,1
SE	96,3

(*) Based on allocations for the European Regional Development Fund, the Cohesion Fund and the European Social Fund Plus, after transfers made in the context of the Partnership Agreements' adoptions.

Brexit Adjustment Reserve

A Member State may also transfer to the RRF all or a part of its provisional allocation under the BAR, to finance the investments and reforms of its REPowerEU chapter, for the exclusive benefit of the Member State concerned. Under the Brexit Adjustment Reserve, 80 % of this provisional allocation is paid out to Member States as pre-financing, subdivided into three tranches of 40 % (in 2021), 30 % (in 2022), and 30 % (in 2023); the remaining amount of the provisional allocation would be paid in 2025 against the documentation of sufficient eligible expenditure.

The yearly BAR pre-financing for the years 2022 and 2023 is to be paid out by the end of April. To be able to take into account any transfer intentions prior to the disbursement of the 2023 BAR pre-financing tranche, Member States have until 1 March 2023 to notify to the Commission any intention to transfer BAR funds to the RRF. This should take the form of an email following the template provided in Annex III. This request should include a general explanation of the common objectives of both the BAR and the REPowerEU chapter, demonstrating that both focus on strengthening the economic, social, and territorial cohesion. Member States are not expected to provide a measure-by-measure justification. Once the Commission receives the information, the payment of the 2023 pre-financing tranche will be put on hold.

Depending on the amount which the Member State chooses to transfer to the RRF, one of the following procedures will apply:

- Where the amount transferred is lower than the remaining amount of the provisional allocation which has not yet been paid out under the BAR (as pre-financing), the transfer will take place using the amounts under the BAR which would have otherwise been paid out in 2023 and 2025.
- Where the amount transferred is higher than the part of the provisional allocation under the BAR which has not been paid out, the amounts not yet paid out under the BAR will first be transferred. The difference will then be financed (partially or fully) by the amounts already paid in 2021 and 2022 as the BAR pre-financing, which would first need to be recovered from the Member State concerned. Member States will have a possibility to express a preference that such recovery is, to the extent possible, offset by the Commission through a reduction of any suitable future payment, including under the RRF.

Table 3

Allocation under the BAR and the BAR pre-financing paid out

EUR million, rounded	Allocation under the BAR	BAR pre-financing paid
BE	386,6	211,8
BG	15,4	8,4
CZ	54,9	
DK	275,0	150,7
DE	646,6	354,2
EE	6,6	3,6
IE	1 165,2	638,3
EL	38,6	21,2

ES	272,4	149,3
FR	735,6	403,0
HR	7,2	3,9
IT	146,8	80,4
CY	52,1	28,5
LV	10,9	6,0
LT	12,2	6,7
LU	128,5	70,4
HU	57,2	31,3
MT	44,3	24,3
NL	886,3	485,5
AT	27,7	15,2
PL	173,6	95,1
PT	81,4	44,6
RO	43,2	23,6
SI	5,3	
SK	36,3	19,9
FI	23,2	
SE	137,4	75,3
EU27	5 470,4	

Request of a RRF loan

To support new reforms and investments put forward in the modified plans, Member States can benefit from funding under the highly favourable financing conditions of the RRF loans. Member States are particularly encouraged to rely on this source of funding, which the Commission may grant until the end of 2023, in order to finance additional reforms and investments. Such loans are particularly suitable to cover the higher financial needs linked to the implementation of reforms and investments needed to address the REPowerEU objectives.

The final deadline for Member States to submit 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. Within 30 days after the entry into force of the REPowerEU Regulation, Member States should communicate to the Commission the intention to request a loan via a letter following the template provided in Annex II. This obligation also applies to those Member States that have already taken up loans up to the maximum indicated in Article 14(5) of the RRF Regulation (6,8 % of their GNI) ⁽⁷⁾. Such communication should, where possible, already be submitted earlier and include an indication of the amount of loan support to be requested as well as an initial list of investments and reforms to be supported with such loans. This aims to provide better budget predictability and further incentives for Member States to request such loan support, while applying the principles of equal treatment, solidarity, proportionality and transparency, without prejudging the deadline of 31 August 2023, set out in Article 14(2) of the RRF Regulation.

Based on the information from all Member States, the Commission will submit to the Parliament and the Council, without undue delay, an overview of the intentions expressed and propose a way forward for the distribution of the available resources, considering, *inter alia*, the needs of the requesting Member States and the requests for loan support already submitted or planned to be submitted by other Member States. In case the loan requests exceeded the available amounts, the Commission would take into account, in line with the need to ensure that the RRFs represent a comprehensive and adequately balanced response to the economic and social situation of the Member States, whether the additional funding requested above the ceiling of 6,8 % contributes to the REPowerEU chapters or not.

⁽⁷⁾ 2019 GNI per cut-off date May 2020 as RRF Regulation recital [48] and Annex 1.

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:

- additional reforms and investments, in particular to address the CSRs and the REPowerEU challenges;
- The Member State concerned having its maximum financial contribution decreased and thus shifting some of the measures from non-repayable support to loans, so as not to lower the overall ambition of its plan; No additional reforms or investments would be needed to justify such loan requests;
- requesting of a loan to finance measures in the REPowerEU chapter.

III. Pre-financing

To ensure that the financial support is frontloaded and used to respond more swiftly to the current energy crisis, Member States can request a maximum pre-financing of up to 20 % of the additional funding required to finance the measures in their REPowerEU chapters. This required additional funding can include the following sources:

- New ETS revenues, in line with Article 21a;
- Transferred resources from the Brexit Adjustment Reserve, in line with Article 21b;
- Transferred resources from the cohesion policy programmes, in line with Article 7;
- RRF loans, in line with Article 14;
- Additional non-repayable support, following the update of June 2022 in line with Article 18.

The pre-financing will be paid out in up to two tranches; the first payment within two months after the adoption by the Commission of the legal commitment referred to in Article 23 of the RRF Regulation and the second within twelve months of the entry into force of the CID approving the assessment of the recovery and resilience plan including a REPowerEU chapter.

Payments corresponding to pre-financing will be subject to available resources, in particular to the availability of funds from the NextGenerationEU account, the effective prior transfer of resources from shared management programmes and the appropriations approved in the annual EU budget, as well as the revenues under Article 21a. Each of the two tranches of pre-financing payments for resources transferred under Article 26 of the CPR shall not exceed EUR 1 billion in total, for all Member States. The payment of the pre-financing will be made after the assessment of all the requests submitted by Member States and, if necessary, on a pro-rata basis to respect the overall ceiling of EUR 1 billion. The financial contribution and, where applicable, the amount of the loan support to be paid will be adjusted proportionally to take into account this additional pre-financing for REPowerEU chapters.

IV. An amendment of the plan to take into account the update of the new maximum financial contribution

Under Article 18(2) of the RRF Regulation, Member States can update their RRP to factor in the updated maximum financial contribution, following the calculation referred to in Article 11(2). The Commission published the update of the maximum financial contribution for all Member States on 30 June 2022 ⁽⁶⁾.

⁽⁶⁾ Commission note to the Council and European Parliament of 30 June 2022 'RRF: Update of the maximum financial contribution'

It is important to note that the amended RRFs should remain as ambitious as the initial plans (or pursue an increased ambition) and continue to meet all the assessment criteria in the RRF Regulation. In particular, Member States must continue to effectively address all or a significant subset of the challenges identified in the relevant CSRs as well as the priorities of the green and digital transitions.

Under Article 18(2) of the RRF Regulation, Member States can propose to adjust measures and their milestones and targets to factor in the revision of the maximum financial contribution. When assessing these changes (in conjunction, where relevant, with Article 14, for additional measures linked to the loan support), the Commission will consider:

- whether the Member State has demonstrated a link between the proposed modifications and the change in the maximum financial contribution;
- the overall effects of all proposed modifications in the revised RRF, including new and scaled-up measures in REPowerEU chapters, in light of all the assessment criteria that the plan must comply with.

The update of the RRFs to factor in the updated maximum financial contribution pursuant to Article 18(2) of the RRF Regulation can only be done once and before the end of 2023. 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 to the RRF Regulation, the financing agreement should be amended in 2023. To optimise the process, Member States are strongly encouraged to submit one single modified plan including both the Article 18(2) changes and the introduction of the REPowerEU chapter by 30 April 2023.

Examples of the types of changes that could be proposed under Article 18(2), within the above considerations, include:

- increasing the amount of loan support or transfers to compensate for a decrease of the financial contribution;
- increasing or decreasing targets, or a coherent set of targets, along with a proportionate change of the estimated cost of the concerned measure(s);
- adding or removing measures in relation to the change of the financial contribution;
- changing the timeline of milestones and targets or adapting the descriptions of the measure and milestone/target affected by the change of the financial contribution.

Member States can also propose changes to milestones and targets in several linked measures to factor in the change in the financial contribution, for example by streamlining several small, related measures into a single one. In such case, the Member State would need to replace specific milestones and targets and correspondingly add or increase the ambition of other milestones and targets, provided that the overall estimated costs of the plan match or exceed the updated financial contribution, and the Member State demonstrates the link between the change of the allocation and the proposed amendments to the plan. The reduction or a change in the financial contribution could be considered when justifying reducing the ambition and estimated cost of some of the measures in a component, while increasing the estimated costs and ambition of others.

Downward revision

Even if their final maximum financial contribution has decreased, Member States are encouraged to continue implementing their RRFs, relying on alternative sources of funding. Within the RRF framework, RRF loans under Article 14 are a significant alternative, as are transfers from other EU funds or using national sources. Member States can also compensate, in line with Article 21c(2), the decrease of the maximum financial contribution with additional financing for the REPowerEU chapter by including existing eligible measures in their REPowerEU chapters, up to an amount of estimated costs equal to the decrease of the maximum financial contribution, in accordance with Article 11(2). Such decrease will be calculated by comparing the difference between the maximum financial contribution based on the forecast for GDP for 2020 and 2021 (minus the administrative expenses) and the final maximum financial contribution as published by the Commission after the release of the final GDP data (minus the administrative cost). In practice, to calculate the estimated costs, the Commission will use the estimated costs of parts of measures already included in the adopted CIDs that would be transferred to the REPowerEU chapter (except for new measures, in which case new cost estimates will be needed).

Upward revision

Member States that, following the update, have a higher maximum financial contribution can make use of the additional funds available by proposing relevant reforms and investments or scaling-up the ones already envisaged. They are strongly encouraged to fully allocate the additional revenues towards the REPowerEU objectives, taking into account the 2022 and, if applicable, the 2023 CSRs. To fully benefit from the increased maximum financial contribution, the estimated costs of their modified plans should correspond at least to the updated maximum financial contribution.

Member States with a higher maximum financial contribution can use Article 18 of the RRF Regulation to request to modify existing measures, provided that the justified changes are necessary to enable the introduction of new or scaled up measures, in particular those in the REPowerEU chapters.

