To whom it may concern,

Our company, **MVM Zrt. (Hungarian Electricity Limited)**, as a leading producer of electricity, as well as leading trader and supplier of electricity and natural gas in Central and Eastern Europe, is directly concerned by the revision of competition policy supporting the Green Deal, therefore we put forward the following comments in the Commission's Call for contributions:

State aid control

1. The European Green Deal has set the daunting challenge of transforming Europe to the first climate neutral continent. In order to achieve this ambitious goal, the European Green Deal has identified decarbonisation of all economic sectors as its primary goal. In view of this, the revised Guidelines on State aid for environmental protection (EEAG) and energy should incorporate **decarbonisation** as the **prime common objective** for the sectors covered. This would permit low- or no carbon technologies, which are non-eligible under the current EEAG (hydrogen, all scale batteries, nuclear, synthetic fuels, etc.), to also have access on equal footing to aid measures thereby contributing to the objective of climate neutrality.

   In addition, the objective of decarbonisation can only be achieved via a solid and robust **energy infrastructure**. The future Guidelines and the GBER should no longer impose territorial [Regional aid articles of the GBER] and financial [Article 4 point cc) of the GBER] limitations regarding aid measures for local energy infrastructure. In addition, the EEAG and GBER should allow a wider scope for aid for energy infrastructure in order to facilitate the integration of renewables at all infrastructure levels (transmission and distribution) in view of the requirements of digitalisation (aid to support the deployment of a) smart grids and automated load management, b) the technology of interlinking generators, consumers, grids and storage facilities, c) blockchain technology, d) data security investments etc).

   Regulatory requirements have to be adapted to practical operational experiences to deliver the ambitious, yet essential goals in **energy efficiency**. Hungary will introduce its Energy Efficiency Obligation Schemes (EEOS) in 2021, with obligations for the following market participants: electricity and natural gas retailers, universal service providers and automotive fuel retailers. In addition, third parties (ESCOs, appliance retailers, etc.) will be encouraged to participate in EEOS via a secondary market for the savings (White Certificates). Throughout the Union different tools are used in order to divide the cost of the necessary investments:

   - cost sharing with end users receiving efficiency measure
   - refundable and/or non-refundable grants
   - cost borne by obliged retailers, from their margins thus deteriorating their future investment (financing) capacity
   - costs passed on to all final consumers.

   The 2030 energy efficiency goals necessitate the application of subsidies and monetary incentives. Such measures, however, can only deliver the right result if they have a multiplicative effect. Direct financing of the investments are not feasible due to the sheer size of the required developments. Grants should be given to the appropriate actors, which are primarily the large utilities with good financing power. Therefore, the general competition regulations need to be less restrictive in this regard, as EEOS aims end-user efficiency improvement, with market-based tools. Most of the subsidies are related to the investment and there are lot of projects where subcontractors are needed during the operation. There is a need to develop a new type of innovative incentive to facilitate the implementation and market-based financing of such projects. Rules on funding schemes that are linked to the commitment scheme should be eased, which would facilitate the realization of the projects and the achievement of the goals.

3. a) MVM Group supports the idea of a „green bonus" especially in case of aid granted for the development or operation of renewables. We believe that in case of these types of aid measures, the decarbonisation objective is clearly met, therefore the approval criteria should be simplified so that project ideas could acquire financing much easier and at a faster pace. Bankability of renewable projects still depends largely on approved subsidy grants. A simpler and more predictable system of approval conditions would largely contribute to this, therefore renewable projects would, by definition, enjoy this kind of „green bonus".

   b) Some „green bonus" measures in case of **renewables** and other **green investments** (where the decarbonisation objective is self-explanatory) could include the following:

   - not tying the granting of operating aid to a competitive bidding process as organising tenders is a very complex and long process, which slows down the development of projects significantly.
   - a default operating rate of more than 4% could be used to calculate the net operating result, thus increasing the maximum possible amount of aid and improving the return on investments. The increased risks in the current economic environment also justify an increase in the default discount rate of 4%.
   - elevate the maximum aid intensities from the current ones identified in Annex I of the EEAG by 15-20% for each type of enterprise.

4. MVM Group does not support the idea of defining positive environmental benefits by referring to the EU Taxonomy. As explained above, the European Green Deal has identified decarbonisation of all economic sectors as the main pathway to achieve climate neutrality by 2050. Therefore, in our view, positive environmental benefits should be grasped principally in the decrease in emission of greenhouse gases. On the other hand, we believe that the EU Taxonomy is an instrument which has been created in order to regulate the lending practice of financial institutions and it would be too far reaching to use it in other EU regulatory frameworks, such as competition enforcement. In addition, referring to the EU Taxonomy in order to define positive environmental benefits in competition policy at this stage would also be erroneous, given the ongoing assessment of the Technical Expert Group as to the role of nuclear energy which is a major emission free technology which could significantly contribute to the EU's decarbonisation objective.