



Annual report of the Modernisation Fund 2021 on the status of the investments financed by the Fund and the tasks carried out in this context

25 May 2022.



SUPPLEMENTARY REPORT FOR 2021

Annual report of the Modernisation Fund 2021 on the status of investments financed by the Fund

1. Executive summary

The following three programmes submitted by Hungary were approved and disbursed by the Investment Committee of the Modernisation Fund at its meeting on 22 June 2021, and on 12 October 2021 for the first and second disbursement cycles:

- "MF 2021-1 EN 0-001 Development of energy communities"
- "MF 2021-2 EN 0-002 Development of energy communities " and
- "MF 2021-2 EN 0-001 Modernisation and development of district heating systems based on renewable energy"

For all three programmes, the EBB disbursed the requested amount of funding after approval as follows:

Sign of the programme	Amount of support	Date of liquidation
MF 2021-1 HU 0-001	11 428 571 EUR	2021.08.05.
MF 2021-2 HU 0-002	8 571 429 EUR	2021.12.13.
MF 2021-2 HU 0-001	14 285 714 EUR	2021.12.13.

The Managing Authority in Hungary, the Ministry for Innovation and Technology (hereinafter referred to as ITM), has arranged for the use of the funds through a Managing Entity.

As a result, on the basis of the Supporting Document of the ITM EZFF/1397/2021-ITM _SZERZ issued on 22 November 2021, ÉMI Building Quality Control Innovation Nonprofit Ltd. (hereinafter referred to as ÉMI) is responsible for the implementation of the multiannual programme MF 2021-1 HU 0-001- Supporting the establishment and operation of energy communities, worth EUR 11 428 571 (HUF 4 billion). The amount to be sub-granted is HUF 4 billion 2022.

The transfer was made to ÉMI in January 2022 (the proof of the transfer is provided in Annex 2 to this report).

For the programmes MF 2021-2 EN 0-002 "Development of energy communities" and MF 2021-2 EN 0-001 "Modernisation and development of district heating systems based on renewable energy", the ÉMI is responsible for the implementation of the multi-annual programmes of EUR 8 571 429 (HUF 3 billion) and EUR 14 285 714 (HUF 5 billion), under the Grant Agreement, signed bilaterally on 26 April 2022 under the number ITM EZFF/2059/2022-ITM _SZERZ. The total amount of the sub-grant to be transferred is HUF 8 billion, which was paid to the EMI on 27 April 2022 (the proof of the transfer is attached as Annex 3 to this report).

The rate of 350 HUF = 1 EUR was used for the conclusion of the contracts and the disbursement of the grant to be transferred to the SEMI, calculated at the time of its submission to the Committee, but the rate used by the EIB at the time of disbursement was different (see Annexes 5 and 6).



For the above reasons, it is appropriate to amend the ITM-ÉMI contracts.

The full management of the above three calls for proposals is carried out by the EMI, which informs the ITM of the work carried out by means of interim reports. The ÉMI's tasks are covered by the contracts and are funded from the national lines of the budget. Once a year, the ÉMI shall submit to the ITM a technical and financial report on the tasks performed, together with a detailed statement of the costs incurred and the subsidies paid, together with supporting documents.

Under the contracts, the ÉMI will carry out its tasks under the Modernisation Fund until 31 December 2025 and 31 December 2026 respectively.

The investments financed by the grant will start in the second half of 2022, on the basis of the Grant Award Documents to be issued following the finalisation of the calls for proposals, the evaluation of the proposals submitted and the decision to award the grant, in accordance with the call for proposals.

2. Detailed presentation of the three programmes

Presentation of the programmes in accordance with Annex II of the Implementing Regulation for the Modernisation Fund:

2021-1 EN 0-001- Programme to support the creation and operation of energy communities:

Section	Information	Note
1.2	Number of investments in progress	There are currently no ongoing investments, with funding decisions announced in May 2022.
1.2	Number of investments completed	No investment started
1.2	Number of investments closed	No investment started
2.1	Total investments redeemed	0.-
2.2. and 2.3.	Dates and amounts of payments made from the Modernisation Fund to the project promoter or the Managing Authority of the scheme; Amounts received from the Modernisation Fund by the beneficiary Member State but not yet paid to the project promoter or Managing Authority of the scheme [in EUR million]	11 428 571 EUR=4.047.999,848.- HUF 4 billion HUF Currently, due to the exchange rate difference, an amendment to the Grant Deed for ÉMI is in progress. The amount received from the European Union due to the exchange rate difference is HUF 4,047,999,848, so the amount of aid to be passed on may be increased by HUF 47,999,848.