V. **An amendment or replacement of the plan due to the plan or a part of it being no longer achievable because of objective circumstances**

Under Article 21 of the RRF Regulation, Member States have the possibility to request an amendment of their plan if one or more milestones and targets in their RRP is no longer achievable due to objective circumstances. However, the amended plan will still need to address all or a significant subset of the relevant CSRs as well as all of the other assessment criteria provided by the RRF Regulation.

Russia's aggression against Ukraine has drastically affected prices of energy and construction materials. It also puts further strain on 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 Member States submitted their recovery and resilience plans. These developments may have a direct impact on the delivery of some investments included in the plans and can be invoked as objective circumstances, underpinning a request under Article 21.

Objective circumstances can render a measure no longer achievable with the estimated level of cost or efficiency or lead to an identification of a better alternative that is more conducive to meeting the same objectives of the RRF Regulation or the 11 assessment criteria. In such instances, Member State will need to bring forward the objective elements underpinning the unexpected inefficiencies stemming from implementing the original measure as initially planned and demonstrate that the proposed alternative is better suited to achieve the intended objectives of that measure. For instance, the Member State could put forward evidence that the alternative measure is more cost-efficient or more conducive to achieving the policy objectives of the reform or investment.

Given the importance of the REPowerEU objectives in addressing the current challenges, the amended RRF Regulation mentions explicitly that also a potential conflict between an existing measure laid down in the CID and the objectives of REPowerEU can be invoked as objective circumstance under Article 21. The Commission will assess on a case-by-case basis if a Member State has demonstrated objectively verifiable facts in that regard.

When invoking Article 21 for their plan amendment, Member States are responsible to provide an adequate justification to support the proposed changes and can choose the type of evidence and information that they would like to put forward to support their rationale. The type and nature of the changes, and the objective circumstances invoked will determine the extent of information that needs to be provided. For example, Member States do not need to provide evidence for the occurrence of widely known circumstances (e.g., shortages in supply chains) but should provide specific information on the impact of those events on the measures and on the concrete milestones and targets.

The following scenarios can serve as examples of what types of changes done under Article 21 could be and the type of information that Member States would need to submit: (7)

- A Member State suggests modifying a target related to the quantity of buildings or floor area that should be renovated, due to a major increase in the prices of construction materials. To support its request, it provides information on inflation in the construction sector in its economy and either adapts its target proportionally to the increased costs, removes the measure or requests additional funding to cover the increased estimated costs (in each case, providing necessary costing evidence).

(7) These examples are purely for illustrative purposes and do in no way prejudice the Commission's assessment of the justification brought forward by the Member State.

- A Member State proposes removing an investment concerning the procurement of a supercomputer due to shortages in the supply chain for semi-conductors. The request is accompanied by a concise overview of attempts made by the authorities to procure the relevant product and, where available, evidence of the failed tender procedure.
- A Member State proposes to change the terms of a milestone related to the replacement of boilers in households, with a view of excluding gas boilers from the scope of support, as their procurement goes against the REPowerEU objectives, which constitutes objective circumstances according to the REPowerEU Regulation.
- A Member State identifies a significantly more cost-efficient way to build a transport hub and would like to change the relevant technical specifications in the corresponding milestone. This request is accompanied by a note explaining the type of analysis that was done to determine that the new method would be more cost-efficient while leading to the same overall results.
- A Member State would like to change the characteristics of a hydropower-plant, since it could provide a significantly better energy output, despite slightly higher costs. The Member State provides a brief analysis on how the new characteristics of the hydropower plant would improve its overall performance, as well as an updated cost estimate of the measure.

The proposed changes should not decrease the overall ambition of the RRP, ensure that the plans continue to meet the CSRs and not lead to a backloading of the implementation towards the last years of the RRF. 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).

Scenario	Legal basis
An addition of a REPowerEU chapter to the RRP	Article 21c
An adjustment of measures in the RRP following the update of maximum financial contribution	Article 18(2)
An amendment of measures in the RRP due to objective circumstances that render those measures no longer achievable	Article 21
An addition of measures in the RRP to take up additional RRF loans	Article 14
A combination of any of the above scenarios	Articles 14, 18(2), 21 or 21c

PART II

GUIDANCE ON THE DEVELOPMENT AND PRESENTATION OF ADDENDA

This section provides overall guidance on the development and presentation of an addendum to an RRP, including the preparation of the REPowerEU chapter. Throughout this Part, the term ‘modification’ is used to cover all changes to the 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 given section, there is no need to fill in the related part of the template. The submission of the REPowerEU chapter should take the form of a submission of an additional component for these dedicated reforms and investments. There is no need to restructure the already adopted plan and any repetitions should be avoided.

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. Reforms and investments

The measures in the REPowerEU chapters shall be either new reforms and investments started from 1 February 2022 onwards or the scaled-up part of reforms and investments included in the already adopted CIDs (with a starting date as of 1 February 2020). In case of the latter, only the scaled-up part of the existing measure would be included in the REPowerEU chapter. Member States that are subject to a decrease of the maximum financial contribution, in accordance with Article 11(2), may also include measures in already adopted CIDs without having them scaled up, up to an amount of the estimated costs equal to the decrease of the maximum financial contribution. In practice, this means that the REPowerEU chapter would, in these cases, contain parts of measures included in already adopted CIDs, the total costs of which are lower or equal to the decrease of the maximum financial contribution.

A scaled-up measure should introduce a substantive improvement in the level of ambition of the initial measure. This should be reflected in the design or a level of the corresponding milestones and targets. For instance, a Member State could maintain a measure in an existing component in the RRP, but significantly increase the target in the REPowerEU chapter in order to benefit from the newly available funding. For example, an increase in capacity of electricity generation from renewables from 1 000 MW to 1 300 MW would be presented as a scale up of 300 MW; increasing the number of renovated buildings (and reaching energy savings above 30 %) from 20 000 to 30 000 dwellings would be considered as a scale-up of the measure by 10 000 dwellings.

It should be recalled that the reforms and investments should also contribute to effectively addressing all or a significant subset of the challenges identified in the relevant CSRs, including the CSRs adopted by the Council under the 2022, 2023 and subsequent Semester cycles, prior to a Member State submitting its revised RRP. The 2022 CSRs refer *inter alia* to the energy challenges that Member States are facing. Recovery and resilience plans, including those with a REPowerEU chapter, which do not satisfactorily address the assessment criteria cannot be positively assessed and no additional funding can be made available.

Given the urgency of the challenges that the EU is facing and the compressed timeline for completion of measures under the RRF (with last milestones/targets to be completed by August 2026), Member States are encouraged to build as much as possible upon the measures already included in the adopted CIDs, in order to contribute to the REPowerEU objectives in a timely fashion.

2. Examples of measures that can be included in the REPowerEU chapters

- (a) *improving energy infrastructure and facilities to meet immediate security of supply needs for gas, including LNG, notably to enable diversification of supply in the interest of the Union as a whole*

This objective applies to energy infrastructure and facilities enabling the diversification of Member States' gas supply to meet immediate security of supply needs, without yet compromising the long-term EU energy and climate goals. This includes LNG terminals such as LNG floating storage and regasification units, gas pipelines, as well as other gas network components such as metering stations, compressor stations or gas storage.

Additionally, measures related to oil infrastructure and facilities that are necessary to meet immediate security of supply needs may only be included in the REPowerEU chapter of Member States that have a specific dependency on Russian crude oil due to their geographical location and have received an exceptional temporary derogation from the prohibitions listed in Article 3m paragraph 1 and 2 of Regulation (EU) No 833/2014.

The investments in gas infrastructure, as well as oil infrastructure for Member States concerned, should be aligned, to the extent possible, with the results of the assessment of additional energy infrastructure needs as outlined in Commission's REPowerEU Communication of 8 March 2022 and the discussions with the Member States in the regional High-Level Groups operating in the context of the TEN-E policy, the result of which has been reflected in Annex III of the REPowerEU Plan of 18 May 2022.

Due to the focus on immediate security of supply needs, and subject to a positive assessment by the Commission, measures improving energy infrastructure and facilities that are essential to meet the security of energy supply needs will be able to benefit from a derogation from the DNSH principle. To this end, Member States will be required to provide relevant information to justify eligibility for this derogation (see point B) below).

For measures contributing to the security of energy supply, Member States are also invited to pay attention to the cybersecurity dimension of projects, to minimise, as much as possible, potential risks of energy disruptions.

(b) *boosting energy efficiency in buildings and critical energy infrastructure, decarbonising industry, increasing production and uptake of sustainable biomethane, renewable or fossil-free hydrogen and increasing the share and accelerating the deployment of renewable energy*

1) This includes measures such as energy efficiency renovations of buildings, including energy efficiency improvement measures or integration of renewable energy sources, or decarbonisation of heating and cooling systems, or energy efficiency measures in efficient district heating and cooling systems, or cost-effective energy efficient improvements for enterprises, namely those to implement the recommendations resulting from energy audits. Such measures would reduce fossil fuel reliance and support the deployment of renewable energy. The objective would for instance be met by:

- providing support to renovation and technologies improving the energy performance of buildings by, for instance, at least 30 % on average (with a preferential access for worst performing buildings and low-income households);
- decarbonisation of heating and cooling systems to become efficient, such as heat pump (including hybrid heat pumps), highly energy efficient and renewable district heating and cooling, photovoltaic (PV), energy storage for on-site renewable energy, smart thermostats, etc.
- deploying specific financial instruments or contributing to the InvestEU guarantee to support investments in energy renovation of buildings (such as building retrofits of the worst performing residential and non-residential buildings, decarbonisation of heating systems and installation of renewable energy sources on-site);
- establishing national or regional technical assistance facilities supporting the development of a large pipeline of financially sound energy efficiency and building renovation projects attracting private investors;
- establishing or strengthening existing Energy Efficiency National Funds with dedicated financial instruments for energy efficiency and building renovation;
- update of construction- and buildings-related legislation to require new construction and renovations to be more energy efficient;
- legislative measures requiring a mandatory installation of smart energy meters in buildings;

2) The objective to decarbonise industry is covered more specifically in the box below.

3) The objective to support the deployment of sustainable biomethane and hydrogen relates to investments to increase the production capacity and use of sustainable biomethane, (including connections to allow its blending in the gas infrastructure) and to increase the production capacity of renewable hydrogen ⁽⁸⁾ (including the increase in the corresponding renewable energy generation capacity necessary for the production of renewable hydrogen). The objectives also relates to investment in fossil-free hydrogen ⁽⁹⁾ production capacity and dedicated hydrogen infrastructure, including pipelines, storage, and port terminals.

