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MODERNISATION FUND

Accelerating the transition to climate neutrality

MODERNISATION FUND **EIB CONFIRMATION OF PRIORITY INVESTMENT**

ref. MF 2026-1 HU 0-004

Beneficiary Member State: Hungary

Investment Proposal: Electricity grid development and digitalisation

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 12/02/2026 Hungary (the “beneficiary Member State”) submitted to the EIB an investment proposal “Electricity grid development and digitalisation” for which it envisages a contribution from the Modernisation Fund (Modernisation Fund reference number MF 2026-1 HU 0-004).

The investment proposal concerns a large-scale scheme for the period 2026-2031 relating to upgrade transmission and distribution electricity networks to integrate more renewable energy generation capacity.

The scope of development activities can be categorized by classic network development at three voltage levels, and digitalisation encompassing installation of transformer station sensors and rollout of smart meters with associated IT investments.

The activities are including upgrades for transmission and distribution network components, increasing transmission capacity of existing electricity lines and expanding capacities of existing substations.

The beneficiary Member State has requested funding of EUR 138 974 400 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 463 248 000.

The large-scale 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 in the objectives and measures 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 allowances referred in Article 10(1), the fourth subparagraph of Directive 2003/87/EC – 2.5% 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.
- h) 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 in paragraph 3 above, the EIB confirms the proposal “Electricity grid development and digitalisation” (Modernisation Fund reference number MF 2026-1 HU 0-004) 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, 11th March 2026