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## **LEGISLATIVE ACTS AND OTHER INSTRUMENTS**

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Subject: COUNCIL IMPLEMENTING DECISION amending the Implementing Decision of 15 December 2022 on the approval of the assessment of the recovery and resilience plan for Hungary

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# COUNCIL IMPLEMENTING DECISION

of ...

## **amending the Implementing Decision of 15 December 2022 on the approval of the assessment of the recovery and resilience plan for Hungary**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility<sup>1</sup>, and in particular Article 20(1) thereof,

Having regard to the proposal from the European Commission,

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<sup>1</sup> OJ L 57, 18.2.2021, p. 17.

Whereas:

- (1) Following the submission of the national recovery and resilience plan ('RRP') by Hungary on 11 May 2021, the Commission has proposed its positive assessment to the Council. On 15 December 2022, the Council approved the positive assessment by means of an implementing decision ('the Council Implementing Decision of 15 December 2022')<sup>1</sup>.
- (2) Pursuant to Article 11(2) of Regulation (EU) 2021/241, the maximum financial contribution for non-repayable financial support of each Member State was to be updated by 30 June 2022 in accordance with the methodology provided for therein. On 30 June 2022, the Commission presented the results of that update to the European Parliament and to the Council.
- (3) On 31 August 2023, Hungary submitted a modified national RRP, including a REPowerEU chapter, in accordance with Article 21c of Regulation (EU) 2021/241, to the Commission.
- (4) The modified RRP includes a reasoned request to the Commission to make a proposal to amend the Council Implementing Decision of 15 December 2022 in accordance with Article 21(1) of Regulation (EU) 2021/241 on the grounds that the RRP is partially no longer achievable because of objective circumstances. The modifications to the RRP submitted by Hungary concern 19 measures.

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<sup>1</sup> See documents ST 15447/2022 and ST 15447/2022 ADD 1 at <http://register.consilium.europa.eu>.

- (5) On 14 July 2023, the Council addressed recommendations to Hungary in the context of the European Semester. The Council recommended that Hungary, inter alia, pursue effective coordination of macroeconomic policies, phase out price and interest-rate caps, target housing support to low-income households, strengthen the fiscal framework, improve access to the labour market for disadvantaged groups, improve the adequacy of social assistance, ensure effective social dialogue and improve the regulatory framework and competition in services. The Council also recommended that Hungary reduce overall reliance on fossil fuels by accelerating the deployment of renewables, phase out subsidies for fossil fuels, reform balancing energy market rules and tariff setting, upgrade the electricity infrastructure, diversify imports of fossil fuels and improve energy efficiency, in particular in buildings. The Council recommended adjusting the current system of regulated energy prices to encourage energy saving while providing targeted support for low-income households. Recommendations also include stepping up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.
- (6) The submission of the modified RRP followed a consultation process, conducted in accordance with the national legal framework, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The summary of the consultations was submitted together with the modified national RRP. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the modified RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

Loan request based on Article 14(2) of Regulation (EU) 2021/241

- (7) The modified RRP submitted by Hungary includes a request for a loan support for the implementation of one additional measure. The measure is expected to contribute to addressing the challenges related to the labour market and facilitate the reintegration of parents with small children into the labour market.
- (8) In particular, Hungary has requested loan support to implement a new investment under component 1. Investment 5 (Creation of further new crèche places) under component 1 (Demography and public education) consists of increasing further the availability of early childhood education services, by creating 519 new crèche places in addition to the new crèche places to be created under the RRP with the non-repayable support. The measure increases the level of ambition of investment 4 (Creation of new crèche places) under component 1 (Demography and public education).

Amendments based on Article 21 of Regulation (EU) 2021/241

- (9) The amendments to the RRP submitted by Hungary because of objective circumstances concern 19 measures.

- (10) Hungary has explained that two measures are no longer totally or partially achievable as envisaged in the RRP due to high inflation. This concerns, milestones 68, 69, 70 and 71 of investment 1 (Construction of main water replacement systems, development of new networks and systems) under component 4 (Water Management) and the reduction of targets with sequential number 119 and 120, as well as the final target 121 of investment 2 (Support for the use of residential solar panels and heating modernisation) under component 6 (Energy – Green transition). On this basis, Hungary has requested that the investment description and milestones of investment 1 (Construction of main water replacement systems, development of new networks and systems) under component 4 be removed and that the level of required implementation of targets 119, 120 and 121 be reduced. The Council Implementing Decision of 15 December 2022 should be amended accordingly.