Corresponding reforms could consist in incentives for investments in production or use of sustainable biomethane and biogas (quotas, contract for differences) or reforms devising an appropriate legislative framework and regulatory regimes for renewable or fossil-free hydrogen production, use, transportation, and storage, with a focus on difficult to decarbonise sectors, in accordance with the EU hydrogen strategy.

⁽⁸⁾ Renewable hydrogen means hydrogen produced from renewable energy in accordance with the methodologies set out for renewable liquid and gaseous transport fuels of non-biological origin in Directive (EU) 2018/2001 and related implementing and delegated acts.

⁽⁹⁾ ⁹ For fossil-free hydrogen, please refer to the Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia (2022/C 426/01) as a reference point. Under the objective on the production and uptake of renewable and fossil-free hydrogen, hydrogen produced via gas pyrolysis or steam methane reforming with carbon capture and storage cannot be supported.

- 4) The objective to increase the share and accelerating the deployment of renewable energy includes measures to increase renewable energy generation capacity, reinforcement or upgrade of the grid needed to integrate renewables and respective storage, as well as reforms speeding-up permit-granting procedures for renewable energy projects, including their connection to the grid.

Reforms should aim at simplifying and accelerating permitting for renewables projects, including for instance the digitalisation of procedures or the introduction of a one-stop-shop for environmental permitting, or at improving (spatial) planning, including the designation of areas particularly suitable for the development of renewable energy. Reforms should be accompanied by the necessary upskilling and reinforcements of the administrative staff to deal with the acceleration and an increased number of permit requests, and other measures improving administrative capacities, such as better tools and streamlined workflows.

Regarding the heating sector specifically, the objective can be met by:

- specific financial instruments or other support, subsidy-based or tax incentives for investments in renewable highly energy efficient heating and district heating, including incentives for consumers to install heat pumps and solar thermal units, or connect to modern efficient renewable and waste heat-based district heating and cooling;
- planned schemes to replace fossil heating systems with renewable technologies (renewable heat, renewable-based district heating, use of industrial waste heat and cooling networks);
- modernising district heating systems to replace fossil fuels with heat pumps or renewable sources, optimising operating temperatures, reduce heat losses in district network, upgrading sub-stations, application of smart control, increasing heat storage options.

(ba) *addressing energy poverty*

In line with the principles of the European Pillar of Social Rights, the REPowerEU chapters can also include measures to structurally address the root causes of energy poverty through long-lasting investments and reforms, *inter alia* on energy efficiency, building renovation measures and consumer protection and empowerment measures. Such reforms and investments should provide a sufficient level of financial support to structurally reduce energy demand for low-income households (up to 100 % of the costs) and vulnerable companies, including micro, small and medium-sized enterprises (SMEs), and companies in energy-intensive industries, facing severe difficulties due to high energy bills.

Measures that may meet these objectives include ⁽¹⁰⁾:

- Financial support to energy efficiency schemes, including via dedicated financial instruments;
- Schemes to reduce electricity demand for households and companies including SMEs facing difficulties due to high electricity bills;
- financial top-ups to other schemes in the RRP to increase the intensity of assistance to vulnerable households, e. g., for energy-efficiency renovations;
- schemes subsidising energy renovation or installation of heating solutions;
- support and promotion of energy communities;
- energy education programmes for the public to raise awareness about energy conservation, especially targeting high-energy patterns and consumers;
- deployment of one-stop-shops providing real advice and assistance (not limited to information) on building renovation opportunities, energy performance certificates and energy audits recommendations;
- reforms that take into account the level of energy efficiency performance in the context of rent-setting for dwellings and commercial propriety.

⁽¹⁰⁾ For further measure examples, please check Tackling rising energy prices: a toolbox for action and support COM(2021) 660 final

(bb) *incentivising reduction of energy demand*

The objective to incentivise reduction of energy demand applies to measures targeting production processes/provision of services by *companies* and is linked with the issues outlined in the dedicated section below (Strengthening Europe's Industrial Base). An example combining relevant energy costs with structural measures could be a temporary financial compensation for production losses resulting from a short-term electricity demand reduction accompanied by the requirement for investment(s) with long-lasting effects meeting the REPowerEU objectives (e.g., reducing the GHG intensity of the firm's production ⁽¹⁾ by mid-2026, for example by switching to renewable energy, or energy-saving measures).

The investments in energy demand reduction could be also complemented by reforms providing regulatory incentives for long-lasting energy efficiency improvements, namely:

- deployment of one-stop-shops providing advice and assistance (not limited to information) on building renovation opportunities, energy performance certificates and energy audits recommendations;
- schemes incentivising energy renovation of buildings, or the installation of heating solutions as described in b) point 1.

(c) *Addressing internal and cross-border energy transmission and distribution bottlenecks, supporting electricity storage, and accelerating the integration of renewable energy sources, and supporting zero emission transport and its infrastructure, including railways.*

Examples of measures linked to energy transmission, distribution and storage include:

- facilities for electricity storage notably to support the deployment of renewable resources and/or to minimise congestions;
- development of national electricity distribution and transmission networks, especially to address bottlenecks and promote the further integration of renewable energy sources;
- construction of electricity interconnectors;
- reforms of tariffs and facilitation of grid connectivity projects;
- reforms to enhance flexibility of the power system
- setting up transparent schedules for updates of distribution and transmission grids and renewable energy auctions.

Examples of measures linked to zero-emission transport would include investments or reforms for the deployment of:

- zero-tailpipe emission vehicles such as 100 % electric or hydrogen-based fuel cell vehicles and zero emission vessels/aircrafts;
- zero-emission transport assets renewal and retrofitting to zero-emission transport assets and infrastructure for zero-tailpipe emission vehicles and vessels/aircrafts;
- zero-emission rolling stock for rail as well as rail infrastructure and related subsystems for zero-emission rolling stock; electric charging points, electricity grid connection upgrades, hydrogen refuelling stations or electric road systems;
- reforms of the regulatory framework to promote retrofitting of small internal combustion cars into electric vehicles by speeding-up the retrofitting type approval procedure; providing incentives to the retrofitting industry and consumers (fiscal incentives, favourable credit loans or subsidies for upfront investments); and developing an awareness-raising campaign.
- Investments in production of aviation fuels from renewable hydrogen and reforms to incentivise the production

(d) *Supporting the objectives in points (a), (b), (ba), (bb) and (c) through an accelerated requalification of the workforce towards green skills and the related digital skills, as well as support of the value chains in critical raw materials and technologies linked to the green transition.*

⁽¹⁾ For support to installations covered by the EU Emission Trading System, the criteria set in the DNSH Technical Guidance and CID Annexes will apply.

As regards green skills and related digital skills, this objective contributes to equipping the workforce with the skills and competences needed for the achievement of the energy and climate objectives, and in particular for key industrial sectors for the net-zero transition. Measures can for example include the following:

- upskilling and reskilling of the workforce through trainings, foresight tools, including by paying particular attention to underrepresented groups;
- apprenticeships, traineeships and job shadowing schemes, including in partnership with relevant businesses;
- adaptation of education and training curricula and providing education and career guidance accordingly;
- incentives to upskill the existing workforce and train skilled professionals in the renewable energy sector and construction sectors.

As regards the support of value chains in critical raw materials and technologies linked to the green transition, in particular the Net Zero Industry technologies, this objective can be addressed by measures strengthening the Union's technological and manufacturing base capacity for clean-tech materials and components to increase the resilience and sovereignty of the EU's strategic value chains, including by strengthening the circular economy (see the dedicated box below).

Strengthening Europe's industrial base in the context of high energy prices

The European Council in its Conclusions of 15 December 2022 emphasised the importance of safeguarding Europe's economic, industrial, and technological base in the context of high energy prices and intensifying global competition. To address these challenges and enhance Europe's economic resilience and competitiveness, the European Council has called for a coordinated response that involves mobilising all relevant national and EU tools.

The REPowerEU Regulation recognises the role that industry has in driving the EU transition away from reliance on fossil fuels and towards a more diversified and renewable energy supply. Firstly, the manufacturing industry accounts for the highest share of EU's GHG emissions (22 %), and therefore, a rapid decarbonisation of industrial processes represents an essential factor in achieving both the climate and REPowerEU objectives. Secondly, a strong and innovative EU manufacturing, industrial and technological base in key clean-tech value chains is important to ensure that, as it shifts away from fossil fuels towards renewables, the EU does not become over-dependent on third countries for equipment, components and materials that are essential for a net-zero economy.

In this context, within their overall balancing of the REPowerEU priorities, Member States are encouraged to propose measures and investments in their REPowerEU chapters that would support the EU industry's transition towards zero- or low-carbon technologies on the road to net zero, preserving the present and future competitiveness of key EU clean-tech industries, supporting the expansion of their productive and innovation capacity, including across key segment of their supply chains and, more generally, preserve the global attractiveness of the EU as an investment location in strategic clean-tech industries. Such investment support (e.g., tax breaks or other forms of support) should be combined with additional reforms that would amplify the impact of the financial support.

It is also worth recalling that Member States can fund the investments in long-term assets and in specific conditions some of the temporary operational expenditures associated with those projects (both in existing RRFs and REPowerEU chapters). To be eligible for the RRF support, these operating costs should be an integral part of the reform/investment that contributes to meeting the assessment criteria of the RRF and be limited and commensurate to achieving the intended long-term results of the investment (e.g., see practical examples below that could be appropriate to address challenges identified by Member States). Below are some illustrative examples on the measure types that Member States could consider including in the REPowerEU chapters, associated with the REPowerEU objectives.

Article 21c 3(b) - decarbonising industry, and increasing the share and accelerating the deployment of renewable energy

- Investments in decarbonising steel making, for example replacing blast furnace-based production processes with zero- or low-emission production processes based on electrification or hydrogen. This project could also comprise the production of renewable hydrogen and cover operating costs related to this investment. An accompanying reform could consist of tax breaks for R&I for new zero-emission breakthrough technologies.
- Support for manufacturing of components for wind turbines (blades, mats, turbines, cables). This could be combined with a reform setting a binding national target for the wind energy supply and more predictable planning of wind development and auctions.
- Support for manufacturing of components for solar photovoltaic systems (polysilicon, ingot and wafer, cell, module, inverter) including capital expenditures. This could be combined with a reform setting a mandatory deployment of solar panels on roofs of large buildings above a certain surface (e.g., offices, supermarkets, warehouses, parking places) or a mandatory deployment of vertical double-face solar panels on highways.

Article 21c (3) (d) - incentivising reduction of energy demand

- Programmes subsidising purchasing and installation of heat pumps, including industrial heat pumps. The funding could also cover elements linked to the promotion of subsidies and awareness-raising campaigns for SMEs on energy audits. A reform complementing the investment could entail setting a phase-out date for fossil fuel heating in industrial facilities or binding decarbonisation plans at the level of each industrial sector or plants.
- Investments supporting the development and uptake of best performing technologies on the utilisation of waste heat in energy intensive industries. The support could also extend to ancillary support linked to the installation (design of the project, patent licenses, training of the staff). The support could also take the form of tax breaks. Member States could combine this with regulatory incentives, such as obligations for certain type of facilities to be equipped with low-temperature waste heat power generation.

