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MODERNISATION FUND

Accelerating the transition to climate neutrality

MODERNISATION FUND

EIB CONFIRMATION OF PRIORITY INVESTMENT

LARGE-SCALE SCHEME

Subsequent Disbursement Request

ref. MF 2025-1 HU 0-003

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 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.

After the European Commission has decided on the first disbursement to the large-scale scheme, any subsequent disbursement shall require a separate proposal from the beneficiary Member State specifying the amount to be disbursed and containing the updated information about the large-scale scheme, as appropriate.

In accordance with Article 6(8) of the Implementing Regulation, where a proposal concerns a subsequent disbursement for a large-scale scheme confirmed by the EIB in accordance with Article 6(9) of the Implementing Regulation prior to the first disbursement and there have been no changes to the large-scale scheme, the EIB

may confirm the proposal as a priority investment provided that the following conditions are met:

- a) the beneficiary Member State has sufficient funds available in the relevant category or subcategory of funds 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 paragraph 9 of this Article 6(9) of the Implementing Regulation;
- b) the beneficiary Member State has provided evidence that the investment proposal fulfils either of the following requirements:
 - obtained State aid clearance in accordance with the Commission decision,
 - is exempted from the State aid notification in accordance with the applicable State aid rules,
 - does not constitute State aid within the meaning of Article 107(1) of the Treaty;
- c) the beneficiary Member State has demonstrated that the investment complies with Article 10f of Directive 2003/87/EC, where needed;
- d) the beneficiary Member State provides information about the implementation of the large-scale scheme in accordance with Annex I, point 4.2.

2. *Investment proposal*

Pursuant to Article 4(2) (second sentence) of the Implementing Regulation, on 18/02/2025 the BMS (the “beneficiary Member State”) submitted to the EIB an investment proposal concerning a subsequent disbursement from the Modernisation Fund for the “Modernisation of District Heating infrastructure”, (Modernisation Fund reference number MF 2025-1 HU 0-003).

The investment large-scale scheme “Modernisation of District Heating infrastructure” was confirmed as a priority investment proposal by the EIB on date 12/03/2024 (Modernisation Fund reference number MF 2024-1 HU 0-001).

The European Commission issued Decision C(2024) 4190 on the first disbursement of the revenues of the Modernisation Fund under Directive 2003/87/EC on 12 June 2024.

The EIB has already disbursed an amount of EUR 28 571 428 of the revenues of the Modernisation Fund.

The beneficiary Member State has requested funding of EUR 17 142 857 for a subsequent disbursement under the investment proposal.

The beneficiary Member State has indicated an expected Modernisation Fund funding for the large-scale scheme of EUR 114 285 714.

3. Compliance with the conditions for priority investment

- a) The beneficiary Member State has confirmed that there have been no changes to the large-scale scheme.
- b) 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.
- c) The beneficiary Member State has provided evidence that the investment proposal is exempted from the State aid notification in accordance with the applicable State aid rules or does not constitute State aid within the meaning of Article 107(1) of the Treaty.
- d) The beneficiary Member State has demonstrated that the investment complies with Article 10f of the Directive 2003/87/EC.
- e) The beneficiary Member State has provided information about the status of implementation of the scheme in accordance with Annex I, point 4.2a of the Implementing Regulation.

4. Conclusions

The EIB has assessed the subsequent disbursement proposal based on the information submitted by the beneficiary Member State in accordance with Article 4 and Annex 1 of the Implementing Regulation and has concluded that the proposal meets the conditions specified in Article 6(8) 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 subsequent disbursement proposal “Modernisation of District Heating infrastructure”, (Modernisation Fund reference number MF 2025-1 HU 0-003) as a priority proposal.

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, 17th March 2025