

Cutting off the pipeline from REPowerEU to the fossil gas industry



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Summary

Before the escalation of its war against Ukraine in February 2022, Russia was the primary exporter of fossil fuels to Europe. Indeed, Russia has historically leveraged these supplies to advance its geopolitical agenda. The recent energy crisis and the associated surge in energy prices can be largely attributed to Russia's decision to curtail its supply of fossil gas to Europe in 2021 and 2022. Perhaps the best illustration of the EU's dependence on Russia for its gas supply is the fact that almost a year and a half after the start of Russia's full-scale invasion of Ukraine, the EU has yet to impose any sanctions on Russian pipeline gas and LNG. According to the Centre for Research on Energy and Clean Air (CREA), Russia has earned more than EUR 160 billion from fossil fuel exports to the EU since the war began.¹

In May 2022, the European Commission, in response to the energy crisis, launched the REPowerEU plan – a set of measures aimed at ending the EU's dependence on Russian fossil fuel imports by 2027.² The plan emphasises the diversification of gas and oil supply sources, the replacement of fossil fuels with renewable energy sources by accelerating Europe's clean energy transition, and the reduction of energy consumption, primarily gas, in the EU. According to think tank E3G, implementing the REPowerEU legislative package in parallel with the previously adopted European Climate Law could result in a 52 per cent reduction in gas demand across the EU by 2030.³

Yet despite its ambitious scope, the plan excessively prioritises the interests of the fossil fuel industry.⁴ This should come as no surprise considering various industry stakeholders had a hand in shaping parts of the plan.⁵ One particular measure in the plan that has sparked much controversy is the EU's financial support for new fossil gas and oil pipelines, as well as LNG terminals, under the pretext of meeting immediate security of supply needs.

The European Network of Transmission System Operators for Gas (ENTSO), a lobbying entity representing 44 national transmission system operators (TSOs) in the EU, prepared an assessment of 'additional gas infrastructure needs' for the REPowerEU plan. In its assessment, ENTSOG recommends that in addition to the 30 fossil gas projects on the fifth list of the EU's so-called Projects of Common Interest

¹ Russia accrued EUR 64.37 billion from fossil gas, approximately 40 per cent of the total.

See: Centre for Research on Energy and Clean Air, [Payments to Russia for fossil fuels since 24 February 2022](#), *Russia Fossil Tracker*, accessed 17 July 2023.

² European Commission, [REPowerEU homepage](#), *European Commission*, accessed 17 July 2023.

³ Rheanna Johnston, Matthew Jones, Lisa Fischer, Raphael Hanoteaux, [Are we on track? Repowering towards EU gas demand reduction](#), *E3G*, October 2022.

⁴ Kim O'Dowd, 'Repowering the EU makes sense – but current plans are bowing to fossil fuels industry interests', *Environmental Investigation Agency*, 30 May 2022.

⁵ Corporate Europe Observatory, 'RePowerEU plans misleading and heavily influenced by fossil fuel industry', *Corporate Europe Observatory*, 18 May 2022.

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(PCI),⁶ at least 11 new LNG terminals and fossil gas pipelines in the EU should be built.⁷ Most of the proposed projects are in central and eastern Europe.

Yet, even this total is not an exhaustive list of all the possible fossil gas projects that could be constructed with REPowerEU funds. This is because the revised Recovery and Resilience Facility (RRF) regulation allows Member States to propose additional fossil gas projects to those identified in ENTSOG's assessment for EU financial support under this measure.⁸

These fossil gas and oil investments are exempt from applying the principle of 'do no significant harm' (DNSH),⁹ provided certain requirements are met.¹⁰ The DNSH principle, derived from the EU's Taxonomy Regulation, was recently applied to the assessment of Member States' national recovery and resilience plans. For Member States to receive funds for their recovery plans, each reform and investment within the plan has to comply with this principle.

A total of EUR 267.4 billion is available for financing as part of the REPowerEU chapters, consisting of EUR 20 billion in new grants, EUR 22.4 billion in possible voluntary grant transfers (from the Brexit Adjustment Reserve and cohesion policy funds) and EUR 225 billion in loans (sums still available for RRF loans). Under the REPowerEU package, only loans —not grants— can be used to finance fossil gas and oil projects deemed necessary for immediate security of supply. Another soft restriction is that fossil fuel infrastructure cannot amount to more than 30 per cent of national REPowerEU spending. In theory, this means that EUR 60 billion in loans is available for fossil fuels.¹¹ It should be recalled that last year, when it presented the plan, the Commission indicated that EUR 10 billion would be required to fill the gaps in fossil gas infrastructure and up to EUR 2 billion for oil infrastructure.

To receive funds under the REPowerEU plan, Member States must do the following: prepare their national REPowerEU chapters, add them to their national recovery and resilience plans, and explain how they intend

⁶ Food & Water Action Europe, Friends of the Earth Europe, CEE Bankwatch, Gastivists, Greenpeace, [Frequently Asked Questions: Opposing the 5th List of Projects of Common Interest](#), Food & Water Action Europe, January 2022.

