MINISTRY OF
INNOVATION AND TECHNOLOGY
STATE AID MONITORING OFFICE

Mr Koen VAN DE CASTEELE
Head of Unit

European Commission
DG Competition
03. State Aid Policy and Case Support

Budapest, 27 September 2019

sent via email only

Subject: Position of the Hungarian authorities on the targeted revision of the General Block Exemption Regulation (related to the next Multiannual Financial Framework) – HT.5224

Dear Mr Van de Casteele,

Please find attached the Hungarian position on the targeted revision.

Yours sincerely,

Anita Gyürkés
Head of Department

1011 Budapest Fő utca 44-50.; e-mail: tvi@itm.gov.hu; ☎ +36 1 7951 791

<u>The Hungarian position on the targeted revision of the General Block Exemption Regulation (related to the next Multiannual Financial Framework)</u>

Overall, Hungary welcomes the proposal presented by the Commission for the targeted review. The Hungarian authorities particularly support the research, development and innovation related part of the proposal (Articles 25, 25a and 25b of the GBER/Article 1(15)-(16) of the proposal). However, the proposed modification concerning the introduction of the concept of ‘technology readiness levels’ and allocating them to R&D project categories (Article 2 points 83a, 84, 85 and 86 of the GBER/Article 1(2) of the proposal) has, in the Hungarian authorities’ opinion, no added value. It does not help the application of the GBER and it does not follow the logic of undertakings designing their projects (they do not use technology readiness levels in this activity). As a result, the technology readiness levels related proposals in the draft GBER (Article 2 points 83a, 84, 85 and 86) should be removed.

In addition, the Hungarian authorities would like to suggest a few adjustments to the text.

1. Proposed changes regarding the aid categories for European Territorial Cooperation (Articles 20 and 20a of the GBER/Article 1(13) and (14) of the proposal)

Article/paragraph of the proposal **Article/paragraph of the GBER**	**Suggested changes**	**Reasoning/comment**
Article 1(13) **Article 20**	Article 20 (…) 2. To the extent that they are linked to the cooperation project, the following costs, which shall have the meaning ascribed to them in Commission Delegated Regulation (EU) No 481/2014*, or [Articles 38 to 43 of new ETC Regulation], whichever is applicable, shall be eligible costs: (a) staff costs; (b) office and administrative costs; (c) travel and accommodation costs; (d) external expertise and services costs, **including training costs,** (e) equipment costs; and (f) costs for infrastructure and works. (…) 4. The aid intensity shall not exceed ~~65%~~ **a percentage** of the eligible costs **equal to the maximum co-financing rate as defined in the Regulations for ETC programmes.** ~~The aid intensity may be increased by 10 percentage points~~	It would simplify the application of the GBER in combination with the ETC rules if a uniform maximum aid intensity level equal to the maximum co-financing rate was used, regardless of the size of the undertaking. (For 2014-2020 period for ERDF programmes 85%, for IPA programmes 85% and ENI programmes 90% and for the 2021-2027 period in line with Article 13 of the new ETC regulation) The specific inclusion of training cost is of key importance as ETC schemes occasionally provide training aid. Also, according to the current proposal of DG COMP, SMEs would receive more than public undertakings; this proposal

	~~for aid granted to medium sized undertakings and by 15 percentage points for aid granted to small undertakings.~~	would counterbalance this.
Article 1(14) **Article 20a**	Article 20a (…) 2. The total amount of aid under this Article granted to an undertaking per project shall not exceed EUR **~~20000~~ 30000**."	The Hungarian authorities appreciate the proposed new Article 20a as it will be of great help in handling small amounts of typically indirect aid. However, we believe a slight increase is warranted in this case as indirect aid, according to our experience, can slightly exceed EUR 20000 every once in a while (but still with limited effect on competition and trade).

