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Answer given by Mr Hoekstra
on behalf of the European Commission
(30.9.2025)

1. The Modernisation Fund (MF) was established in 2018 to support the modernisation of energy systems and the improvement of energy efficiency in 13 lower-income Member States.

In principle, investments involving fossil fuels are not eligible under the MF. Under certain circumstances, including considerations related to energy security, investments involving gaseous fossil fuels, however, can be financed. That said, gas transmission infrastructure only qualifies as non-priority investments as defined in Article 10d(6) of the EU Emissions Trading System (ETS) Directive¹ so that the investment committee established for the fund assesses the technical and financial viability of that investment, including the emission reductions it achieves, and issues a recommendation on financing the investment from the MF. The Commission only adopts a disbursement decision following such recommendation.

2. The EU Taxonomy² aims to help identify investments into activities which have the greatest potential to make a substantial contribution to EU environmental objectives. The Taxonomy already covers certain activities relating to energy generation from natural gas that are important for Europe's energy security, under strict conditions.

Natural gas infrastructure has been significantly enhanced by Member States with the support of EU infrastructure policy and financial instruments, in particular the TEN-E framework and Connecting Europe Facility. As a result, the EU gas infrastructure is robust, flexible and well-interconnected as proved in the aftermath of Russia's invasion of Ukraine and hostile supply cuts from Gazprom.

¹ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC.

² https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en.