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**MODERNISATION FUND**

Accelerating the transition to climate neutrality

## **MODERNISATION FUND**

### **EIB CONFIRMATION OF PRIORITY INVESTMENT**

*ref. MF 2025-1 HU 0-002*

*Beneficiary Member State: Hungary*

*Investment Proposal: Electricity grid development*

#### **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 18/02/2025 Hungary (the “beneficiary Member State”) submitted to the EIB an investment proposal “Electricity grid development” for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2025-1 HU 0-002).

The investment proposal concerns a large-scale project for the period 2025-2028 relating to upgrade transmission and distribution electricity networks, to integrate more renewable energy generation capacity and increase system flexibility.

The scope of development activities can be categorized by three voltage levels, encompassing both high-voltage transmission and medium- to low-voltage distribution networks. The activities are including constructing new corridors for photovoltaic integration, increasing transmission capacity of existing electricity lines, building new substations with transformer replacements and expanding capacities of existing substations.

The beneficiary Member State has requested funding of EUR 93 293 563 for a first disbursement under the proposed large-scale project.

The beneficiary Member State has indicated a total expected Modernisation Fund funding for the investment proposal of EUR 265 425 486.

The scheme aims at modernising energy systems to support increase flexibility of the electricity system and increase the ratio of renewable energy in the Hungarian energy mix.

Electricity grid development is included as a measure of the Long-term Strategy and National Energy and Climate Plan (NECP) for Hungary aiming at supporting the integration of renewable energy sources.

### **3. *Compliance with the conditions for a 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 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 area 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 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:
  - do 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 demonstrated that the investment complies with Article 10f of the Directive 2003/87/EC.

- f) The beneficiary Member State has confirmed in writing that the investment complies with any other applicable requirements of Union and national law.
- g) 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 in paragraph 3 above, the EIB confirms the proposal “Electricity grid development” (Modernisation Fund reference number MF 2025-1 HU 0-002) as a priority investment.

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, 17<sup>th</sup> March 2025