Article 21c (3) (e) - supporting electricity storage, and accelerating the integration of renewable energy sources

- An energy hub combining the production of solar energy with an on-site large capacity energy storage as part of an industrial plant. The support could also cover certain costs related to the investment, such as the supply of spare parts, labour costs linked to the construction of the facilities and administrative costs. The accompanying reforms could entail a simplification of permitting procedures for the construction of the facilities and their connection to the grid.
- An energy storage system giving second life to batteries (for example from electric vehicles). The investment could cover costs related to the procurement of re-used or recycled batteries. This investment could be complemented by a reform reinforcing the recycling obligations on electric car manufactures.

Article 21c (3) (f) - supporting the value chains in critical raw materials and technologies linked to the green transition

- A facility for fossil-free lithium production from geothermal brines (using the process of direct lithium extraction), including the costs of the set-up phase (e.g., licences for relevant patents). This could be combined with a reform incentivising the uptake of fossil-free lithium, including in the automotive and renewable energy sectors.
- Cathode and anode production facilities for batteries, including reuse and recycling facilities for batteries and production of manufacturing equipment for gigafactories. This could be combined with a simplification of permitting procedures for the construction of factories and ambitious targets for the use of recycled batteries and resource efficiency standards.

- *Technological enhancements of copper refineries allowing to recycle pre-treated electronic scrap (or e-material) to recover primarily copper, tin, nickel, and precious metals that are linked to the green transition. This could include transitional costs covering trainings to requalify existing staff and costs linked to the collection and transportation of the e-waste. A possible complementing reform could include establishing higher separate collection and reuse/recycle targets for e-waste.*

Which model of support can Member States consider?

The design of a relevant financial support instrument should ensure that the funding could be quickly absorbed by the industries in need. In this context, the upscaling of existing support schemes and projects could be considered before creating new financial vehicles. The existing EU industrial alliances (notably on batteries, solar photovoltaics, critical raw materials, and hydrogen) often include draft project pipelines that could be considered for financing under such support schemes, where necessary and proportionate. Similarly, projects that were positively evaluated by the Innovation Fund but that were below the funding threshold could also be supported.

Furthermore, the RRF loans offer competitive financing conditions. There are various solutions that could be used to pass on these advantageous costs of capital onto the businesses, for example:

- channelling the RRF loans through international financial institutions, multilateral development banks and commercial banks to ensure a rapid uptake; without relying on resources of the public administration;
- deploying loan guarantees to reduce the risk for lenders and make it more attractive for them to provide financing for clean-tech projects;
- developing a fund offering bridge financing solutions to allow companies to bridge the gap between the time they incur expenses and the time they receive revenue from the longer-term investments.

3. Do no significant harm (DNSH) principle

Application of the DNSH principle under REPowerEU

The do no significant harm principle continues to apply to reforms and investments supported by the Facility, in line with the RRF Regulation, with one targeted derogation to safeguard the EU's immediate energy security.

Measures supporting the REPowerEU objectives that have already been included in the adopted recovery and resilience plans have been already assessed against the DNSH principle. Therefore, a new assessment of scaled-up parts of such measures will not be necessary. A revised assessment might be necessary only if the nature of the changes to the measures risks affecting the DNSH assessment. For new measures, Member States should submit information on how the measures comply with the DNSH principle.

For that purpose, Member States should submit or amend the DNSH self-assessment for the REPowerEU measures in line with section II 1 D) of this guidance.

It is preferable to include in the REPowerEU chapter only those measures that are DNSH compliant by their nature, which can be demonstrated in the DNSH self-assessment. For such measures, no specific DNSH safeguards will be required to be included in the description of the measures and/or in corresponding milestones and targets.

In other words, the nature of measures will determine whether or not specific DNSH safeguards might be required, based on the information provided by the Member States.

Derogation from the DNSH principle under REPowerEU

Subject to a positive assessment by the Commission, the DNSH principle will not apply to measures expected to contribute to improving energy infrastructure and facilities to meet immediate security of energy supply needs.

When assessing the eligibility of the measures for a derogation from the DNSH principle, the Commission will consider four requirements. The Commission may seek relevant information from the Member States to support its assessment.

- **Whether the measure is necessary and proportionate to meet immediate security of supply needs in accordance with Article 21c(3)(a), taking into account cleaner feasible alternatives and the risks of lock-in effects.**

For the assessment of necessity and proportionality of the measure, the Commission will take into account estimationed projections of gas or oil demand in the Member State concerned, interconnection capacities and exchanges with its neighbours, considering the 2030 climate and energy targets as well as the impact of the disruption of imports from Russia. In addition, the Commission will consider the additional capacity and energy volume brought by the measure, the maturity, timeline, and the existence of complementary projects, including in neighbouring Member States.

Member States are asked to submit all the relevant information to enable the Commission to make its assessment. Based on information provided by the Member State, the Commission will also assess if cleaner alternatives, with the same capacity, a similar timeframe and comparable costs, may be technologically and economically feasible. For example, the Commission may seek information on alternative solutions that were considered by the Member State, such as the construction of large-scale renewable energy generation projects equivalent in energy capacity. Moreover, additional gas infrastructure should be future-proof, where possible, in order to facilitate its long-term sustainability through future repurposing for sustainable fuels. For example, Member States should explain if the infrastructure would be enabled to operate with 100 % pure hydrogen or its derivatives, and if it is not possible, set out relevant reasons.

- **The Member State concerned has undertaken satisfactory efforts to limit the potential harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852, where feasible, and to mitigate the harm through other measures, including the measures in the REPowerEU chapter.**

In its assessment, the Commission will consider the overall efforts that the Member State takes to limit harm of the measure to the six environmental objectives set out in Article 17 of Regulation (EU) 2020/852, including through measures that are submitted in the REPowerEU chapter.

Measures in the REPowerEU chapter should be undertaken in compliance with the applicable EU and national environmental legal framework. This will help to mitigate harm in particular by controlling and preventing pollution and protecting biodiversity and water bodies, notably through environmental assessments. However, the efforts undertaken by Member States should, where possible, include elements to limit potential harm to environmental objectives. For instance, with respect to the climate change mitigation objective, Member States are encouraged to provide information concerning the planned capacity and projected utilisation of the project, in order to demonstrate that its scale is not larger than necessary in order to meet the EU's security of energy supply needs in the short term. Regarding adaptation, an appropriate climate risk assessment could be carried out to limit the risk of climate hazards on the operation of the project. Member States should make efforts to avoid significant harm to the other environmental objectives.

- **The measure does not jeopardise the achievement of the Union's 2030 climate targets and the objective of EU climate neutrality by 2050, based on qualitative considerations.**

The Commission will take into account in its assessment the project's capacity and whether it is designed in a way to meet the necessary immediate security of energy supply needs, in light of the overall objective to reduce dependence on fossil fuels from Russia and diversify energy supply sources. It will also be considered whether the measure is aligned with the broader energy and climate policy set out by the Member State in its National Energy and Climate Plan. In addition, the broader set of measures in the REPowerEU chapter and the RRP will be considered in view of their contribution to the achievement of the Union's 2030 climate targets and the objective of EU climate neutrality by 2050.

- **The measure is planned to be in operation by 31 December 2026.**

The Commission will assess the timeline of any project submitted to ensure that the measure is expected to be in operation by 31 December 2026. To this end, Member States are encouraged to provide information related to the project implementation status and a roadmap, demonstrating that an entry into operation is achievable by 2026.

As required by Article 21c(8), the revenues made available in accordance with Article 10e(1) of Directive 2003/87/EC shall not contribute to reforms and investments subject to the DNSH derogation. For this purpose, the Commission will ensure that the estimated costs of reforms and investments that are not subject to the DNSH derogation correspond at least to the Member State's allocation of additional non-repayable financial support for REPowerEU based on Article 21a of the RRF Regulation (the ETS revenues).

In addition, the total estimated costs of measures subject to the DNSH derogation cannot exceed 30 % of the total estimated costs of the measures included in the REPowerEU chapter. This threshold can be calculated by dividing the sum of the estimated costs of those measures by the sum of the estimated costs of all measures contained in the REPowerEU chapter.

Illustrative examples of the type of information that Member States could provide:

What will the Commission assess?	What can Member States provide to support the assessment?
Whether the measure is necessary and proportionate to meet immediate security of supply needs	<ul style="list-style-type: none"> — Description of the impact of the disruption of gas/oil imports from Russia and estimated capacity and utilization of the measure to replace those; — Projections of gas/oil demand, for instance based on work for the update of the National Energy and Climate Plans; — Consideration of cleaner alternative solutions, comparable in timeline, costs, and capacity (e.g., feasible large-scale renewable energy projects, compatibility of the pipelines or facilities to operate with 100 % pure hydrogen to avoid lock-in effects, design features allowing repurposing); — An explanation of the contribution to the energy security of the Union as a whole or that of several Member States. An explanation why the scale of the measure is not larger than necessary to meet the measure's objectives.
The overall efforts the Member State has undertaken to limit the potential harm to environmental objectives	<ul style="list-style-type: none"> — Relevant evidence of efforts limiting the potential harm of the measure to the environment (e.g., conclusions from an appropriate climate risk assessment, results from environmental assessments). — Explanation on how other measures, including those in the REPowerEU chapter and the RRP, prevent harm to environmental objectives.
Whether the measure does not jeopardise the achievement of the Union's 2030 climate targets and the objective of EU climate neutrality by 2050	<ul style="list-style-type: none"> — Contribution of other measures, including those in the REPowerEU chapter and the RRP, towards climate targets and objective; — Alignment with the Fit for 55 climate targets and potential integration of the measure in the initial or updated National Energy and Climate Plans, thereby showing that the measure does not jeopardise achieving the climate targets and objective of EU climate neutrality by 2050.
The measure is planned to be in operation by 31 December 2026	<ul style="list-style-type: none"> — Project timeline and roadmap, including expected operational status on 31 December 2026 (status of contracting procedures and authorisations of the submitted projects, approvals and permits).

4. Cross-border and multi-country dimension and effect

Cross-border infrastructure and multi-country projects are important for achieving the REPowerEU objectives in the medium term and are encouraged under REPowerEU. Measures are considered to have a cross-border or multi-country dimension or effect if they either contribute to securing energy supply in the Union as a whole or if they reduce dependency on fossil fuels and/or energy demand.