2.5	All subcategories a) to f)	0.
3.1	Milestones achieved since the last annual report	These points are not applicable as these sections only apply to projects, not systems.
3.2	Expected commissioning	
3.3	Identified or expected delays in implementation	
3.4	Identified or expected changes in the eligible costs, the technology used or the results of the investment	
4.1	Strengthening co-financing from private sources	

MF 2021-2 EN 0-002 Development of energy communities:

Section	Information	Note
1.2	Number of investments in progress	There are currently no ongoing investments, the related Call for Proposals is currently being finalised and is expected to be launched in July 2022.
1.2	Number of investments completed	No investment started
1.2	Number of investments closed	No investment started
2.1	Total investments redeemed	0.-
2.2. and 2.3.	Dates and amounts of payments made from the Modernisation Fund to the project promoter or the Managing Authority of the scheme; Amounts received from the Modernisation Fund by the beneficiary Member State but not yet paid to the project promoter or Managing Authority of the scheme [in EUR million]	8 571 429 EUR The two new programmes were paid in one lump sum: 8.369.142.909.- HUF 3 billion HUF The two new programmes were paid in one lump sum: 8.369.142.909.- HUF
2.5	All subcategories a) to f)	0.
3.1	Milestones achieved since the last annual report	These points are not applicable as these sections only apply to projects, not systems.
3.2	Expected commissioning	
3.3	Identified or expected delays in implementation	

3.4	Identified or expected changes in the eligible costs, the technology used or the results of the investment	
4.1	Strengthening co-financing from private sources	

MF 2021-2 EN 0-001 For the modernisation and development of district heating systems based on renewable energy:

Section	Information	Note
1.2	Number of investments in progress	There are currently no ongoing investments, the related Call for Proposals is currently being finalised and is expected to be launched in July 2022.
1.2	Number of investments completed	No investment started
1.2	Number of investments closed	No investment started
2.1	Total investments redeemed	0.-
2.2. and 2.3.	Dates and amounts of payments made from the Modernisation Fund to the project promoter or the Managing Authority of the scheme; Amounts received from the Modernisation Fund by the beneficiary Member State but not yet paid to the project promoter or Managing Authority of the scheme [in EUR million]	The two new programmes were paid in one lump sum: 8.369.142.909.- HUF 5 billion HUF The two new programmes were paid in one lump sum: 8.369.142.909.- HUF
2.5	All subcategories a) to f)	0.
3.1	Milestones achieved since the last annual report	These points are not applicable as these sections only apply to projects, not systems.
3.2	Expected commissioning	
3.3	Identified or expected delays in implementation	
3.4	Identified or expected changes in the eligible costs, the technology used or the results of the investment	
4.1	Strengthening co-financing from private sources	



2.1 2021-1 HU 0-001- Energiaközösségek kialakítását és működését támogató program:

2.1.1. Background, professional mission

The Investment Committee of the Modernisation Fund discussed the results of the first disbursement cycle at its meeting on 22 June 2021. According to the European Investment Bank (EIB), 17 applications from 5 Member States were received in the first disbursement cycle, of which 6 projects from 3 beneficiary Member States (PL, CZ, HU) were approved as priority investments, including the Hungarian Energy Communities Development Programme (€11.43 million).

On the basis of the Supporting Document of the Ministry of Innovation and Technology (hereinafter referred to as ITM) EZFF/1397/2021-ITM_SZERZ issued on 22 November 2021, ÉMI Building Quality Control Innovation Nonprofit Ltd. (hereinafter referred to as ÉMI) is responsible for the implementation of the multiannual programme of 11 428 571 EUR supporting the development and operation of Energy Communities. The amount of HUF 4 billion to be sub-granted was paid to ÉMI Nonprofit Ltd. in January 2022 into a separate account.

2.1.2. Description of the tasks performed

Following the negotiations with the European Commission, the ÉMI prepared the call for proposals, which was launched on 7 October 2021, following the consultations and finalizations with the ITM and the Grants Investigation Office, under the call code 2021-ÉMI-MA.

The tender will be conducted through an electronic interface, for which the tender management software has been procured and the development has started in phases.

The application platform was launched on 07 October 2021. The Call for Proposals and the annexes required for submission have been published on the application platform (<https://ma2021.emi.hu>).

From the beginning of October, the ÉMI will provide a helpdesk to answer applicants' queries and questions, both electronically (e-mail: ma-2021@emi.hu) and by telephone, during the opening hours indicated in the Call for Proposals.

In accordance with the plans and the Call for Proposals, the application period closed on 15 November 2021, 28 applications for funding were received, with a total of HUF 15 913 116 645 (detailed statement in Annex 1).

The first round of eligibility and formality checks of the submitted applications was completed by 22 December 2021. In those cases where the verification of the grant application required the submission of a supplementary or additional information, a request for completion was sent in the form of a letter generated by the electronic system. Following the processing of the replies to the requests for completeness, 5 applications had to be rejected because they did not meet the conditions laid down in the call.



2.1.3 As of 31.12.2021, the status of submitted applications:

2021-ÉMI-MA	Pcs	Total value
Applications received	28	HUF 15 913 116 645
Retracted	0	
Applications accepted after eligibility check	23	HUF 13 780 315 457
Applications rejected after eligibility check	5	HUF 2 132 801 188

The substantive and professional monitoring of the 23 applications meeting the eligibility criteria continued in 2022.