⁷ The complete list includes (1) a floating storage regasification unit (FSRU) in either Estonia or Finland, (2) accelerated construction of the North-South Gas Corridor in Eastern Poland and an LNG terminal in Gdansk (PL), (3) an FSRU in Eemshaven (NL), (4) an FSRU in Wilhelmshaven (DE), (5) an LNG terminal in Brunsbüttel (DE), (6) a deodorisation unit enabling gas flows from west to east between France and Germany, (7) gas infrastructure reinforcements to increase export capacity from Belgium to Germany, (8) expansion of the capacity of the LNG terminal in Krk (HR), (9) enhancement of the Croatian transmission grid towards Slovenia and Hungary, (10) expansion of the Trans Adriatic Pipeline (TAP) along with upgrades to Italian transmission grids on the Adriatic Line and the Mattagiola–Massafra pipeline (the latter two projects are included on the fifth PCI list), and (11) expansion of the Greece–Bulgaria gas interconnector (IGB phase II).

⁸ European Commission, [Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: REPowerEU plan](#), EUR-Lex, 18 May 2022.

⁹ The principle of 'do no significant harm' involves refraining from carrying out or supporting economic activities that cause significant harm to any of the six environmental objectives defined in the EU Taxonomy Regulation. These include climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems.

¹⁰ The derogation from the DNSH principle under REPowerEU applies provided that 'the measure is necessary and proportionate to meet immediate security of supply needs... taking into account cleaner feasible alternatives and the risk of lock-in effects'; 'the Member State concerned has undertaken satisfactory efforts to limit the potential harm to environmental objectives within the meaning of Article 17... where feasible, and to mitigate the harm through other measures, including the measures in the REPowerEU chapter'; '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'; and 'the measure is planned to be in operation by 31 December 2026'. European Commission, [Guidance on Recovery and Resilience Plans in the context of REPowerEU](#), EUR-Lex, 3 March 2023.

¹¹ Maria Maggiore, [€60bn earmarked for Europe's Covid recovery could go to fossil fuel projects](#), Investigate Europe, 9 January 2023.

to invest the funds. In the revised regulation, there is no strict deadline for the submission of REPowerEU chapters. The only deadline given – 31 August 2023 – is for accessing additional funding in the form of loans. There has been limited progress on updating the national recovery and resilience plans, with only 12 EU countries having submitted their REPowerEU chapters as of 17 July 2023.¹²

This Bankwatch briefing outlines the progress of national REPowerEU chapters in relation to fossil gas investments in 9 countries in central and eastern Europe: **Bulgaria, Croatia, the Czech Republic, Estonia, Latvia, Hungary, Poland, Romania and Slovakia**. Among these countries, only Estonia, Slovakia and the Czech Republic have submitted their REPowerEU chapters. These countries have not included any fossil gas measures in their chapters. However, Slovakia's national recovery and resilience plan still provides limited support for fossil gas boilers.¹³

Of the remaining countries who have yet to submit their chapters, Bulgaria, Croatia and Poland still intend to seek more significant financial support for fossil gas investments through their REPowerEU chapters. The investments proposed involve the construction of LNG terminals and new pipelines, as well as the expansion of existing terminals and pipelines. For Hungary, it is unclear how the country intends to finance its three newly announced gas power units.

Our national campaigners have compiled information on the status of the national chapters through various channels. These include official sources, meetings with national stakeholders, informal communications, and information gathered from media articles in Member States. However, the situation in certain countries remains dynamic, and there are conflicting reports on some of the proposed measures. This briefing takes the following structure:

Section 1 covers fossil gas projects proposed in Bulgaria, Croatia and Poland. It also explains the Commission's support for gas in Slovakia and which fossil gas investments have already been removed from the national chapters in the Czech Republic and Romania.

Section 2 explains why these investments must not be subsidised with EU public funds in the context of the record profits posted by oil and gas companies in 2022, the EU's progress in the renewables boom, and the significant decline of fossil gas consumption in the EU in 2022.

Section 3 provides conclusions and recommendations for EU decision-makers on how EU funding rules must be revised to steer public funding away from gas and towards enabling investments for the rapid deployment of sustainable renewable energy sources and energy efficiency measures.

¹² Austria, Czech Republic, Denmark, Estonia, Lithuania, France, Malta, Portugal, Slovakia, Slovenia, Netherlands and Spain.

¹³ CEE Bankwatch Network, [Slovakia's REPowerEU chapter is delivering, but focus needs to shift from big business to social organisations](#), CEE Bankwatch Network, 27 June 2023.

Section 1: Fossil gas projects in the REPowerEU chapters of Bulgaria, Croatia and Poland

This section provides an overview of fossil gas projects currently being discussed by governments in Bulgaria, Croatia and Poland as part of their national REPowerEU chapters.

Table 1. List of gas investments being discussed in the context of national REPowerEU chapters in Bulgaria, Croatia and Poland as of 17 July 2023.

Country	Scheme/Project	Beneficiary	Value (EUR million)	Date operations due to commence
BG	'Future-ready' gas infrastructure providing a new connection between Chiren Underground Gas Storage (UGS) and the gas transmission system	Bulgartransgaz	39	Not clear
BG	'Future-ready' gas infrastructure to increase the technical capacity of gas transmission from Greece to Bulgaria and from Bulgaria to North Macedonia	Bulgartransgaz	126	End of 2025
BG	Modernisation and digitalisation of the gas transmission network monitoring system	Bulgartransgaz	17	Not clear
HR	Zlobin–Bosiljevo pipeline	Plinacro d.o.o.	155	Not clear
HR	Capacity expansion of the LNG terminal on Krk island from 2.9 to 6.1 bcm/year	LNG Croatia d.o.o. (Plinacro d.o.o. and Hrvatska elektroprivreda d.d.)	25	Summer 2025

PL	Gdansk LNG (offshore and onshore parts of the FSRU-based LNG import project)	Gaz-System	1150	Q2 2026
PL	Re-purposing of the Yamal pipeline	Gaz-System		Not clear
PL	Stork II gas interconnector	Gaz-System		Not clear
Total			>1512	

Bulgaria

As of June 2023, there is a lack of clarity on the process of drafting Bulgaria's REPowerEU chapter. No public consultations have taken place and the chapter has yet to be officially submitted. According to a response to a parliamentary question by then-caretaker government Minister of Energy Rosen Hristov, fossil gas operator Bulgartransgaz (BTG) is expected to be the largest beneficiary of the funds with around EUR 203 million.¹⁴ Investments include increased transport capacity for gas transmission from Greece to Bulgaria and from Bulgaria to North Macedonia, and a new pipeline to and from the Chiren underground gas storage (UGS) facility.

