

## CMS: Romania allocates EUR 1.6 bn to green energy under the EU Recovery and Resilience Plan



**On May 31, Romania sent the European Commission the National Recovery and Resilience Plan (NRRP) for approval, a proposal that includes all seven EU policy flagship areas and sets out the reforms and public investment projects that Romania intends to implement with the support of the Recovery and Resilience Facility (RRF). In total, Romania has requested EUR 14.3 billion in grants and EUR 15 billion in loans under the RRF.**

The NRRP is structured on six pillars: the green transition, digital transformation, smart growth, social and territorial cohesion, health and resilience, and policies for the next generation. The plan includes measures on sustainable transport, education, healthcare, building renovation and the digitalisation of public administration.

Under the green transition pillar in the energy sector, the government proposed the following six reforms amounting EUR 1.62 billion:

**Reform 1: Electricity market reform**, replacing coal in the energy mix and supporting an incentive legislative and regulatory framework for private investment in renewable electricity production.

**Reform 2: Developing a favourable legislative and regulatory framework for future technologies**, in particular hydrogen and storage solutions.

**Reform 3: Improving corporate governance** of state-owned energy companies.

**Reform 4: Reducing the energy intensity of the economy** by developing a sustainable mechanism to boost energy efficiency in industry.

**Reform 5: Increasing competitiveness and decarbonisation** of the heating- cooling sector.

**Reform 6: Decarbonisation of the transport sector** through investments in electric transport infrastructure and creation of incentives for green transport.

Romania has set a target of a 30.7% overall share of green energy vis-à-vis total consumption by 2030. Although Romania proposed one of the largest green targets in the region, the European Commission recommended a target of at least 34% for Romania in order to meet the accelerated post-pandemic EU transition goals for 2050. Under

the current proposed target, it is estimated that 6.9 GW in low carbon technologies are needed by 2030 to meet this goal, which is estimated at about EUR 22 billion in overall investments.

Several steps have been already taken in the revision of the legal framework to align Romanian legislation with EU provisions and to provide investors with an up-dated, predictable and clear environment. In April, Romania published a draft revised Energy Law, which fully transposes EU Directive 2019/944.

The draft law brings important changes to all segments of the production-consumption electricity chain, but notably – in the restructuring of the competitive market – allows all generators to freely conclude directly negotiated bilateral power-purchase agreements so that new investments can be backed up by legal instruments to facilitate financing solutions under merchant market conditions. This is also important in the context of Romania announcing last year the intention to implement a new support scheme based on the Contracts for Difference mechanism (CfD) for low carbon technologies (e.g. renewables, nuclear, CCS), which the Ministry of Energy, supported by the EBRD, currently has under development for implementation in 2023.

Romania does not currently have a regulatory framework for hydrogen electricity production. A strategy on the production and use of hydrogen on the domestic and export market needs to be defined. According to the NRRP, Romania is considering the development of hydrogen technologies mainly in the transport, gas and electricity sectors. In this context, a National Strategy for hydrogen must be developed. Nevertheless, the NRRP cites the development of a regional natural gas infrastructure (i.e. transmission, distribution, compression stations) in areas poorly connected to the natural gas network, which is capable of receiving hydrogen and other decarbonised gases (e.g. bio-methane, etc.) for up to 10% of its capacity.

In the next at least two months, experts of the European Commission will evaluate the NRRP submission, and the first financial allocations could arrive in Romania this October.

For more information on the NRRP and opportunities in Romania's energy sector, contact your CMS client partner or local CMS experts: **Varinia Radu**, **Ramona Dulamea** and **Raluca Diaconeasa**.