The REPowerEU Regulation includes an additional requirement in Article 18(4), point h, concerning cross-border or multi-country projects. In their REPowerEU chapters, Member States will need to indicate which measures in the chapter, including, *inter alia*, those measures addressing challenges identified in the Commission's most recent needs assessment, are considered to have a cross-border or multi-country dimension and effect. Additionally, Member States have to provide an indication as to whether the total estimated costs of these measures represent at least 30 % of the total estimated costs of the measures contained in the REPowerEU chapters. If the estimated costs of those measures account for an amount that represents less than 30 %, Member States should provide an explanation of the reasons therefore.

Cross-border infrastructure projects (under Article 21c(1) of the RRF Regulation)

Cross-border projects encompass infrastructure projects (transmission, distribution networks and storage infrastructure) which aim at securing energy supply, with a view to addressing existing bottlenecks. For this purpose, the Commission will take into account its most recent needs assessment of May 2022.

When carrying out its assessment, the Commission will also consider projects with a multi-country dimension e.g., projects conducted at the same time in different Member States, projects which are a part of a larger corridor across several Member States or projects conducted at a national level with a significant impact on the neighbouring Member States.

To best achieve the REPowerEU objectives within the limited timeframe of the RRF, the Commission will apply a proportionate approach and consider the geographical situation as well as the immediate and long-term energy challenges of each Member State.

Measures reducing dependency on fossil fuels and energy demand

The cross-border or multi-country effect of measures in the REPowerEU chapter should not be understood in a narrow sense as being limited to projects involving cross-border infrastructure.

Considering the integration of energy markets between the Member States and the further interlinkage between Member States energy mixes, projects having a significant impact on the demand and supply of energy (notably gas and electricity) can be considered as having an impact on the demand-supply balance across several countries and on cross-border flows.

Measures contributing to decreasing the reliance on and/or demand of fossil fuels, removing bottlenecks in internal energy flows or facilitating the deployment and integration of renewables projects (such as electricity transmission, distribution grids and storage assets) typically have a cross-border effect and should be counted towards the 30 % target.

The Commission will therefore consider for the purpose of assessing cross-border or multi-country effects measures related to but not limited to energy efficiency, renewables deployment, heat pump deployment, industry decarbonisation, distribution grids, and renewable/fossil-fuel hydrogen.

For each measure, the Member State will need to provide a short explanation on the cross-border dimension of the investment, including the expected effect on cross-border energy flows.

5. **Assessment of the REPowerEU chapter**

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.

Assessment criterion related to the REPowerEU objectives

Reforms and investments included in the REPowerEU chapters will be assessed under an additional assessment criterion, set out in Annex V, Section 2.12 of the RRF Regulation, related to their effective contribution to the REPowerEU objectives. As per Annex V to the RRF Regulation, during its assessment, the Commission shall take into account the following elements and assess whether the measures:

- improve energy infrastructure and facilities to meet immediate security of supply needs for gas, including liquified natural gas (LNG), notably to enable diversification of supply in the interest of the Union as a whole; where the derogation under Article 21c(3), point (a) applies, improvements of oil infrastructure and facilities to meet immediate security of supply needs are also eligible; or

- boost energy efficiency in buildings and critical energy infrastructure, decarbonising industry, increasing production and uptake of sustainable biomethane and of renewable or fossil-free hydrogen, and increasing the share and accelerating the deployment of renewable energy; or
- contribute to addressing energy poverty and, where relevant, give adequate priority to the needs of those affected by energy poverty as well as to the reduction of vulnerabilities during the coming winter seasons; or
- incentivise reduction of energy demand; or
- address internal and cross-border energy transmission and distribution bottlenecks, supporting electricity storage and accelerating the integration of renewable energy sources, or supports zero emission transport and its infrastructure, including railways; or
- support the above objectives through an accelerated requalification of the workforce towards green and related digital skills, as well as support of the value chains in critical raw materials and technologies linked to the green transition.

Furthermore, Member States should also demonstrate that the REPowerEU chapters are coherent with their other efforts to achieve the REPowerEU objectives. The information provided by Member States on this point should include a brief description of the major reforms and investments not funded under the RRF that address the REPowerEU objectives in the RRF timeframe as well as an explanation on how those efforts correlate with the REPowerEU objectives.

Assessment of the cross-border and multi-country dimension or effect

In accordance with the amended Article 19, the Commission's assessment of a modified RRP will encompass an additional assessment criterion on the cross-border or multi-country dimension or effect of reforms and investments in the REPowerEU chapter. The Commission, in accordance with Annex V, will take into account, the following elements for its assessment:

- 1) whether the measure contributes to the Union security of supply by addressing challenges identified in the Commission's most recent needs assessment, is in line with the REPowerEU objectives, taking into account the financial contribution of the Member State concerned and its geographical position.

OR

- 2) whether the implementation of the envisaged measure is expected to contribute to reducing dependency on fossil fuels (in terms of supply and demand) and to reducing energy demand (be it electricity, gas, fossil fuels etc...).

In accordance with the amended Article 20(5), the Commission will include in its assessment of a modified RRP including a REPowerEU chapter a summary of the proposed measures of the REPowerEU chapter having a cross-border or multi-country dimension or effect. This summary will be laid down in the CID.

If the estimated costs of these measures account for less than 30 % of the estimated costs of all measures contained in the REPowerEU chapter, the summary will explain why this indicative target is not met, for example by demonstrating that other measures included in the Member State's REPowerEU chapter better address the REPowerEU objectives or that there are not enough realistic projects available having cross-border or multi-country dimension or effect, in particular considering the lifetime of the Facility.

Update of the assessment criterion related to the 37 % climate target

In addition to the climate target of at least 37 % of the plan's total allocation, the REPowerEU chapter itself should also achieve a climate target of at least 37 % based on the total estimated costs of the measures included in the REPowerEU chapter.

The threshold can be calculated by dividing the sum of the estimated costs of the measures with a climate contribution included in the REPowerEU chapter by the sum of the estimated costs of all measures contained in the REPowerEU chapter.

The exemption from the obligation to contribute to the 20 % digital target

In line with Article 21c(5) of the RRF Regulation, 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.

Although reforms and investments put forward in the REPowerEU chapters are exempt from the calculation of the digital target, Member States are to provide a qualitative explanation of how the measures in their recovery and resilience plans, including those in the REPowerEU chapters, are expected to contribute to the digital transition and its resulting challenges. 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;
- Measures for the digitisation of the processing of grants for energy efficiency renovations;
- Measures for digitisation of social security systems enabling the correct identification of households at risk of poverty and the modulation of intensity of financial aid;
- Digital skills or applications for energy consumer empowerment.

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

II. General guidance for the modification of RRFs

The sections below provide an overview of the elements Member States should reflect in their modified RRFs. This Guidance addresses the questions most frequently raised by Member States and provides practical guidelines on how to structure the addendum to the RRFs in line with the requirements of Article 18 of the RRF Regulation. To ensure consistency in the presentation of the addendum and the RRF, the below structure follows the RRF Guidance of January 2021. Member States are encouraged to continue using the same structure for their RRFs and limit the changes to the existing sections of the RRFs.

1. Objectives of the modifications

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

The modified RRF should continue to represent a comprehensive and adequately balanced response to the economic and social situation and contribute appropriately to all six pillars of Article 3 of the RRF Regulation. The changes to the initial plan should maintain this balance, or should they modify it, the modification should 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 RRF 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 the appropriate contribution. 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 make 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 how the impact of the latest geopolitical developments translate into a plan's additional 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.

Link with CSRs and the European Semester

The modified RRFs including additional reforms and investments and requesting more funds should take into account all challenges identified in relevant CSRs, comprising those adopted by the Council in the 2019 and 2020 European Semester cycles as well as in later Semester cycles up to the date of the assessment of the modified RRFs ⁽¹²⁾. The CSRs issued in the 2022 cycle and the 2023 cycle, once adopted by the Council, will be particularly relevant, notably to prepare the REPowerEU chapters. The annual country reports take stock of the progress in the implementation of the measures included in the RRFs, highlighting examples of important reforms and investments related to fulfilled milestones in line with past CSRs, and identify key outstanding or newly emerging challenges not sufficiently covered in the RRFs, which are the basis for new CSRs.

When revising their plans, Member States must continue to effectively address all or a significant subset of the challenges identified in the relevant country-specific recommendations (CSRs), including the CSRs adopted by the Council under the 2022 and (where relevant) 2023 Semester cycles and in later Semester cycles up to the date of the assessment of the modified RRF.

Downward revisions of the maximum financial contribution do not affect the need to address all or a significant subset of the relevant CSRs as reforms are generally not costly. Therefore, a modified RRF not requiring additional funding would need to keep the same level of ambition as in the previously adopted plan, notably as concerns reforms addressing CSRs.

For those Member States seeing their RRF maximum financial contribution (substantially) increased, the full set of the 2019, 2020 and 2022 CSRs needs to be taken into account, when making additions to the initial plans. This applies, in particular, to the additional reform and investment needs identified in the 2022 European Semester exercise, including the ones related to the need to reduce energy dependencies.

For Member States using their loans exclusively for REPowerEU purposes and not benefitting from a substantial increase in RRF grants, the Commission will in particular consider the CSRs related to energy. In case plan additions are submitted after the Council's adoption of the 2023 CSRs, these will also need to be taken into account. The submission of addenda is equally an opportunity to address challenges identified in previous European Semester cycles that are not or only partially addressed in the previously adopted RRFs.

When preparing their addenda, Member States should ensure that the impact of proposed changes on fiscal sustainability is consistent with the most recent CSR related to fiscal and fiscal-structural matters, as approved by the Council. In addition, Member States from the eurozone should ensure that the updated measures are consistent with the priorities identified in the most recent recommendation on the economic policy of the euro area, in particular the energy-related elements, as adopted by the Council.

⁽¹²⁾ 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.

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. The following elements should be reflected:

- Macroeconomic and social outlook;
- An explanation of the macroeconomic and social impact of the RRP, in line with Article 18(4) of the RRF Regulation;
- Sustainability;
- Cohesion.

Member States are invited to provide updated figures about the impact of their modified RRP, to the extent that the modifications to the RRP are significant in substance and/or size. 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 addenda.

Coherence

The impact of the 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, 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.

Consistency with the approved cohesion policy partnership agreements and programmes also has to be outlined, in line with Articles 17(3), 18(4n) and recital 62 of the RRF Regulation (see also below).

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, in particular for disadvantaged groups, 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 the objectives of gender equality and equal opportunities for all 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, and racial or ethnic origin, where possible.

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

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 these reforms and investments comply with the EU State aid rules, in particular proportionality, and follow the applicable State aid procedures.