Based on the informal information gathered to date, none of these projects has obtained permits. It is also unclear whether these plans will appear in the final chapter due to the recent change in government and the fact that negotiations are still ongoing. The justification for most of the projects is likely to be that they are necessary for the immediate security of supply and/or to support the interconnectivity of the region. Regardless, it is deeply concerning that Bulgaria is using the REPowerEU chapter to expand its existing fossil gas infrastructure, which could lead to further fossil gas lock-in instead of helping Bulgaria to achieve a sustainable energy transition.

Construction of gas infrastructure to increase the technical capacity of gas transmission from Greece to Bulgaria and from Bulgaria to North Macedonia

According to a ministerial response to a parliamentary question, funds will be invested in improving access to additional quantities of LNG and fossil gas from Greece for Bulgaria and neighbouring countries, with the potential for renewable gases to be incorporated at a later stage. Once again, Bulgartransgaz is the beneficiary of the project, which is expected to commence operations by the end of 2025. The projected costs again vary. According to the parliamentary response, EUR 126 million will be requested under REPowerEU, while Bulgarian media outlet Mediapool reports EUR 142 million.

¹⁴ The main source of information is a response to a parliamentary question by the former caretaker Minister of Energy Rosen Hristov, a member of the caretaker government that led negotiations with the European Commission until the end of May 2023. See: National Assembly of the Republic of Bulgaria, [Относно реформи и инвестиции по линия REPowerEU](#), National Assembly of the Republic of Bulgaria, 19 May 2023.

It is claimed that the project will improve the interconnection between Bulgaria and Greece, helping to overcome any future bottlenecks that would limit transmission from Greece and reducing emissions by supplying consumers with fossil gas instead of coal. Mediapool¹⁵ reports that the funding will be used to increase the capacity of the existing connection with the Sidirokastro gas interconnection point in Greece by 1 bcm. Currently the annual capacity of this connection is around 2.2 bcm, which Bulgartransgaz considers insufficient due to the planned offshore LNG terminal in Alexandroupolis expected to be operational by the end of 2024.

The construction of a new pipeline between Bulgaria and North Macedonia is also being considered, with Bulgartransgaz and its North Macedonian counterpart GA-MA expressing support for its development.

According to the government response, the infrastructure will be 'hydrogen-ready' and capable of transporting 'low-carbon' gaseous fuels, such as hydrogen and biogas, in different mixtures and ratios together with fossil gas. However, the timeline for introducing hydrogen and biogas into the mix was not specified.

Modernisation and digitalisation of the gas transmission network monitoring system

The cost of the project is estimated at approximately EUR 17 million, with Bulgartransgaz set to be the principal beneficiary.

Construction of gas infrastructure providing a new connection between Chiren UGS and the gas transmission system

The purpose of the project is to transport larger quantities of fossil gas to and from the Chiren UGS facility. The expansion of the underground storage facility, which is included in the fifth PCI list, will raise capacity from 550 million cubic metres (mcm) to 1 billion cubic metres (bcm). According to a ministerial response to a parliamentary question, approximately EUR 39 million will be requested in REPowerEU funding. The beneficiary of the project will be Bulgartransgaz.

Funding is being sought for the construction of a pipeline connecting Chiren UGS with the gas transmission network near the village of Butan. It is claimed that the project will support the interconnectivity of the region and contribute to diversifying supplies to Bulgaria and the surrounding region. It will also facilitate the storage of LNG, which Bulgaria is due to start receiving from Greece and Turkey. But the expansion of Chiren UGS has been beset by problems throughout.¹⁶ The contract for the expansion has yet to be signed and there have been issues with the tendering process, complicated by the involvement of companies linked to controversial businessman Hristo Kovachki.

¹⁵ Vladislava Peeva, 'Почти всички пари от RePowerEU отиват в ЕКО и "Булгартрансгаз"', *Mediapool*, 25 May 2023.

¹⁶ Vladislava Peeva, 'Обрат: Фирма на Ковачки се отказва и ГБС поема изцяло разширението на газохранилището', *Mediapool.bg*, 23 March 2023.

Croatia

Croatia intends to submit amendments to its recovery plan by August 2023, which includes new investments under the REPowerEU plan and a request for a loan from the Recovery and Resilience Facility.¹⁷ The country intends to further **expand the capacity of the LNG terminal on Krk island** to 6.1 bcm per year and **construct the Zlobin-Bosiljevo fossil gas pipeline**, a 70-kilometre parallel pipeline that would increase the capacity of the existing Lucko-Zabok-Rogatec pipeline.

The pretext for these projects is to optimise capacity at the Krk terminal, increase the security of supply from neighbouring countries, and further develop Croatia's internal gas transmission pipelines to connect with Slovenia, Hungary and Bosnia and Herzegovina. These plans reflect Croatia's ambition to establish itself as a regional fossil gas energy hub and a contributor to the security of supply in south-eastern Europe.

