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**MODERNISATION FUND**

Accelerating the transition to climate neutrality

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

ref. MF 2024-1 HU 0-001

*Beneficiary Member State: Hungary*

*Investment Proposal: Modernisation of district heating infrastructure*

### **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 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 14/02/2024 Hungary (the “beneficiary Member State”) submitted to the EIB an investment proposal “Modernisation of district heating infrastructure” for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2024-1 HU 0-001).

The investment proposal concerns a large-scale scheme for the period 2024-2026 relating to the modernisation of the district heating networks to increase energy

efficiency in all parts of the DHC systems, and to improve the basis for providing better services to the heat consumers.

The implementation of the scheme will contribute to the reduction of primary energy consumption and GHG emissions reduction by reduction of heat, renovation of the DH and reduction of networks failures.

The beneficiary Member State has requested funding of EUR 28 571 428 for a first disbursement under the proposed large-scale scheme.

The beneficiary Member State has indicated a total expected Modernisation Fund funding for the investment proposal of EUR 114 285 714.

The main objective of the investment is to improve energy efficiency in DH networks in order to support the decarbonisation of the heating sector.

Modernisation of the District Heating networks is included in the objectives and measures of the Long-term Strategy and National Energy and Climate Plan (NECP) of Hungary aiming at supporting the energy efficient District Heating systems, and integration of renewable energy sources.

### **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 systems and energy efficiency and it is in line with the objectives and measures set out in its NECP.
- 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 areas:
  - c) the reduction of overall energy use through energy efficiency;
  - d) energy storage and the modernisation of energy networks, including demand-side management, district heating pipelines, grids for electricity transmission, the increase of interconnections between Member States and infrastructure for 0-emission mobility.
- c) The beneficiary Member State has sufficient funds generated before 31 December 2027 available from the auctioning of allowances referred in Article 10(1), the third subparagraph of Directive 2003/87/EC - 2% 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 measures under the investment proposal:
- are exempted from the State aid notification in accordance with applicable State aid rules;
- or
- does not constitute State aid within the meaning of Article 107(1) of the Treaty on the Functioning of the European Union.
- 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.
- g) According to the information provided by the beneficiary Member State, the duration of the scheme does not exceed five years.

#### **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 “Modernisation of district heating infrastructure” (Modernisation Fund reference number MF 2024-1 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 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.

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, 12<sup>th</sup> March 2024