In this context, the Commission's Climate, Energy and Environmental Aid Guidelines 2022 ('CEEAG')⁽¹³⁾ provide guidance on how the Commission will assess the compatibility of environmental protection, including climate protection, an energy aid measures which are subject to the notification requirement under Article 107(3)(c) TFEU. Moreover, the General Block Exemption Regulation ('GBER'), currently under review, 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. The Commission is currently assessing possible updates to the State Aid Temporary Crisis Framework and the GBER, such as broadening their scope and raising notification thresholds, which as a result, should facilitate the clearance of RRF/REPowerEU measures. Furthermore, as a large number of Member States have included investments related to Important Projects of Common European Interest (IPCEIs) into their RRFs, the approval of IPCEI related projects will be further streamlined and simplified. This is important to ensure a timely implementation of such investments and their completion by the deadline set out by the Regulation establishing the RRF, i.e., 31 August 2026. A timely and successful implementation of those flagship projects will be key to the RRF's contribution to the green and digital transition and to its overall success.

As per the 2021 RRF Guidance and template, Member States are invited to specify in their modified RRFs 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 a 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 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 RRFs 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 RRFs and reviewed from a State aid point of view, early communication with the Commission services in the preparation of RRFs 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.

Aid reducing the day-to-day expenses of companies is only allowed in a limited set of situations and under strict conditions. Member States considering a measure involving this type of aid should ensure that it meets the applicable conditions set out in the relevant State aid framework.

While the State aid rules may evolve until 2026, it should be recalled that under State aid rules, the relevant moment for the assessment of a measure is when the State aid is granted, i.e., the moment when a legally enforceable right to receive the aid is conferred on the beneficiary. As long as the relevant State aid framework provides for a compatibility basis of a measure at that moment in time, it can be implemented (the State aid can be paid and investments can be carried out), even if the State aid rules change thereafter.

⁽¹³⁾ SEC(2022) 70 final - SWD(2022) 19 final - SWD(2022) 20 final.

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 on 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.

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 previous RRP.

Use of financial instruments and budgetary guarantees

Measures in the form of financial instruments and budgetary guarantees 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 where appropriate (such as for loan funds and equity schemes), 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, such as public guarantees and favourable loans for energy efficiency in buildings 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.

Learning from the experience gained from the existing RRP, the following type of financial instruments could be considered by the Member States:

- Guarantee instruments and preferential loans to lower the costs of borrowed capital for energy efficiency renovation schemes;
- Private Public Agreements for renewable energy sources investments;
- ESCOs refinancing to unlock energy efficiency improvements in manufacturing processes, non-residential buildings, and multi-apartment buildings;
- Equity investments in companies or in equity funds supporting the green transition: ⁽¹⁴⁾

Annex I provides further information on the use of financial instruments under the RRF and the possibility of contributing to the InvestEU guarantee through a Member State compartment based on the experience gained during the preparation and implementation of the initial RRP.

Green and digital dimensions

Member States should explain to what extent their modified RRP 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.

⁽¹⁴⁾ Particularly for SMEs.

The green dimension of the RRP'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 to climate objectives of the modified RRP – including the REPowerEU chapter – as well as the REPowerEU chapter individually must both account for at least 37 % of the plan's total allocation).

Member States are invited to explain how their modified RRP will contribute to achieving the EU climate targets enshrined in the Climate Law and take into account the climate targets agreed at political level in December 2022 and the other parts of the Fit-for-55 package proposed in July and December 2021. 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 RRP 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 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', which entered into force on 9 January 2023. 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, excluding the measures included in the REPowerEU chapter.

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 the cost of measures included in the REPowerEU chapter with respect to digital tag; measures included in the REPowerEU chapters are not taken into account for the calculation of the digital target). It is thus important for Member States to take into consideration the RRP's total allocation when introducing revisions to their RRFs, including whenever the revised financial contribution has increased or decreased.

Member States should therefore explain, for each new or modified measure, the contribution to the climate and digital targets, following the 2021 RRF guidance. 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 RRF, 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 RRF *as a whole*, consisting of both the previously adopted RRF 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 RRF taking into account the changes brought to the measures in the RRF and the modified total estimated costs above mentioned. The climate contribution will be compared to the total allocation of the RRF, including the REPowerEU chapter. The climate target will also be calculated separately for the REPowerEU chapter. The digital contribution will be compared to the total allocation of the RRF, excluding the amounts for reforms and investments in the REPowerEU chapter.

Based on the experience with the 27 adopted plans, 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 to 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.

Do no significant harm (DNSH)

The DNSH Technical Guidance (OJ C 58, 18.2.2021, p. 1.) 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). Member States are also invited to provide as part of the DNSH self-assessment, whenever relevant and possible, a quantitative assessment of the environmental impact of the reform or investment. 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.

How should Member States show in their RRFs 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 RRF, the same process as for the initial submission of the RRF 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 RRF in which the initial DNSH assessment is featured

3. 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 by the Member State of new or modified milestones or targets follows strictly from the inclusion of new or modified measures in the modified RRP.

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.

The implementation period of some national investments pursuing REPowerEU objectives may span beyond 2026. In such cases, the related milestones and targets included in the REPowerEU chapter 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 RRP 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/amended Council implementing decision or else in a dedicated corrigendum.

4. **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.

Revised measures: For each revised measure, where the changes affect the costing estimates, the Member State shall provide updated cost 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 RRF 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 strengthening the plausibility of the estimates.

5. **Complementarity and implementation of the RRFs**

Consistency with other initiatives

As per Article 17 of the RRF Regulation, all RRFs, including the addenda, shall be consistent with the relevant CSRs 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 provided under the Just Transition Fund Regulation, 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 under the 2021-2027 CPR since the adoption of the initial RRP. Given that all Member States have adopted their partnership agreements and almost all cohesion policy programmes, Member States should explain how new or modified RRP measures are complementary with the implementation of the programmes under the 2021-2027 CPR ⁽¹⁵⁾.

Complementarity of funding and 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.

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 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 re-consider 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 financial contribution or a loan, it should demonstrate that the authorities in charge of coordinating and implementing the plan have sufficient administrative capacity and the appropriate mandate. More generally, Member States should make sure to have sufficient administrative capacity to implement RRP investments and as such have the possibility to include in the costing of their respective investments or reforms limited administrative costs of a temporary nature as long as such costs are related to the implementation of that specific investment or reform.

Member States may also make use of the Technical Support Instrument (TSI) for the implementation of investments and reforms in the REPowerEU chapter, as explained in the 2021 RRP guidance. 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.

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. For instance, modifications to reflect a slightly amended financial allocation would not require the same type of consultation process as modifications requesting a significant loan amount. Since the extent of consultations in the preparation of the initial RRP varied, given in particular the COVID-19 emergency, Member States are encouraged to generally enhance this process if they modify their RRP. 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.

⁽¹⁵⁾ Please refer to Part 1 regarding the modalities for requesting transfers between the RRF and the cohesion policy funds.

In addition, the European Semester will be an important framework to discuss the progress of implementation of the RRP 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.

The normal consultation requirements, including the need to provide a summary describing how stakeholder input has been reflected, will also apply for the preparation of the REPowerEU chapter. Member States should set out in their summaries how the consultation outcome has been reflected in their REPowerEU chapters. There should be a description of the consultation process, including its main characteristics, types of stakeholders, and the main input received. There should then be a description of how the design of REPowerEU measures has taken into account the feedback received, and an indication how it will continue to be taken into account during the implementation.

It will be important to have a broad consultation outreach, including in particular the stakeholders with the relevant expertise on REPowerEU matters. The duration of the consultation process should be commensurate with the urgency of submitting REPowerEU chapters.

No additional public consultation will need to be carried out in cases where Member States scale-up measures and the substance of the measures remain the same, or when they move existing measures to the REPowerEU chapter due to their decreased maximum financial contribution.

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. The key requirements of the Member State's control systems are included in Annex I of the Financing and Loan Agreement signed between the Commission and the Member State. 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 or, where relevant, 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 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.

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 as a part of a European response, notably in the context of REPowerEU; 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, Europe's recovery, green and digital transition, and energy security with practical evidence.
- Ensuring that the high-level political endorsement of the RRP is sufficiently visible.
- Communicate on landmark projects and attribute their realization 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, notably in the context of REPowerEU, 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 RRFs.

Transparency on final recipients

The transparency on the use of RRF funds has been increased through the inclusion of a new transparency obligation in the REPowerEU Regulation. Member States will need to set up a publicly available and easy to use portal where they publish data on the 100 final recipients receiving the highest amount of funding for the implementation of measures under the RRF.

Final recipients should be understood as the last entity receiving funds that is not a contractor or sub-contractor. This is to be distinguished from the beneficiaries, which under the direct management set-up of the Facility are the Member States.

This data should include the legal name of the final recipient, including the first and last names if the final recipient is a natural person, the amount of funds received as well as the associated measure(s) under the RRF for which the funding has been received. For the purpose of determining the 100 largest recipients, only funds from the RRF should be taken into consideration as some investments may also be financed in part through other public financing.

In order to ensure proportionality and respect of privacy, where final recipients are natural persons, any personal data should be deleted two years after the end of the financial year in which the last RRF funding has been paid to that final recipient. Similarly, by analogy, a few exceptions to the publication of data, provided for in Article 38(3) of the Financial Regulation, have been made applicable to the RRF. These concern the following cases:

- education supports paid to natural persons and any other direct support paid to natural persons most in need such as unemployed persons and refugees (Article 191(4)(b) Financial Regulation).
- very low value contracts awarded to experts selected on the basis of their professional capacity (Article 237(2) Financial Regulation) as well as very low value contracts below EUR 15 000 (the amount referred to in point 14.4 of Annex I to the Financial Regulation).
- financial support provided through financial instruments for an amount lower than EUR 500 000
- where disclosure risks threatening the rights and freedoms of the persons or entities concerned as protected by the Charter of Fundamental Rights of the European Union or harming the commercial interests of the recipients.

Given the amounts involved under the RRF, it is unlikely that the exceptions set out in the first three paragraphs would apply to the 100 largest recipients. The fourth exception is also not expected to apply widely. Given that the publication of data only concerns large-scale recipients, most of which are expected to be legal entities, any privacy concern regarding natural persons should be weighed against the need for transparency on spending of EU funds. Moreover, it should be noted that the reference to Article 38(3) of the Financial Regulation will reflect any future amendment to that provision.

In addition to this data being published on Member States portals, the Commission will centralise that data together with the links to the Member States' portals on the Recovery and Resilience Scoreboard. Such data will need to be updated twice a year, and the Commission will seek to align the timing of the updates with the existing biannual reporting of April and October. The first information gathering exercise will happen in parallel to the April 2023 biannual reporting. The Commission will also publish an interactive map showing the various measures and their location in the Member States.

ANNEX I

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.

The contribution to the Member State compartment under InvestEU will require the signature of the Contribution Agreement between a Member State and the Commission. The implementation of the InvestEU guarantee is done by the Commission through selected implementing partners.