The total cost of these investments is EUR 180 million, of which EUR 155 million will be allocated for the construction of the Zlobin-Bosiljevo gas pipeline and EUR 25 million for expanding capacity at the LNG terminal in Krk.¹⁸ LNG Croatia d.o.o., a state-owned company that operates the LNG terminal, has already signed a contract for an additional regasification module, which will enable the terminal to increase its capacity to 6.1 bcm per year. According to an LNG Croatia press release, the construction of the regasification module will take 22 months, with installation on LNG Croatia's floating storage regasification unit due to be carried out during the summer of 2025.¹⁹

Poland

On 18 April 2023, Poland's Ministry of Development Funds and Regional Policy released a proposal for amendments to its recovery plan along with a draft REPowerEU chapter. The draft REPowerEU chapter was subject to public consultation in April and May 2023, as well as to analysis by the monitoring committee. The government had planned to submit the final proposal to the Commission in early June 2023. The final design of the Polish REPowerEU chapter will be decided after the results of the public consultation and the opinions of the monitoring committee are considered and once negotiations with the Commission conclude in the second half of 2023. According to the current proposal, investments planned under the chapter are worth EUR 25.28 billion: EUR 2.76 billion in grants and EUR 22.52 billion in loans. The government plans to invest EUR 1.15 billion in fossil gas infrastructure to increase import and transmission capacities.

Three separate projects were initially planned for fossil gas infrastructure. However, they were grouped into a single REPowerEU investment with a joint budget: G2.1.1. Building fossil gas infrastructure to further diversify supply and ensure energy security in a national and regional context. The Ministry of Climate and Environment designed the investment, which has a value of EUR 1.15 billion. The scheduled timeline for

¹⁷ European Commission, [2023 Country Report – Croatia. Accompanying the document, Recommendation for a COUNCIL RECOMMENDATION on the 2023 National Reform Programme of Croatia and delivering a Council opinion on the 2023 Stability Programme of Croatia](#), European Commission, 24 May 2023.

¹⁸ Plinacro d.o.o., [‘The Croatian Government has taken a decision on constructing the Zlobin – Bosiljevo gas pipeline and expanding the LNG Terminal capacity’](#), Plinacro d.o.o., date of publication not given.

¹⁹ LNG Croatia d.o.o., [‘Contract for the delivery of an additional regasification module signed today at the Terminal’](#), LNG Croatia d.o.o., 14 April 2023.

implementation runs from 1 February 2022, marking the beginning of the REPowerEU eligibility period, until the second quarter of 2026. The investment consists of the following measures:

- Deployment of the **marine part of the FSRU project in Gdansk Bay**, including the floating station, the underwater section of the terminal, and the underwater gas pipeline;
- Deployment of **onshore gas pipelines as part of the FSRU project**;
- **Re-purposing the Yamal–Western Europe Transit Gas Pipeline System**, which formerly transported Russian gas and is now to be included in the domestic transmission system;
- **Construction** and commissioning of the **Stork II gas interconnector**, which will connect Poland and the Czech Republic.

The most controversial of these projects is the Gdansk FSRU project. It was included in the National Security Strategy of the Republic of Poland, adopted on 12 May 2020 long before Russia's full-scale invasion of Ukraine. And although it undoubtedly forms part of the Polish government's diversification strategy, its scale, long investment period, and the fact that it was planned even before the war began raises concerns about whether it falls within the scope of the REPowerEU plan.

Indeed, in the Commission's communication on the REPowerEU plan issued in May 2022, the project was identified as an additional gas infrastructure need and that the ENTSG assessment had 'clearly established that the region around the Baltic Sea would benefit from the development of a second LNG terminal in Poland'.²⁰ It also predicted that the earmarked completion of the project in 2026 could be accelerated to 2025. However, the Polish government's draft REPowerEU chapter states that the investment is expected to be completed no earlier than in the second quarter of 2026.

Significantly, the Czech Republic's proposal for the Stork II interconnector between Poland and the Czech Republic was removed from its national REPowerEU chapter. The interconnector had been intended to support the economic and regional energy security objectives of the FSRU investment. However, considering the implementation timeline and the evolving nature of the gas market, the need for this investment should be re-evaluated. The FSRU project has already received EU funding of EUR 19.6 million under the Connecting Europe Facility (CEF). This funding was granted in December 2022 for various technical and engineering works, including 'seabed surveys, environmental inventories, FEED (Front End Engineering Design), building permit design and detailed design as well as obtaining the necessary administrative decisions and permits – including the building permit'.²¹

The re-purposing and integration of the Yamal pipeline into the national transmission system is a logical consequence of ceasing imports from Russia. However, the description of the project in Poland's REPowerEU chapter is overly general. For example, there is no assessment of which previously planned pipelines, if any, can be dropped once the infrastructure is integrated into the domestic grid.

²⁰ European Commission, [Annexes to the Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: REPowerEU Plan](#), Annex 3, *Eur-Lex*, 18 May 2022.

²¹ Gaz-System, ['FSRU in Gdańsk received EU funding'](#), *Gaz-System*, 9 December 2022.

