

Hungarian position
on the targeted review of the GBER for the twin transition

The Hungarian authorities appreciate the draft proposal for an amendment of the GBER, but we would like to make the following comments.

General

1. We agree with the other Member States that voiced their concern at the Advisory Committee meeting on 7 December 2021 about the lowering of the threshold for the transparency requirement in **Article 9**. As the transparency processes in Member States are far from being fully automated, this proposed change creates a significant additional administrative burden on both the aid grantors and the coordinating authorities.

Risk finance

2. Concerning the review of the term “independent private investor” (**Article 2(72)**), we would like the Commission to reconsider the exclusion of public authorities, in particular national promotional banks, from this definition. The exclusion of state entities is a radical change from the current legislation, it limits the states’ rights under Article 345 TFEU and, most importantly, it does not recognize that certain risk finance markets or sub-segments are underdeveloped. In such instances, state entities, such as national promotional banks, should continue to have the opportunity to invest as “independent private investors” (naturally on MEIP terms).

3. We would like to ask the Commission to address some conceptual concerns in the next draft regarding the re-drafted **Article 21**. According to the current text, independent private investors may receive aid under Article 21(3) in the form of equity, loans, guarantees or tax incentives. If we understand correctly, with the revised GBER, no aid will be possible to independent private investors under Article 21 (natural person independent private investors can get tax incentives under Article 21a).

What we would like the Commission to clarify is whether this means that non-natural person independent private investors cannot receive aid under Article 21, and if so, what measures the Member States should take to exclude any aid on their level (i.e. to make sure no part of the aid to financial intermediaries is passed on to the investors).

Conversely, if private investors cannot receive aid under Article 21 to incentivise investments, we would like to know how this category of investors (non-natural person independent private investors) can be incentivised in the future to make investments through such schemes in final beneficiaries (as Article 21a is not available to them).

For these reasons, we believe Article 21a should be extended or the proposal for Article 21 should be revised (reverted to the current setup from this viewpoint) to allow aid to be granted to any category of independent private investors.

4. According to the current text of the GBER (**Article 21(9)**), the total amount of risk finance may not exceed EUR 15 million per eligible undertaking under any risk finance measure. The proposal would change the wording to “total outstanding amount”. We request the Commission to clarify in the next proposal or the background note whether this means that if the final beneficiary receives a loan but repays it, this amount of loan will no longer have to be taken into account for the purposes of the EUR 15 million ceiling.

5. We welcome the proposal that the revised **Article 21** and the proposed **Article 21a** would offer more flexible terms in assisted (Article 107(3)(a) TFEU) areas in the form of lower private participation rates and higher tax relief thresholds, respectively. These measures, we are sure, will help bring more investments into underdeveloped regions.

6. The proposed changes to **Article 22** will allow aid to be granted in the form of intellectual property rights (IPR) transfer. As we understand it, in this case, the aid grantor is a research organisation. As Article 22 aid can only be granted in the form of a scheme (Article 22(1)), it can be burdensome for a research organisation to set up a scheme for the transfer of IPR rights, as the IPR rights might only be transferred to few beneficiaries. For this reason, the Hungarian authorities propose that no schemes should be necessary under Article 22 for IPR transfer.

7. **Article 22(6)(c)(i)** allows the value of the IPR’s market price to be established on the basis of a competitive sale procedure, which is a common method for setting the market price as recognised by the Notion of Aid. However, in this circumstance, aid is granted in the form of the IPR at a discount, and there is no actual market sale at a market price. We doubt that participants of the bidding would not be influenced in their bids if the competitive bidding procedure is not for a market sale, and a start-up undertaking will receive the IPR for free or at a discount price. For this reason, we would very much appreciate the Commission to explain in a background note or some other form how this method can be applied in practice to establish the market price for aid granting.

RDI aid

8. Hungary would like to propose the raising of the aid intensity for **Article 26a** (Investment aid for testing and experimentation infrastructures) to 35% or, alternatively, a regional bonus could be introduced (+20% for small enterprises and +10% for medium-sized ones).

Environment and energy aid

9. Hungary welcomes the raising of the notification threshold for district heating and cooling systems to EUR 50 million from EUR 20 million as this will simplify the process of modernisation efforts (**Article 4(1)(w)**).

10. Hungary also welcomes the proposal that **Article 36(1a)** does not exclude natural gas investments and low-carbon hydrogen equipment/industrial production as some flexibility is warranted in aid granting for a transitional period if a lock-in effect can be prevented.

11. We welcome that **Article 36** allows aid to carbon capture and utilisation or storage (CCUS) investments, but the conditions in this paragraph (e.g. integration in a full chain, low intensity

of 20%) are exceedingly strict overall for a nascent technology from a commercial point of view. We would therefore ask the Commission to simplify this by either relaxing the requirement of immediate integration into a full chain or by allowing aid to be granted at a rate that allows the coverage of the entire funding gap.

