



## **MODERNISATION FUND** **EIB CONFIRMATION OF PRIORITY INVESTMENT**

ref. MF 2021-2 HU 0-001

*Beneficiary Member State: Hungary*

*Investment Proposal: The modernisation and development of renewable energy based district heating systems*

### **1. Background**

The Modernisation Fund was set up pursuant to Article 10d of 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 (the “ETS Directive”).

The legal basis for the operation of the Modernisation Fund is set out in the Commission Implementing Regulation (EU) 2020/1001 of 9 July 2020 laying down detailed rules for the application of Directive 2003/87/EC of the European Parliament and of the Council as regards the operation of the Modernisation Fund supporting investments to modernise the energy systems and to improve energy efficiency of certain Member States (the “Implementing Regulation”).

In accordance with Article 10d(6) of the ETS Directive, the European Investment Bank (the “EIB”) is to confirm whether a proposed investment falls into a priority area. The EIB may confirm the proposal as a priority investment if the conditions specified in Article 6(7) of the Implementing Regulation are met.

### **2. Investment proposal**

Pursuant to Article 4(1) of the Implementing Regulation, on 14/09/2021 Hungary submitted to the EIB an investment proposal "The modernisation and development of renewable energy based district heating systems" for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2021-2 HU 0-001).

The main objective of the investment is to contribute to diversification of district heat supply sources and widen options for consumer to choose climate sources by creating

means to transport renewable-energy based heat to other parts of the district heating system.

The investment proposal concerns a scheme for the period 2021-2023 relating to investments into:

- Connecting district heating systems in cases where at least one is supplied by renewable heat (fully or partially) - establishing new pipeline connection and necessary pumping stations.
- Modernising the network by installing new heat pipelines, and pumping installations and replacing old inefficient parts of the DH system as well as incorporation of smartening elements to improve operation of the system.
- Connection of isolated small local district systems.

The Investment Proposal states that foreseen investments are broadly in line with the Hungarian NECP. The investment proposal aims to adapt and improve existing district heating networks to future needs and potential technology developments, in particular RES based heat sources.

The beneficiary Member State has requested funding of EUR 14 285 714 for a disbursement under the proposed scheme.

The beneficiary Member State has indicated an expected Modernisation Fund funding for the investment proposal of EUR 14 285 714.

### **3. Compliance with the conditions for priority investment.**

- a) The beneficiary Member State has demonstrated that the investment complies with the requirements laid down in Article 10d(1) of the ETS Directive as it supports the modernisation of the energy system and it is in line with the objectives set out in in the National Energy and Climate Plan.
- b) According to the information provided by the beneficiary Member State and pursuant to Article 10d(2) Directive 2003/87/EC, the investment is considered as a priority investment as it falls under the priority area "modernisation of energy networks".
- c) The beneficiary Member State has sufficient funds available for the requested disbursement according to the statement of the available funds referred to in Article 5(1) of the Implementing Regulation and after deduction of any amounts to be disbursed for investments already confirmed in accordance with Article 6(9) of the Implementing Regulation.
- d) The beneficiary Member State has provided evidence that the projects under the investment proposal are exempted from the State aid notification in accordance with Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.

- e) The beneficiary Member State has confirmed in writing that the investment complies with any other applicable requirements of Union and national law.
- f) According to the information provided by the beneficiary Member State, the amounts requested from the Modernisation Fund are not intended to cover the same costs of the investment as those financed by another Union or national instrument.

#### 4. Conclusions

The EIB has assessed the investment proposal based on the information submitted by the beneficiary Member State in accordance with Article 4 and Annex 1 of the Implementing Regulation and it has concluded that the investment proposal has met the conditions specified in Article 6(7) of the Implementing Regulation.

In view of the above, and in reliance on the information and evidence provided and the confirmations given by the beneficiary Member State as described at paragraph 3 above, the EIB confirms the proposal “The modernisation and development of renewable energy based district heating systems” (Modernisation Fund reference number MF 2021-2 HU 0-001) as a priority investment.

This confirmation, being based in part upon an exemption from State aid notification that is limited in time, is made on the assumption and subject to the condition that the investment proposal, if it constitutes State aid after the expiry of such time limit, will continue to be exempted from State aid notification or that the beneficiary Member State will either obtain State aid clearance or cease to finance the investment proposal with Modernisation Fund funds at that time. As implied by Article 6(8) of the Implementing Regulation, the beneficiary Member State, when submitting a proposal concerning a subsequent disbursement for the scheme, may propose changes to the scheme for re-assessment.

This confirmation is without prejudice to the requirement for a disbursement decision to be made pursuant to Article 10d(3) of the ETS Directive.

European Investment Bank  
Luxembourg, 11<sup>th</sup> October 2021