In relation to national financial instruments the following phases can be distinguished:

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.
-

ANNEX II

TEMPLATE FOR DECLARATION OF INTENTIONS REGARDING RRF LOANS

To: Lead Negotiators in SG RECOVER and DG ECFIN

Cc: EC-RECOVER@ec.europa.eu

Subject: RRF loans – notification of interest

Dear Sir/Madam,

We refer to Regulation (EU) 2021/241, notably Article 14(6), which states that Member States have to communicate to the European Commission within 30 days after the entry into force of the amended Regulation as regards REPowerEU chapters in recovery and resilience plans whether or not they intend to request loan support from the Recovery and Resilience Facility (RRF).

Therefore, and without prejudice to the ability of requesting loan support until 31 August 2023, we wish to express the following interest:

[Select which one applies]

We do not intend to request loan support from the RRF at this stage.

We intend to request loan support from the RRF for an amount of EUR XXX [this can be a range of amounts] and intend to use such loan support for the following list of investments and reforms:

— List of investments and reforms

We confirm that the information laid down in this notification of interest is as accurate as possible and provided to the best of our knowledge.

ANNEX III

**TEMPLATE FOR DECLARATION OF INTENTION REGARDING TRANSFERS FROM THE BREXIT
ADJUSTMENT RESERVE**

To: Lead Negotiators in SG.RECOVER and DG ECFIN

Cc: EC-RECOVER@ec.europa.eu

Subject: Brexit Adjustment Reserve – notification of request to transfer to the Recovery and Resilience Facility

Dear Sir/Madam,

In accordance with Article 4a of Regulation (EU) 2021/1755, which allows Member States to submit to the Commission a reasoned request to transfer to the Recovery and Resilience Facility (RRF) all or part of the amounts of their provisional allocation under the Brexit Adjustment Reserve (BAR), we wish to request a transfer of EUR XXX from the BAR to the RRF, for the purpose of financing investments and reforms of the REPowerEU chapter, in accordance with the approach outlined in the Commission Notice ‘Guidance on Recovery and Resilience Plans in the context of REPowerEU’.

The reasoning underpinning such a transfer is that both the RRF and BAR pursue a common goal of strengthening economic, social, and territorial cohesion, as clearly set out by their shared legal base in Article 174 of the Treaty on the Functioning of the European Union. The measures in the REPowerEU chapter, by mitigating the consequences of the global energy market disruption caused by the recent geopolitical developments, will help progress towards the overall cohesion aim, which the BAR aimed to achieve by addressing the negative repercussions of the withdrawal of the United Kingdom from the Union in Member States, including in particular their regions and local communities. This common objective, in line with the legal provisions of Regulations 2021/1755, constitutes the reasoning justifying such a request for transfer between the two instruments.

[As the amount of the requested transfer is higher than the part of the provisional allocation under BAR which has not yet been paid out, we understand that the difference has to be recovered by the Commission. We wish [to repay the amount to be recovered to the account of the European Commission as will be indicated by the European Commission in the debit note] / [the European Commission to proceed with offsetting of that amount through reduction of any payment [under RRF] after having informed the [responsible authority in the MS]].

—

ANNEX IV

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DISCLAIMER

This template should be used by Member States to draft the addenda to their recovery and resilience plans. Member States are invited to only provide information relevant to the changes proposed compared to their adopted Recovery and Resilience Plans. The template cannot be read in isolation from the updated guidance on recovery and resilience plans in the context of REPowerEU. This document is only providing a template on how to present the information in the addendum while the guidance documents provide the necessary indications on how to fill each section. As provided for in the guidance document, Member States are encouraged to modify their plan on the basis of a consolidated version of their initial plan, which should reflect the changes introduced during the assessment and be fully consistent with the respective Council implementing decisions. As such, the use of this template for the addendum presupposes that Member States have previously aligned their RRP with the Council implementing decision.

Member States are invited to contact the Commission Services in case of any further questions

PART 1

INTRODUCTION TO THE ADDENDUM

1. General objective

Member States should describe in this section notable changes in the main challenges that they have been facing since the submission of their initial Recovery and Resilience Plans (RRPs). They should in particular briefly explain how the modified RRP continues to represent a comprehensive and adequately balanced response to the economic and social situation and contribute appropriately to all six pillars. It should also be highlighted how the modified RRP increases the resilience, security and sustainability of the Union energy system through the necessary reduction in the dependence on fossil fuels and the diversification of energy supplies at Union level.

Member States should also explain in this section how the modified RRP takes into account the challenges identified in the relevant country-specific recommendations.

2. Justification for the addendum

Member States should indicate the legal base(s) for the proposed changes to their plan, and the detailed justification for invoking the relevant legal base(s) as required by the corresponding article(s) of the RRF Regulation ⁽¹⁾. The legal base(s) and justification should be provided from the list below, for each additional, modified or removed measure. The justification can be based on more than one of the legal bases below.

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

- Articles [21a and 21b] related to the REPowerEU chapter ⁽²⁾: For the REPowerEU chapter, please refer to the dedicated template,*
- Article [14(2)]: a revision of the plan accompanying a new or additional loan request,*
- Article [7]: a revision of the plan accompanying a new or additional transfer of 5 % of resources from shared management programmes*
- Article [18(2)]: an update of the plan to take into account the updated maximum financial contribution following the calculation referred to in Article 11(2).*
- Article [21]: an amendment or submission of a new plan due to the plan, including relevant milestones and targets, being no longer achievable, either partially or totally, because of objective circumstances.*

PART 2

DESCRIPTION OF ADDITIONAL AND MODIFIED REFORMS AND INVESTMENTS

This section covers changes to components that are added or modified compared to the Recovery and Resilience Plan underlying the current Council Implementing Decision in force. Within those components, only the reforms and investments that are added, removed or modified need to be addressed. All components of the initial plan which are not included in this section are understood to remain unchanged.

⁽¹⁾ Regulation (EU) 2021/241 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2021.057.01.0017.01.ENG&toc=OJ%3AL%3A2021%3A057%3ATOC

⁽²⁾ Based on the Commission proposal (COM(2022) 231 final)

1. **Entirely new components:** For each entirely new component, please follow the structure set out in Part 2 of the template provided by the Commission in January 2021 ⁽³⁾ and taking into account the Commission Guidance on Recovery and Resilience Plans in the context of REPowerEU
2. **REPowerEU chapter:** For the REPowerEU chapter, please refer to the dedicated template and insert it here once completed.
3. **Modified components:** For each modified component, please only provide information on those sub-sections of the above referred template where information is modified, removed or added compared to the plan approved by the Council Implementing Decision (CID). Otherwise, all other sub-sections are understood to remain unchanged. Please also insert the FENIX reference for each modified component listed in this addendum. Please indicate clearly if the description of the component is modified.

Table 1

Member States are invited to fill in the summary table below for each modified component

Name of the modified component	
Investment/ reform CID reference	
Investment/ reform name	
Type of change compared to CID	[Added/ removed/ modified]
Legal base of the change (select at least one)	<input type="checkbox"/> Article 14(2) – loan request <input type="checkbox"/> Article 18(2) – update of the maximum financial contribution <input type="checkbox"/> Article 21 – amendment due to objective circumstances <input type="checkbox"/> Article 21a – REPowerEU non-repayable financial support (ETS revenue) <input type="checkbox"/> Article 21b (2) – BAR transfers <input type="checkbox"/> None of the above, correction of clerical error
Elements modified (only for modified measures)	<input type="checkbox"/> Component / Measure description <input type="checkbox"/> Milestones and targets <input type="checkbox"/> Estimated cost <input type="checkbox"/> Green and digital tagging (potentially relevant, because there is a substantive change to the underlying measure) <input type="checkbox"/> DNSH self-assessment

Proposed changes:

For each new reform and investment please follow the instructions in the initial RRP template of January 2021.

For each removed reform and investment please justify with a direct link to the legal base for the change, as well as explanations as to how the overall impact and coherence of the component will be maintained.

For each modified reform and investment, please indicate by filling Table 2 below:

- description and justification of the change(s) to the measure, especially related to its nature, objective, size, and modalities of implementation, as well as the expected impact of the change(s) on the measure's scope, target group, timeline, and key deliverables.
- Amended version of the descriptions of the component (if applicable) and of the measure compared to the ones provided in the annex to the Council Implementing Decision.
- The proposed change(s) to the milestones and/or targets and their justification, compared to the information provided in the annex to the Council Implementing Decision.

⁽³⁾ Guidance to Member States on Recovery and Resilience Plans Part 2/2, SWD (2021) 12 final, Brussels 22.1.2021 https://ec.europa.eu/info/sites/default/files/document_travail_service_part2_v3_en.pdf

- The proposed changes to the estimated cost, where relevant, in line with the instructions provided in the Commission template of January 2021 ⁽⁴⁾. For revised measures where the changes only relate to the scale of the measure, the revision of the estimated costs should be done on a proportional basis.
- The proposed changes to the green and/or digital tagging where relevant, in line with the instructions provided in the Commission guidance of January 2021 ⁽⁵⁾.
- The proposed changes to the DNSH self-assessment in line with the instructions provided in the Commission notice of February 2023 and including, whenever relevant, a quantitative estimate of the environmental impact of measures ⁽⁶⁾.

For any proposed changes to milestones and/or targets, to their estimated costs and to the green and/or digital tagging, Member States should also fill the excel tables provided with the template.

Member States should also address in Table 2 the following elements to the extent they are affected by the changes to the measure:

- Cross-border and multi-country projects
- State aid
- Open strategic autonomy

Table 2

Member States are invited to use this table to structure the description of modified measures in this section according to the above-mentioned instructions. For more substantial modifications and new measures, Member States are invited to follow the format of the initial 2021 template ⁽⁷⁾

Name and CID reference number of the measure		
Description and justification of the change		
Modified elements	Current version	Amended version
Component and / or measure description		
Milestones and targets		
Estimated cost		
Green and digital tagging		
DNSH self-assessment		

PART 3

COMPLEMENTARITY AND IMPLEMENTATION OF THE PLAN

Member States should explain how the addendum ensures the following elements, in line with the same sections provided for in the initial template of the Recovery and Resilience Plan ⁽⁸⁾:

1. **Consistency with other initiatives**
2. **Complementarity of funding**
3. **Effective implementation**

⁽⁴⁾ Part 2 Section 10 pp. 8-9 https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en

⁽⁵⁾ Part 2 Section 7 pp. 28-32 https://ec.europa.eu/info/files/guidance-member-states-recovery-and-resilience-plans_en

⁽⁶⁾ Part II Section 2.D pp. 36-37 https://ec.europa.eu/info/files/commission-notice-guidance-recovery-and-resilience-plans-context-repowereu_en

⁽⁷⁾ https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en

⁽⁸⁾ Part 3 Sections 2-7, pp. 10-11 https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en

4. **Consultation process of stakeholders**
5. **Control and audit**
6. **Communication**

Where there are no changes compared to the initial plan, Member States may simply indicate that the previous indications remain unchanged.