Radio silence on Hungary's plans

The Hungarian government is still in negotiations with the European Commission regarding its REPowerEU chapter, including a potential loan from the Recovery and Resilience Facility. However, it remains unclear which schemes and projects will be included in the chapter. According to the Ministry of Energy, public consultations on the REPowerEU chapter are scheduled to take place at the end of July.²²

However, in February of this year, the government's plans to include fossil gas projects and other false alternatives were leaked to the media.²³ Among the projects that received extensive coverage in the national media are **three new combined cycle gas turbine (CCGT) units: one at Matra power plant in Visonta and the other two at Tisza power plant in Tiszaújváros**. Each of the Tisza units will have a minimum gross capacity of 450 electrical megawatts (MWe) up to a maximum gross capacity of 499 MWe. The unit at Matra power plant will have a rated electrical capacity of 500 MWe or more up to a maximum of 650 MWe. The two units at Tisza are still out to tender, with a decision expected by the end of 2023. However, the financiers of these projects have yet to be confirmed. As part of its ambitious re-industrialisation strategy, the Hungarian government considers these new gas units essential to meet its growing energy needs, largely driven by investments by Chinese and South Korean companies in new battery factories in the country.

Recently, the Ministry of Energy confirmed that these projects will not be included in the REPowerEU chapter.

CEE countries without gas in their REPowerEU chapter

Estonia

Estonia was the first country to submit its REPowerEU chapter along with amendments to its recovery plan on 9 March 2023. However, the only details that have been disclosed to the public thus far are the titles of the measures and the amounts allocated. The Commission endorsed Estonia's amendments as well as the REPowerEU chapter on 12 May 2023. The chapter was approved by the Council of the EU and made public on 16 June 2023. The chapter does not include any fossil fuel investments.

Latvia

Latvia's draft REPowerEU chapter was initially published for public consultation over a two-week period from late May to June 2023. It was then formally submitted to the Commission in July 2023. The proposal states that Latvia does not intend to seek EU funds for fossil gas-related projects. It should be recalled that Latvia recently abandoned plans to support the construction of an LNG terminal, for which it had previously requested EU financial support. An analysis by Latvia's Ministry of Climate and Energy confirmed that there is sufficient LNG import capacity in the Baltic region and that, 'it is not possible to build a commercially self-sufficient liquefied natural gas terminal in the region'.²⁴

²² MTVSZ, 19 July 2023

²³ Gergely Brückner, '[Lantos Csaba és Navracsics Tibor soha nem látott, közel 6000 milliárd forintos energiatervet készít](#)', *Telex*, 6 February 2023.

²⁴ Marek Grzegorzcyk, '[Latvia cancels Skulte LNG project, but the Baltic reliance on gas persists](#)', *Emerging Europe*, 19 April 2023.

Czech Republic

The Czech Republic dropped gas projects from its chapter following civil society campaigning and negotiations with the Commission. As early as in 2022, the Czech Republic announced that its REPowerEU chapter would include the Stork II gas interconnector between the Czech Republic and Poland as well as the TAL+ oil pipeline connecting the Italian port of Trieste to Germany, costing EUR 114 million.²⁵ However, the Commission recently removed both projects from the Czech Republic's proposal. Since then, the Czech government has communicated that they intend to continue constructing these projects and are seeking alternative funding sources. The government approved its REPowerEU chapter on 14 June and submitted it to the Commission for approval on 30 June.

Romania

By June 2023, Romania had published three different iterations of its REPowerEU chapter. The first two versions focused heavily on fossil gas projects, both on the supply and demand sides. However, these projects have been removed from the latest version of the chapter. The first version of the chapter allocated EUR 100 million in loans to augment the so-called 'highly efficient co-generation scheme' outlined in the national recovery and resilience plan. Additionally, another EUR 100 million was allocated for new gas transmission pipelines. The second version of the chapter included EUR 200 million in loans for the same co-generation scheme, and EUR 606.8 million in loans and EUR 43.2 million in grants for gas pipelines. Fortunately, these investments were scrapped a few weeks later, when the Ministry of Investment and European Projects published the final version of the REPowerEU chapter. However, it can be assumed that Romania will continue to seek funding for these fossil gas investments via other EU financial streams such as the Modernisation Fund.

Slovakia

Slovakia's recovery plan was endorsed by the Commission on 26 June 2023. With the addition of the new chapter, Slovakia's plan now includes a generous allocation of EUR 2.7 billion for public buildings (including renovations) across various measures. Unfortunately, the plan still includes support, albeit limited, for fossil gas boilers.²⁶ According to the latest information, the eligibility for fossil gas boilers applies to the original recovery plan and not to the REPowerEU chapter itself.

Section 2: Why EU public funds must not further subsidise the fossil gas industry

EU renewables boom in 2022

In 2022, wind and solar energy accounted for a record-breaking fifth of the EU's electricity production, reaching 22 per cent in total, overtaking fossil gas (20 per cent) for the first time and remaining ahead of

²⁵ CEE Bankwatch Network, [Transalpine oil pipeline expansion: REPowerEU funds must not swell the coffers of energy crisis profiteers](#), CEE Bankwatch Network, 19 April 2023.