12. We believe that the new **Article 36(3)** will be restrictive in the case of technologies such as renewable and low-carbon hydrogen for which there is no uniform EU standard yet. However, it is urgent to help this market develop for climate targets. We therefore would ask the Commission to revise or remove the second sentence of this paragraph.

13. Hungary welcomes the proposed changes to **Article 36a**.

14. The newly proposed addition to **Article 38** in paragraph **(3d)** for the modernisation of heating systems should be extended to allow aid for transition to electricity based heating.

15. **Article 38(7)** allows aid for energy performance contracts, but the beneficiaries of the financing is restricted to SMEs and small-mid caps. While we understand that the Commission does not see an access to financing related market failure for large enterprises, we believe that large enterprises should also be allowed to receive aid. This is because, especially if the market is underdeveloped, the exclusion of large enterprises is a restriction that might have the unwanted impact of holding back market development and thus energy savings at a Member State level.

16. **Article 41(3)** limits hydrogen to renewable and excludes low-carbon hydrogen. As mentioned already, we believe that at this stage of industry development low-carbon hydrogen should be aided to allow transition to cleaner technologies, and should therefore not be excluded from the scope of this aid category (neither its production nor its storage).

17. **Article 41** will still allow the granting of aid for high-efficiency co-generation on the basis of natural gas (currently possible under Article 40), but only exceptionally, where this does not jeopardize 2030 and 2050 climate policy targets. We do not see how this condition will be checked in practice, and therefore, as natural gas based high efficiency co-generation is still an asset to reach decarbonisation goals, this requirement should be removed.

18. In **Article 41(7)**, we request the Commission to increase the intensity proposed for storage facilities from 15% to the rates applicable in the aid category.

19. In **Article 41**, we would like the Commission to reconsider the removal of regional bonuses as in underdeveloped regions such as the assisted areas, the regional bonuses, we find, are often key to aid to new and cleaner facilities, and without the higher intensity rates, there would be very little investment in green energy production in these areas.

20. Hungary proposes that **Article 43** should allow aid for low-carbon hydrogen in addition to renewables and renewable hydrogen.

21. In **Article 45(2b)**, the proposal would exclude from its scope the rehabilitation of power plants and sites of mining operations. We believe this restriction is excessive; aid is needed to

rehabilitate these areas. While we understand that coal and lignite mines as they are excluded from the scope of the GBER anyway, this exclusion would also apply to any other type of mine. Therefore we are asking the Commission to reconsider this exclusion and limit this to cases when a notification and a detailed Commission assessment is absolutely necessary. We believe that there are scenarios in which aid for the rehabilitation of former non-coal or non-lignite mining sites or of former power plant sites can be exempted from the notification obligation, with due respect to the polluter pays principle.

22. In **Article 46(1a)**, Hungary would propose a 5-year transition period for a switch to efficient district heating as that would allow a smoother and more flexible transition and project development. Because of the inherent risks and higher costs of geothermal energy production, the aid intensity should be increased to 45%, as is the case in the GBER currently in effect.

23. The requirement in **Article 48(3)** according to which aid to gas infrastructure is only allowed if it is mainly used for renewable gas or hydrogen or if it is dedicated to it. In contrast, we believe that at this time such energy carriers are not available in market scale quantities, therefore this restriction very much narrows the scope of eligible gas infrastructure. However, we are convinced that gas infrastructure that is *suitable* (but not yet dedicated and not yet mainly used) for hydrogen or renewable gas should be eligible to help the market develop.

24. We appreciate the proposed higher notification threshold for energy infrastructure aid (**Article 4(1)(x)**), but we believe that a EUR 100 million threshold instead of the EUR 70 million proposed one would be warranted to simplify the granting of aid for much needed infrastructure development.

25. Hungary supports the proposed changes to the concept of energy infrastructure in **Article 1 point 130**. However, we believe that energy storage infrastructure should be added, specifically energy storage for the integration of weather-dependent renewables, in order to allow a faster and more efficient integration of these technologies also at the level of the grids.

26. We would like to propose **an additional aid category**: investment aid for energy storage for the integration of weather dependent renewables. Under this category, energy storage units not eligible under Article 41 but still serving the purpose of renewable integration would be eligible for aid. We propose a gross grant equivalent of EUR 20 million notification threshold per project with a 30% maximum intensity (with regional and SME bonuses) of the investment costs. As discussed above, a wider scope of possible aid to energy storage facilities would significantly contribute to the green transition.

27. Lastly, we propose that for the second Advisory Committee meeting in 2022, a full-day meeting should be scheduled to allow ample time for discussing this lengthy draft.