2. Proposed changes regarding the aid categories for InvestEU (Articles 56d and 56e of the GBER/Article 1(17) of the proposal)

Article/paragraph of the proposal	Suggested changes	Reasoning/comment
Article 1(17) **Article 56d**	Article 56d (…) 1. This Section shall apply to aid comprised in **~~any of the following:~~** **~~(a)~~** the EU guarantee from the Member State compartment of the InvestEU Fund, ~~;~~ **~~(b)~~** **other** financial products supported by the InvestEU Fund ~~;~~ ~~(c)~~ **and** aid under **~~points (a) and (b)~~** **such guarantees and financial products** passed on to financial intermediaries and final beneficiaries.	As there are overlaps between (a), (b) and (c), the Hungarian authorities believe it is misleading to include them in the GBER as list.
Article 1(17) **Article 56e (5)**	Article 56e (…) 5. Aid for energy generation and energy infrastructure shall comply with the following requirements: (a) aid shall be granted for investments in energy infrastructure in gas and electricity that is subject to third party access, tariff regulation and unbundling in line with the internal energy market legislation for the following categories of projects: (i) **~~as regards~~** energy storage, **~~aid shall be granted only for projects included in the list of~~**	As non-adjustable renewable energy generation is spreading rapidly, a major challenge of the next decade will be to build up the necessary capacities to handle this. Energy storage facilities are definitely an option in this regard, and they are used in various sizes and at different levels of the network (e.g. transmission/distribution). For this reason, the Hungarian authorities believe that they should be eligible for aid regardless whether they are included in the list of Projects of

	~~**Projects of Common Interest [xxx, reference]**~~, (ii) as regards energy infrastructure projects other than storage, aid shall be granted for: smart grids, projects which involve more than one Member State, projects included in the list of Projects of Common Interest, or projects in assisted areas.	Common Interest.
Article 1(17) **Article 56e (5) (alternative version)**	Article 56e (…) 5. Aid for energy generation and energy infrastructure shall comply with the following requirements: (a) aid shall be granted for investments in energy infrastructure in gas and electricity that is subject to third party access, tariff regulation and unbundling in line with the internal energy market legislation for the following categories of projects: (i) as regards energy storage, aid shall be granted only for projects ~~**included in the list of Projects of Common Interest [xxx, reference]**~~ **in the case of which at least 50% of the energy they use is energy from renewable sources on the basis of their annual average level of operation;** (ii) as regards energy infrastructure projects other than storage, aid shall be granted for: smart grids, projects which involve more than one Member State, projects included in the list of Projects of Common Interest, or projects in assisted areas.	This is an alternative proposal in case the first one in the line above is not acceptable. The reasoning behind the proposal is the same as above.
Article 1(17) **Article 56e (11) (b)**	(b) the nominal amount of total financing provided per final beneficiary under the support of the InvestEU Fund does not exceed: (i) EUR ~~1~~ **5** million for 5-year loans; (ii) EUR ~~500 000~~ **2.5 million** for 10-year loans; (iii) EUR ~~1.5~~ **5** million for loan guarantees up to 5-years; (iv) EUR ~~750000~~ **2.5 million** for	The Hungarian authorities believe that the proposed increase of the thresholds is warranted, as the proposed increased thresholds will still not have a significant anti-competitive effect but they would give aid grantors more flexibility.

1011 Budapest Fő utca 44-50.; e-mail: tvi@itm.gov.hu; ☎ 7951-791.

	loan guarantees up to 10-years; (v) EUR ~~200000~~ **1 million** for equity.”.”	

In addition to the above, the Hungarian authorities suggest that Article 56e should include a specific new paragraph/category – in addition to the categories in paragraphs (3) to (11) – allowing aid to projects that result in job creation.

Finally, the Hungarian authorities do not support the proposed modification of the transparency/publication obligation in the GBER, which would lower the transparency obligation threshold for aid granted under the GBER for primary agricultural production.

While the Hungarian authorities understand the logic of the proposal (the alignment of the ABER and GBER transparency rules regarding aid for primary agricultural production), the Hungarian authorities believe that this proposed change is beyond the scope of the targeted review. It will also require an extensive review of national legislations, and thus generate red tape.

For this reason, the Hungarian authorities suggest that this modification should only be introduced beyond the prolongation; there is no pressing need that would necessitate an earlier introduction of this rule.