²⁶ CEE Bankwatch Network, [Slovakia's REPowerEU chapter is delivering, but focus needs to shift from big business to social organisations](#), CEE Bankwatch Network, June 2023.

coal at 16 per cent.²⁷ According to SolarPower Europe, the EU installed 41.4 gigawatts (GW) of solar energy in 2022, up 47 per cent from 2021 (28.1 GW).^{28,29} Additionally, the EU's solar power generation fleet increased by 25 per cent within a single year, reaching 208.9 GW. WindEurope's annual statistics show that the EU added 16 GW of new wind power capacity in 2022, an increase of 40 per cent compared with 2021.³⁰

According to the IEA's latest Renewable Energy Market Update, published in June 2023, this 'unprecedented growth is being driven by expanding policy support, growing energy security concerns and improving competitiveness against fossil fuel alternatives'.³¹ The update states that renewable energy deployment in Europe since 2021 has mitigated some of the economic impacts of the energy crisis and that EU electricity consumers saved an estimated EUR 100 billion due to newly installed solar photovoltaic and wind capacity in the EU during the period from 2021 to 2023. According to the update, the 'projected growth of renewable energy such as clean electricity, bioenergy boilers, heat pumps, and solar thermal and geothermal technologies could displace almost 8 bcm of EU buildings-related gas consumption annually in 2023 and more than 17 bcm in 2024'.

Even in countries whose energy systems are primarily geared towards protecting the fossil fuel industry, there were notable structural changes. In 2022, Poland installed 4.9 GW of solar power, representing a 29 per cent year-on-year increase, driven in particular by home installations.³² Poland also experienced a boom in the installation of heat pumps. In total, more than 203,000 heat pumps of all types were sold in Poland in 2022. Remarkably, this figure is only 33,000 units less than the amount sold in Germany, which has more than twice the population.³³

A steep decline in gas consumption in just one year

According to Eurostat, gas consumption across the EU fell by 19 per cent in 2022. Results from the northern EU region were even more impressive. The Baltic countries and Finland, which were almost completely dependent on Russian gas imports, reduced their gas consumption by 40 per cent in 2022.³⁴

In May 2023, the Latvian government decided to remove its support for a new LNG terminal in Latvia, guided by a Ministry of Climate analysis which concluded there was no economic case for a new terminal in the region.³⁵ In Estonia, construction of an LNG quay in Paldiski, designed to accommodate an FSRU tanker, was completed in October 2022 but has yet to be put into operation.

²⁷ Dave Jones, [European Electricity Review 2023](#), *Ember*, 31 January 2023.

²⁸ SolarPower Europe, '[New report reveals EU solar power soars by almost 50% in 2022](#)', *SolarPower Europe*, 19 December 2022.

²⁹ According to SolarPower Europe, 41.4 GW represents enough capacity to power the equivalent of 12.4 million European homes. It also represents the equivalent of 4.45 bcm of gas, or 102 LNG tankers.

³⁰ Enerdata, [Europe built 19 GW of new wind capacity in 2022, including 16 GW in the EU](#), *Enerdata*, 1 March 2023.

³¹ International Energy Agency, [Renewable Energy Market Update: Executive summary](#), *International Energy Agency*, June 2023.

³² Daniel Tilles, '[Poland has installed third most solar capacity in EU this year](#)', *Notes from Poland*, 20 December 2022.

³³ Alicja Ptak, '[Heat pumps boom in Poland. Europe's fastest growing market](#)', *Notes from Poland*, 28 April 2023.

³⁴ Brendan A'Hearn, '[Baltic gas consumption down by 40pc in 2022](#)', *Argus Media*, 7 February 2023.

³⁵ Marek Grzegorzczak, '[Latvia cancels Skulte LNG project, but the Baltic reliance on gas persists](#)', *Emerging Europe*, 19 April 2023.

Modelling shows that EU's fossil gas consumption can halve by 2030

An analysis by German think tank Agora Energiewende from May 2023 shows that fossil gas use in Europe can be halved by 2030 and completely phased out by 2050.³⁶ According to the report, this is possible while maintaining today's level of industrial production and fully ensuring security of supply, without disruptive behavioural changes. The phase-out requires a rapid increase in energy efficiency and renewable energy, as well as the electrification of applications in the buildings and industry sectors.

Agora's EU Gas Exit Pathway foresees a sharp decline in fossil gas imports via pipelines and LNG terminals by 2040, with a complete phase-out by 2045. This reduction would only be partially offset by imports of hydrogen derivatives, allowing for the re-purposing of LNG supply infrastructure.

Similarly, a report by think tank E3G shows that implementing the REPowerEU legislative package in conjunction with the previously adopted European Climate Law could result in a 52 per cent reduction in gas demand across the EU by 2030.³⁷

Fossil fuel companies made record profits in 2022

While the global energy crisis and soaring inflation have pushed many families into poverty and strained national budgets, it has presented a veritable windfall for others, particularly oppressive petrostates and major oil and gas companies. In the case of Russia, the surge in oil and gas prices over an extended period in 2022 allowed it to offset the significant decline in export volumes after March 2022. By using these revenues from oil and gas, it was able to sustain funding of its ongoing war in Ukraine.

Oil and gas companies reported a massive increase in profits in 2022 compared with 2021. Five of the major oil and gas corporations – Exxon, Chevron, Shell, BP and TotalEnergies – made a staggering USD 200 billion in 2022 combined.³⁸ These bonanza returns were mostly distributed to shareholders in the form of dividends and to new oil and gas investments, which will raise greenhouse gas emissions even further. Regrettably, little or none of this money has been returned to the taxpayer or reinvested to support the energy transition.³⁹ After this record-breaking year, some of these companies have scaled back their previous climate goals and doubled down on fossil fuels.⁴⁰

The situation is similar in the CEE region. Most regional oil and gas energy companies posted record-breaking profits in 2022. Romania's gas transmission system operator Transgaz doubled its net profits in 2022 to EUR 75 million.⁴¹ Similarly, Romania's state-controlled fossil gas company Romgaz announced its net profits rose by 33 per cent in 2022 to EUR 500 million.⁴² Bulgartransgaz, the gas TSO for Bulgaria,

³⁶ Agora Energiewende, [Breaking free from fossil gas: A new path to a climate-neutral Europe](#), Agora Energiewende, May 2023.