PART 4

OVERALL COHERENCE AND IMPACT OF THE PLAN

Member States should explain how the addendum ensures the following elements, in line with the same sections provided for in the initial template of the Recovery and Resilience Plan ^(*). Where there are no changes compared to the initial plan, Member States may simply indicate that the previous indications remain unchanged.

1. **Coherence:** Member States should demonstrate how the changes maintain or increase the coherence and links within and between components of the plan, the coherence of the overall plan, and in particular the coherence between reform and investment dimensions.
2. **Gender equality and equal opportunities for all:** Member States should describe how the changes to their plan contribute to overcoming the existing national challenges in terms of gender equality and equal opportunities for all, regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, in line with the principles 2 and 3 of the European Pillar of Social Rights and drawing on the Social Scoreboard.

If the changes are not expected to affect this section, please leave it unchanged and refer to the relevant section in the initial plan.

3. **Strengthening economic, social and institutional resilience:** In line with the same section provided for in the template for the initial submission, Member States should report on the macroeconomic, social and institutional impact of the modified plan, to the extent that the modifications to the RRP are significant in substance and/or size compared to the previously adopted RRP (Macroeconomic and social outlook and impact, methodology, sustainability, social and territorial cohesion). Member States should fill the corresponding excel table provided by the Commission.
4. **Comparison with the investment baseline:** Member States were invited to provide this information as part of the first submission of their plan. An update of such a section would only be warranted to the extent that the addendum is of a significant size, for example in case of the inclusion of a REPowerEU chapter, a large revision to the non-repayable support or to request a sizeable new tranche of loans.

^(*) For Coherence and Gender equality, refer to Part 1 sections 3-4, p. 4; For the impact, refer to Part 4, p. 12 https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en

ANNEX V

Template for Member States**REPOWER EU CHAPTER****Contents**

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DISCLAIMER

This template complements the template for addendum of RRP (in particular sections 1, 3 and 4 remain relevant also for the REPowerEU chapter) and should be read in line with the updated guidance on recovery and resilience plans in the context of REPowerEU, which contains further instructions that remain relevant also for the REPowerEU chapter. Member States are invited to contact the Commission in case of any further questions.

PART 1.2

JUSTIFICATION OF THE ADDENDUM

In case the modification of the plan is based on the introduction of a REPowerEU chapter, the following legal bases should be referred to in this section:

- Article [21a] to benefit from the additional non-repayable financial support to contribute to the REPowerEU objectives and / or Article [21b(2)] to benefit from voluntary transfers from the Brexit Adjustment Reserve (BAR);
- Articles 14 and 18(2) ⁽¹⁾ as listed in the corresponding section of the RRP addendum template can also be legal grounds for REPowerEU chapters and should be referenced where relevant

PART 2.1

REPOWEREU CHAPTER

The REPowerEU chapter is required for any RRP submitted after the entry into force of the Regulation, if the plan requires additional funding under Article 14 (loans), 21a (revenues from the emission trading system under Directive 2003/87/EC) or 21b (2) (BAR transfers). The REPowerEU chapter will cover the Member State's contribution to the REPowerEU objectives and the use of the RRF for this purpose.

1. General objective of the Chapter

Member States should describe the main challenges that they are facing related to REPowerEU. They should summarise how addressing them through the measures proposed in the REPowerEU chapter will contribute to the improvement of the Member State's situation including to strengthening their resilience. They should explain how the measures proposed in the chapter will address the challenges identified in the relevant country-specific recommendations, including the 2022 and any subsequent Semester cycles.

2. Description of reforms and investments in the Chapter

The REPowerEU chapter is equivalent to an RRP component. If necessary, Member States may divide it into several sub-components. As such, it will follow the guidance and structure of RRP components, as set out in Part 2 of the template provided by the Commission in January 2021 ⁽²⁾, including all pre-existing elements and taking into account the following additions and modifications to the original structure:

a) Summary box

Measures added/scaled up with grants (Article 21a, 21b (2), 18(2))		
Name of the measure	Where relevant: existing CID reference number ⁽¹⁾	Estimated cost

⁽¹⁾ Based on Article 21c (2), Member States with a decreased maximum financial contribution in accordance with Article 11(2) can move existing measures to the REPowerEU chapter without scaling them up. See also in part 2.1, section 2.

⁽²⁾ Guidance to Member States on Recovery and Resilience Plans Part 2/2, SWD (2021) 12 final, Brussels 22.1.2021, pp. 5-6 [https://ec.europa.eu/info/sites/default/files/document_travail_service_part2_v3_en.pdf]

⁽³⁾ In accordance with Article 21c (1), Member States can move scale-ups of existing measures to the REPowerEU chapter. Based on Article 21c (2), Member States with a decreased maximum financial contribution following the June 2022 update can move existing measures to the REPowerEU chapter without scaling them up.

Measures added/scaled up with loans (Article 14)

Name of the measure	Where relevant: existing CID reference number ⁽⁴⁾	Estimated cost

b) REPowerEU objectives

For the combination of measures in the REPowerEU chapter, Member States should indicate which REPowerEU objective(s) they address and how.

Considering all measures in this chapter, Member States should explain how the measures in the REPowerEU chapter are coherent with other efforts of the Member State concerned to achieve the REPowerEU objectives, taking into account the measures in the already adopted Council Implementing Decision and other efforts contributing to the REPowerEU objectives funded by sources other than the RRF.

To demonstrate 'coherence', Member States should 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 how these measures fill remaining gaps at national and/or EU level, which previous measures do not yet address.

To demonstrate the impact of the chapter on reducing the dependency from Russian fossil fuels, the Commission encourages Member States to indicate their expected reduction in natural gas imports from Russia in 2027 compared to 2019 (in billion cubic meters). This information could prove very useful to understand the global effort of the Member State to achieve the REPowerEU objectives.

c) Description of the reforms and investments

In line with sub-section 3 of the template provided by the Commission in January 2021 ⁽⁵⁾, Member States should describe in detail the specific reforms and investments to be (partially) financed by the RRF, as well as their interlinkages and synergies.

Member States may in this section include (a) fully new measures or (b) measures referred to in already adopted Council Implementing Decisions, which will be scaled-up ⁽⁶⁾. In the latter case, Member States should cross-refer to evidence and analyses already provided and limit the additional information to those elements that are modified, in particular updated costing and additional milestones and targets. Member States with a decreased maximum financial contribution may also (c) move measures referred to in already adopted Council Implementing Decisions to the REPowerEU chapter, where they support the relevant objectives. These measures do not need to be scaled-up and can add up to an amount of estimated costs equal to the decrease of the maximum financial contribution.

d) Projects with a cross-border or multi-country dimension or effect

Member States should indicate the measures in this chapter having a cross-border or multi-country dimension or effect, and indicate for each measure the estimated costs and the share of the total estimated costs of all measures included in the REPowerEU chapter.

This includes information on other Member States involved in the projects and any coordination mechanism to ensure timely completion of these cross-border projects.

⁽⁴⁾ In accordance with Article 21c (1), Member States can move scale-ups of existing measures to the REPowerEU chapter. Based on Article 21c (2), Member States with a decreased maximum financial contribution following the June 2022 update can move existing measures to the REPowerEU chapter without scaling them up.

⁽⁵⁾ Guidance to Member States on Recovery and Resilience Plans Part 2/2, SWD (2021) 12 final, Brussels 22.1.2021, pp. 5-6 [https://ec.europa.eu/info/sites/default/files/document_travail_service_part2_v3_en.pdf]

⁽⁶⁾ More information on scaled up measures in the Guidance to Member States on the recovery and resilience plans in the context of REPowerEU, Commission Notice (2022), Brussels, 12.5.2022, p. 21 https://ec.europa.eu/info/files/commission-notice-guidance-recovery-and-resilience-plans-context-repowerEU_en

For each measure having cross border or the multi-country dimension or effect, Member States should provide a short explanation:

- as to whether the measure addresses the challenges identified in the Commission's needs assessment of the REPowerEU Plan of 18th May 2022
- regarding the contribution to reduce the dependency on fossil fuels and energy demand and the expected effect on cross border energy flows OR
- regarding the contribution to the security of energy supply of the Union.

Where a Member State indicates that the measures in the REPowerEU chapter do not meet the above-mentioned 30 % target, this section should include an explanation of the reasons for this.

e) Consultation of local and regional authorities and other relevant stakeholders

Member States should in this section complement the summary of the consultation process with local and regional authorities, and other relevant stakeholders, regarding the inclusion of a REPowerEU chapter. Such summaries should set out the stakeholders consulted, include the outcome of the consultations and outline how the input received was reflected in the REPowerEU chapters.

f) Digital dimension

Member States should tag the reforms and investments included in the REPowerEU chapters to be financed under the RRF using the digital tagging methodology set out in Article 19(3)(f) and Annex VII to the RRF Regulation.

g) Climate and environmental tagging

Member States should follow the instructions in the January 2021 template provided for the initial RRP ⁽⁷⁾. It should be noted that, in addition to the overall 37 % climate target for the RRP as a whole, measures contributing to the green transition, including biodiversity, or to addressing the challenges resulting therefrom, the REPowerEU chapter itself needs to achieve a climate target of at least 37 % based on the total estimated costs of the measures included in the REPowerEU chapter.

h) 'Do no significant harm'

Member States should provide a DNSH self-assessment, using the template as set out in Annex I to the DNSH Technical Guidance (2021/C58/01), for every measure included in the REPowerEU chapter that is not subject to derogation from the DNSH principle, detailing how compliance with the DNSH principle will be ensured. Where possible and relevant, Member States are invited to provide as part of the self-assessment also a quantitative estimate of the environmental impact of measures.

For measures that Member States would like to propose under the derogation from the DNSH principle, the Commission may make observations or seek additional information, which the Member State concerned should provide, regarding whether the conditions for using the derogation set out in the RRF Regulation are met.

i) Financing and costs

Member States should provide information on the estimated total cost of the measures in the REPowerEU chapter, backed up by an appropriate justification. This should include, for each new reform and investment, all the elements set out in section 10 of the 2021 template ⁽⁸⁾. For scaled-up measures where the change only relates to the scale of the measure, Member States should provide information on the modified estimated total cost; where there are no changes to the justification of the costs compared to the initial plan, Member States may simply indicate that the previous indications remain unchanged.

⁽⁷⁾ https://ec.europa.eu/info/files/commission-staff-working-document-draft-template-recovery-and-resilience-plans_en

⁽⁸⁾ Guidance to Member States on Recovery and Resilience Plans Part 1/2, SWD (2021) 12 final, Brussels 22.1.2021