

Six Member States looking to expand gas, waste and nuclear energy with billions from EU climate fund

A new Bankwatch analysis reveals that governments in central and eastern Europe are seeking over **EUR 3 billion from the EU's Modernisation Fund to finance a range of harmful energy projects**, including waste incinerators, gas-fired plants and nuclear reactors. Some of these projects could receive funding as early as December.

The Modernisation Fund, financed through revenues from the EU's Emissions Trading System (ETS), is intended to support the clean energy transition in lower-income Member States. Yet billions risk being diverted into projects that lock countries into fossil fuels and other unsustainable technologies.

Beneficiary countries are required to submit annual reports to the European Commission detailing the implementation of approved projects and schemes. These reports must also include indicative lists of investments that governments plan to propose for Modernisation Fund financing over the following two years.

In total, 11 countries have submitted annual reports for 2024, proposing 83 investments for the 2025–2026 period.¹ In total, they are seeking up to EUR 11.77 billion from the Fund. Crucially, however, at least EUR 3 billion of that indicative amount is slated for harmful projects.

Romania, due to host the next Modernisation Fund Investment Committee meeting in October, is even proposing financing for new gas pipelines, the refurbishment of an existing nuclear power plant, and the purchase of small modular reactors – an unproven and highly speculative technology.

Unfortunately, the latest indicative lists, disclosed in August, feature fossil gas, waste incineration,² and nuclear expansion – locking countries into damaging energy projects rather than supporting a clean transition.

¹ European Commission, [Annual reports, Modernisation Fund](#), accessed 1 October 2025.

² For more on the impacts of Modernisation Fund support for waste incineration, see: CEE Bankwatch Network, [Closing the door on waste incineration for district heating in central and eastern Europe](#), CEE Bankwatch Network, 2 December 2024.

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Fossil gas

In the **Czech Republic**, three coal-to-gas conversions have been proposed, with a total of just over EUR 1 billion requested. Energotrans (part of the ČEZ Group) is seeking more than EUR 361 million to replace coal with fossil gas in its combined heat and power system.

Just over EUR 182 million is being sought for a new gas-fired steam cycle plant in Trmice, which would replace two existing coal-fired boilers at the site.

The largest single project is the planned shutdown and replacement of the ageing T600 heating plant in Litvínov. Built in the 1960s and last renovated in the 1990s, the plant is now in poor technical condition. With stricter EU air pollution limits for large combustion plants coming into force after 2025, a decision has been taken to close the plant. The proposal is to replace it with a new gas-based cogeneration unit by 2027, at a cost of nearly EUR 482 million.³

Romania's list features both new gas power generation and extensive pipeline expansion. At Craiova, state-owned Societatea Electrocentrale Craiova SA is seeking EUR 80 million to build a new high-efficiency gas-fired combined heat and power plant.

In addition, five major pipeline projects together worth around EUR 185 million are planned. These include a transmission line from Ghergheasa to Focșani (around EUR 14 million), another connecting Șăușa to Târgu Mureș (around 5 million), and a pipeline linking Timișoara, Deta, Denta, and Moravița (around EUR 12 million).

The largest investments are slated for cross-border infrastructure: almost EUR 100 million to expand phase II of the BRUA corridor (Bulgaria–Romania–Hungary–Austria) and over EUR 55 million for a new interconnection with Serbia.⁴

In **Poland**, the government has proposed an EUR 222 million expansion of its existing cogeneration scheme. The aim is to increase electricity and heat generation capacity from combined heat and power plants (again using fossil gas), while reducing carbon emissions and primary energy consumption.⁵

Waste incineration

Bulgaria is seeking EUR 70 million for vaguely defined ‘waste-to-energy’ projects, pilot schemes and ‘industry innovations’ in support of waste incineration.⁶

Croatia has announced an upcoming EUR 60 million proposal to burn refuse-derived fuel in waste-fired combined heat and power plants, with submission.⁷

³ Government of the Czech Republic, [Annual report | Czechia](#), *Modernisation Fund*, accessed 1 October 2025.

⁴ Government of Romania, [Annual report | Romania](#), *Modernisation Fund*, accessed 1 October 2025.

⁵ Government of Poland, [Annual report | Poland](#), *Modernisation Fund*, accessed 1 October 2025.

⁶ Government of Bulgaria, [Annual report | Bulgaria](#), *Modernisation Fund*, accessed 1 October 2025.

⁷ Government of Croatia, [Annual report | Croatia](#), *Modernisation Fund*, accessed 1 October 2025.

Slovenia has gone further, requesting almost EUR 245 million for the development of new waste-to-energy power plants, including the reconstruction of existing waste management facilities.⁸

Nuclear energy

Romania's nuclear ambitions dominate proposals. The government is requesting EUR 600 million to extend the lifetime of unit 1 at the Cernavodă nuclear power plant through major refurbishments, which would allow the plant to operate for another 30 years.

Additionally, it is seeking EUR 818 million for the development of a power plant utilising small modular reactors running on NuScale technology, expected to generate a combined capacity of 462 megawatts of electricity.⁹

Conclusion

Since commencing operations in 2021, the Modernisation Fund has already disbursed over EUR 19 billion,¹⁰ with a further EUR 38 billion projected to be available until 2030. Though the Fund aims to support the decarbonisation of energy systems in lower-income Member States, a recent Bankwatch report found that between EUR 4 and 6 billion was spent between 2021 and 2024 on projects that contradict the EU's climate, environmental, and energy objectives.¹¹ These include fossil gas pipelines and power plants, waste incinerators, and biomass-burning facilities.

The report calls on EU institutions to revise the Fund's criteria to exclude polluting technologies and improve operational transparency. It is high time governments acknowledged their legal obligations to tackle the climate emergency and, instead of hindering the transition, focused on using Modernisation Fund support to end Europe's dependence on fossil fuels.

The Commission is currently reviewing the rules governing the operation of the Fund in the run-up to the next iteration of the ETS Directive. With governments in six beneficiary countries still seeking to waste EU climate money on polluting energy, reforming the Modernisation Fund to ensure its investments truly align with its purpose could not be more urgent.¹²

⁸ Government of Slovenia, [Annual report | Slovenia](#), *Modernisation Fund*, accessed 1 October 2025.

⁹ Government of Romania, [Annual report | Romania](#), *Modernisation Fund*, accessed 1 October 2025.

¹⁰ European Investment Bank, [Investments](#), *European Investment Bank*, accessed 5 December 2024.

¹¹ CEE Bankwatch Network, [Keeping the flame alive with emission revenues: How the EU Modernisation Fund props up fossil gas and waste incineration](#), *CEE Bankwatch Network*, 8 May 2025.

¹² For more on why the Modernisation Fund itself needs to modernise, see: CEE Bankwatch Network, [Time to fix the Modernisation Fund: Stop climate money for dirty energy](#), *CEE Bankwatch Network*, accessed 1 October 2025.