³⁷ Rheanna Johnston, Matthew Jones, Lisa Fischer, Raphael Hanoteaux, [Are we on track? Repowering towards EU gas demand reduction](#), E3G, October 2022.

³⁸ Oliver Milman, [‘Monster profits’ for energy giants reveal a self-destructive fossil fuel resurgence](#), *The Guardian*, 9 February 2023.

³⁹ According to the International Energy Agency, investment in clean energy by oil and gas companies was about 1 per cent of their capital expenditure in 2020, a proportion likely to have reached little more than 4 per cent for the whole of 2022.

⁴⁰ Evan Halper, Aaron Gregg, [BP dials back climate pledge amid soaring oil profits](#), *Washington Post*, 7 February 2023.

⁴¹ Razvan Timpescu, [Romania's Transgaz doubles net profit in 2022](#), *SeeNews*, 1 March 2023.

⁴² Iulian Ernst, [Romgaz reports 33% higher profit in 2022 despite slower growth in Q4](#), *Romania-Insider.com*, 2 March 2023.

reported that its profits more than doubled to EUR 145 million in 2022 compared with the previous year.⁴³ Its parent company, state-owned Bulgarian Energy Holding (BEH), which includes Bulgargaz, the largest fossil gas distributor in Bulgaria, recorded a net profit of EUR 298 million in 2022 compared with EUR 164 million in 2021.^{44,45,46} Polish state-owned multinational oil and gas energy group PKN Orlen doubled its profits compared with 2021, posting profits of EUR 4.5 billion in 2022.⁴⁷ NET4GAS Group, the main TSO in the Czech Republic, reported EUR 376 million in operating profits for 2022, a year-on-year increase of 38 per cent.^{48,49} Similarly, the profits of Croatian TSO Plinacro nearly doubled to EUR 15 million in 2022 compared with EUR 8.5 million in 2011.⁵⁰ In Hungary, MVM Group, a power company that owns several power plants and exercises a monopoly on the production, distribution and sale of electricity, recorded significant growth in 2022. It achieved earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 1.22 billion (HUF 453 billion) in 2022⁵¹, compared with EUR 700 million (HUF 262 billion) in 2021.⁵² Data for the TSOs in Poland (Gaz-System) and Hungary (FGSZ) are unavailable, as they have yet to publish their financial reports for 2022.

Table 2. Profits recorded by fossil gas companies in central and eastern Europe in 2022.

Company name	Country	Profits in 2021 (EUR million)	Profits in 2022 (EUR million)	Change (in %)
Transgaz	Romania	37.7	74.8	97
Romgaz	Romania	383	500	33
Bulgartransgaz	Bulgaria	72	145	104.4
Bulgarian Energy Holding	Bulgaria	164	298	81.4
PKN Orlen	Poland	2400	4500	88
NET4GAS	Czech Republic	268	376	38

⁴³ Tanya Ivanova, 'Bulgartransgaz triples 9-mo net profit', *SeeNews*, 25 November 2022.

⁴⁴ Ivaylo Stanchev, 'Къде се изпари милиардната печалба на БЕХ', *Capital*, 27 June 2023.

⁴⁵ Bulgarian Energy Holding, [Годишен индивидуален доклад за дейността. Декларация за корпоративно управление. Доклад на независимите одитори. Годишен индивидуален финансов отчет](#), Bulgarian Energy Holding, 31 December 2022.

⁴⁶ Serbia Energy, 'Bulgaria, BEH recorded a net profit in the amount of 1.12 billion euros in H1 2022', *Serbia Energy*, 9 September 2022.

⁴⁷ Enerdata, 'Polish energy group PKN Orlen doubled its profit in 2022', *Enerdata*, 27 February 2023.

⁴⁸ NET4GAS Group, [NET4GAS Group Consolidated Annual Report 2021](#), NET4GAS Group, 2 March 2022.

⁴⁹ NET4GAS Group, [NET4GAS Group Consolidated Annual Report 2022](#), NET4GAS Group, 24 February 2023.

⁵⁰ PLINACRO d.o.o., [Godišnje izvješće o stanju društva za 2022. godinu](#), PLINACRO d.o.o., April 2023.

⁵¹ MVM Group, [2022 Financial Results. Investor Update Call](#), MVM Group, May 2023.

⁵² ProfitLine, 'Jelentősen nőtt az MVM árbevétele tavaly', *ProfitLine*, 30 April 2022.

Plinacro	Croatia	8.5	15	76
MVM Group	Hungary	700 (EBITDA)	1220 (EBITDA)	74

Fossil gas subsidies hindering the energy transition

The EU has paid a high price for its dependence on Russian fossil gas imports. According to Brussels-based think tank Bruegel, EU Member States allocated and earmarked almost EUR 650 billion to shield consumers from skyrocketing costs from September 2021 to January 2023.⁵³ Although these government actions were necessary to protect consumers, they also artificially maintained the competitiveness of fossil fuels, holding back the necessary energy transition. According to the International Energy Agency (IEA), such actions weaken incentives for consumers to save or switch to alternative energy sources and consume public funds that could be spent in other areas, including the transition to clean energy. The IEA reported that last year's record subsidies were double the 2021 global level, which was already five times the 2020 level.⁵⁴

ENTSOGE assessments traditionally overestimate EU gas demand and system needs

The ENTSOG assessment planned for a business-as-usual scenario without taking into account the expected significant drop in gas consumption. The assessment, which is included in the annexes to the REPowerEU plan, evaluates the potential for infrastructure bottlenecks in the European gas network in the event that Russian gas flows to Europe are halted. The assessment considers two demand scenarios: current demand and 2030 demand.