2.1 MF 2021-2 EN 0-002 Energy Communities Development Programme:

2.2.1 Background, professional task

On 12 October 2021, the Investment Committee of the Modernisation Fund approved the programme MF 2021-2 HU 0-002 Development of Energy Communities submitted by Hungary for the second disbursement cycle.

The Managing Authority in Hungary has arranged for the use of the funds through tenders by the Managing Authority.

As a result, ÉMI Building Quality Control Innovation Nonprofit Ltd. (hereinafter: ÉMI) is responsible for the implementation of the multi-annual programme of EUR 8 571 429 (HUF 3 billion) on the basis of the Grant Agreement EZFF/2059/2022-ITM _SZERZ, signed bilaterally on 26 April 2022 by the Ministry of Innovation and Technology (hereinafter: ITM). The amount of the grant to be sub-granted, HUF 3 billion, was paid to ÉMI Nonprofit Kft. on 27 April 2022 (proof of the transfer is provided in Annex 3 to this report).

2.2.2 Presentation of the tasks performed

For the year 2021, the grant application and the Grant Agreement for the performance of the task have been preliminary agreed.

Following the negotiations with the European Commission, the EMI started the preparation of the call for proposals.

Interim discussions are ongoing with the ITM Technical Department and the Grants Office.

The tender will be conducted through an electronic interface, for which the preparation and process for the procurement of the Tender Management Software will be completed in the first semester of 2022.

2.2.3 As of 31.12.2021, the status of submitted applications:

As of 31 December 2021, no tender has been submitted, the Call for Proposals was still under negotiation, it had not been published, and ÉMI did not have a contract for the task.

2.2 MF 2021-2 EN 0-001 Programme for the modernisation and development of district heating systems based on renewable energy:

2.3.1 Background, professional task



On 12 October 2021, the Investment Committee of the Modernisation Fund approved the programme MF 2021-2 HU 0-001 Modernisation and Upgrading of District Heating Systems based on Renewable Energy submitted by Hungary for the second disbursement cycle.

The Hungarian Managing Authority has arranged for the use of the funds through a Managing Authority.

As a result, ÉMI Building Quality Control Innovation Nonprofit Ltd. (hereinafter ÉMI) is responsible for the implementation of the multi-annual tender programme worth EUR 14 285 714 (HUF 5 billion) on the basis of the Grant Agreement EZFF/2059/2022-ITM _SZERZ, signed bilaterally on 26 April 2022 under the number EZFF/2059/2022-ITM _SZERZ. The amount of the sub-grant, HUF 5 billion, was paid to ÉMI Nonprofit Kft. on 27 April 2022 (proof of the transfer is provided in Annex 3 to this report).

2.3.2 Description of the tasks performed

In 2021, the grant application of ÉMI and the grant contract for the performance of the tasks were subject to preliminary agreement.

Following the negotiations with the European Commission, ÉMI started the preparation of the call for proposals.

Interim discussions are ongoing with the ITM Technical Department and the Grants Office.

The tender will be conducted through an electronic interface, for which the preparation and process for the procurement of the Tender Management Software will be completed in the first semester of 2022.

2.3.3 Status of submitted proposals as of 31.12.2021:

As of 31 December 2021, there are no proposals submitted, at this date the Call for Proposals was still under negotiation, it was not advertised, ÉMI did not have a contract for the task.

3. Communication

On the application interface and the EMI website, applicants are kept informed about the status of applications (<http://www.emi.hu/EMI/web.nsf/Pub/KDECK5.html>), the latest news and the calls for proposals.

4. Outlook to 2022

2021-1 EN 0-001- Programme to support the development and operation of energy communities:

In order to adapt to the European regulatory environment and to the provisions of ITM Decree 14/2019 (12.VI.12.) in force from 30 December 2021, and due to the relaxation of certain conditions for the payment of advances, on 24 January 2022, certain sections of points 4.5, 7.3 and 11.3 of the call for proposals were amended, allowing the decision to be taken by 30 June 2022.

In 2022, the substantive assessment of grant applications continued, with clarification questions being sent to eligible applicants.

Following the clarification questions, 23 applications are proposed for funding. On the basis of the scoring and ranking, a decision was taken to award grants with a reduced amount of funding up to the HUF 4 billion available (Annex 4).



Following the decision of the grant proposal, the Grantor Deeds can be issued and the advance payments can be made by the end of the third quarter based on the advance requests.

MF 2021-2 EN 0-002 Development of energy communities and MF 2021-2 EN 0-001 Programmes for the modernisation and development of district heating systems based on renewable energy:

Finalisation of the Call for Proposals is planned for June-July 2022, following approval by the Grants Office. The two programmes will then be announced, probably in July/August 2022. Submission of applications will then take place 30 days after the announcement, via an electronic application submission platform.

The investments to be carried out with the help of this call, following a full evaluation of the applications received, the decision of the Grantor and the resulting Grant Award Certificate, are expected to start in the fourth quarter of 2022, first quarter of 2023.

Szentendre, 25 May 2022.