Assuming full implementation of the Fit for 55 proposals, the 2030 demand scenario envisages a 27 per cent reduction in gas demand compared with current levels, supplemented by an expected further decrease following implementation of the REPowerEU plan. The scenario also factors in different levels of infrastructure development.⁵⁵ However, the ENTSOG assessment failed to consider that gas consumption could be reduced, what happened, with a 19 per cent reduction in gas consumption in 2022.

Too late for fossil gas

New fossil gas projects take a long time to become operational. Even if they were approved today, it is unlikely that most of the projects would be up and running before 2026. According to the European Union Agency for the Cooperation of Energy Regulators (ACER), the average time needed for the permitting process and construction of a new pipeline in the EU is 7 years, with 3.5 years devoted to construction alone.

⁵³ Giovanni Sgaravatti, Simone Tagliapietra, Cecilia Trasi, Georg Zachmann, [National fiscal policy responses to the energy crisis](#), Bruegel, 26 June 2023.

⁵⁴ Toru Muta, Musa Erdogan, [The global energy crisis pushed fossil fuel consumption subsidies to an all-time high in 2022](#), International Energy Agency, 16 February 2023.

⁵⁵ European Commission, [Annexes to the Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: REPowerEU Plan](#), Annex 3, Eur-Lex, 18 May 2022.

Considering this timeline, it is difficult to argue that some of these projects are necessary for ‘immediate security of supply’.

Additionally, if most of those projects were to be built today, they would likely remain in operation for the next 30 to 40 years, well beyond the point when Europe needs to completely phase out its fossil fuel consumption. The idea of ‘hydrogen-proofing’ gas infrastructure does little to strengthen the case for implementing these gas projects. While some parts of the infrastructure can be adapted to transport hydrogen, the availability and widespread adoption of renewable hydrogen are still uncertain. In fact, the most realistic estimates indicate that renewable hydrogen may only be able to replace gas in specific applications.

Section 3: Conclusions and recommendations

Findings

EU Member States have made remarkable progress in phasing out Russian fossil gas, reducing their gas consumption by almost 20 per cent in 2022. This achievement shows that replacing gas is feasible by actively promoting the deployment of renewable energy sources, the use of heat pumps, and the adoption of energy efficiency measures across different sectors. The successful implementation of measures outlined in the REPowerEU plan could lead to a further decline in fossil gas use in the EU by 2030. Expert assessments indicate that, if the right steps are taken, fossil gas consumption in the EU could sharply decline and potentially halve by the end of the decade.

Unfortunately, some Member States have yet to realise that their continued reliance on fossil gas imports is a dead end. According to our intelligence, four CEE region countries plan to use at least EUR 1.5 billion in EU loans to construct new LNG terminals and fossil gas pipelines.

This money will swell the already bulging coffers of the oil and gas companies that will own and operate these projects, who already posted record profits during the energy crisis in 2022. Moreover, Member States had already made significant allocations to the oil and gas industry during the energy crisis in 2022 by subsidising the energy costs of consumers.

ENTSOG’s wish list of projects in the REPowerEU plan is obsolete. If realised, these projects would lead to excess gas import capacity and the wasteful expenditure of public funds that could otherwise be invested in sustainable projects that promote clean energy transitions. Lest we forget, this list was prepared by the fossil gas industry for its own direct benefit. It did not take into account potential for the gas consumption decline, that was already achieved since the publication of the REPowerEU plan, nor the possibility to further halve that consumption in the EU by 2030.

The provision of financial support for the oil and gas industry poses a significant risk of either lock-in or stranded assets, depending on whether Member States see this financial support for new gas pipelines and LNG terminals as an endorsement to increase their gas consumption. Unfortunately, this scenario is already unfolding in some CEE countries, such as Poland and Romania, where other EU funding streams are being used to construct new gas power plants.

The EU funding system has yet to be revised in the wake of Russia's weaponisation of its gas supplies. Regrettably, the majority of the EU's existing funding mechanisms still permit some kind of financial support for new gas projects on the demand side. This includes support for gas power plants and residential heating systems that rely on fossil gas.

Recommendations

It is essential that Member States do not request financial support from the REPowerEU plan for fossil fuel projects. But it is equally important that the European Commission rejects any such requests. If oil and gas companies are to press ahead with their polluting projects, they should bear the financial burden themselves instead of relying on access to public money in the form of REPowerEU loans, which will eventually need to be repaid by the taxpayer.

It is vitally important that the existing EU funding system is revised in order to remove the eligibility of gas projects, both on the supply and demand sides. This would ensure that EU public funds for energy are solely directed towards necessary investments that facilitate the rapid and widespread deployment of renewable energy sources and energy efficiency measures.

Now is the time to start planning for the accelerated decommissioning of existing fossil gas assets at both EU and national levels. In parallel, it is crucial that EU and national regulators thoroughly assess the adequacy of existing and planned LNG supply infrastructure, as well as associated supply contracts, particularly in the context of meeting the EU's climate and security-of-supply objectives and avoiding long-term fossil gas lock-in.⁵⁶



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⁵⁶ Ibid, p. 62.