- (11) Hungary has explained that four measures are no longer partially achievable because of technical difficulties during implementation related to delays and capacity shortages and increased demand for electrification. This concerns the postponement of milestones 80 and 81, the reduction and amendment of targets 81 and 82, the reduction of target 83 and the amendment of the measure description of investment 1 (Capacity building of suburban rail network) under component 5 (Sustainable green transport); the postponement of milestone 87 and target 90 of investment 2 (Rail network congestion switching on TEN-T corridor) under component 5; the postponement of milestone 91 under investment 3 (Development of zero-emission bus transport) under component 5; and the postponement of milestone 94 and the reduction of target 95 under investment 4 (Deployment of central traffic management on TEN-T railways) under component 5. Hungary has also explained that one additional measure is no longer partially achievable because of technical difficulties related to technical unfeasibility and delays in IT developments. This concerns milestone 243 of reform 29 (Extension of the automatic administrative decision-making system with a view to increasing efficiency, transparency and reducing risks of irregularities) under component 9 (Governance and Public Administration). On this basis, Hungary has requested that the descriptions of those measures, milestones and targets be amended. The Council Implementing Decision of 15 December 2022 should be amended accordingly.

- (12) Hungary has explained that one measure is no longer totally achievable because of supply chain disruptions following Russia's war of aggression against Ukraine. This concerns the removal of milestones 137 and 138 of investment 1 (Strengthening a smart, innovative and sustainable waste management industry and secondary raw materials market) under component 7 (Transition to a Circular Economy). On this basis, Hungary has requested that the descriptions of that measure and of those milestones be amended. The Council Implementing Decision of 15 December 2022 should be amended accordingly.
- (13) Hungary has explained that one measure is no longer totally achievable because of lack of demand. This concerns milestones 122 and 123 and targets 124 and 125 of the investment 3 (Installation of energy storage facilities for the transmission system operator and distribution system operators) under component 6 (Energy – Green transition). On this basis, Hungary has requested that the descriptions of those milestones and targets and of that investment be removed. The Council Implementing Decision of 15 December 2022 should be amended accordingly.

- (14) Hungary has explained that three measures have been modified to implement better alternatives in order to achieve the original ambition of the measure. This concerns milestones 97 and 98 of reform 1 (Deployment of a single national tariff, ticketing and passenger information system for bus and rail by the National Public Transport Authority) under component 5 (Sustainable green Transport), milestone 99 and the description of the reform 1 (Transformation of electricity regulation) under component 6 (Energy – Green transition) and milestones 127, 128 and 129 of investment 4 under component 6. On this basis, Hungary has requested that those milestones and targets be amended. The Council Implementing Decision of 15 December 2022 should be amended accordingly.

- (15) Hungary has further requested to use the remaining resources freed up by the removal of measures under Article 21 of Regulation (EU) 2021/241 to compensate for cost increase of two measures, to increase the level of ambition of three measures and to include three new measures. This concerns target 25 of investment 4 (Creation of new crèche places) under component 1 (Demography and public education); milestones 72, 73 and 74 of investment 2 (Establishment of a monitoring system) under component 4 (Water Management); target 95 under investment 4 (Deployment of central traffic management on TEN-T railways) under component 5 (Sustainable green transport); new investment 5 (Development of tram and trolleybus system of Budapest) under component 5; target 117 of investment 1 (Classic and smart grid development for transmission system operator and distribution system operators) under component 6 (Energy – Green transition); new milestones 369 and 370, target 371 of investment 6 (Energy efficiency investments in public buildings) under component 6; and new investment 2 (Construction of smart waste collection infrastructure for separate collection and related zero-emission collection vehicles) under component 7 (Transition to a circular economy).

- (16) Hungary has requested to include one additional reform 2 (Awareness raising) under component 7 (Transition to a Circular Economy). The reform includes the adoption of a national communication action plan and of a communication strategy. On this basis, Hungary has requested that that measure be added to the RRP. The Council Implementing Decision of 15 December 2022 should be amended accordingly.
- (17) The Commission considers that the reasons put forward by Hungary justify the amendment pursuant to Article 21(2) of Regulation (EU) 2021/241.
- (18) The distribution of milestones and targets in instalments should be amended to take into account the new allocation, the amendments to the RRP and the indicative timeline presented by Hungary.

## Corrections of clerical errors

- (19) Seven clerical errors have been identified in the text of the Council Implementing Decision of 15 December 2022. The Council Implementing Decision of 15 December 2022 should be amended to correct those clerical errors, that do not reflect the content of the RRP submitted to the Commission on 3 November 2022, as agreed between the Commission and Hungary. Those clerical errors relate to target 45 of investment 4 (Vocational education and training infrastructure for the 21st century) under component 2 (Highly qualified, competitive workforce); target 60 of investment 3 (Promoting employment and skills development based on local specificities) under component 3 (Catching up settlements); reform 1 (Awareness raising) under component 4 (Water Management); target 146 of investment 1 (Developing the conditions for healthcare in the 21st century) under component 8 (Health); reform 1 (Establishment of an Integrity Authority to reinforce the prevention, detection and correction of fraud, conflicts of interest and corruption as well as other illegalities and irregularities concerning the implementation of Union support in Hungary) and reform 3 (Introduction of a specific procedure in the case of special crimes related to the exercise of public authority or the management of public property ('judicial review')) under component 9 (Governance and Public Administration) and milestones 231, 232 and 233 of reform 26 (Improving transparency and access to public information) under component 9 (Governance and Public Administration). Those corrections do not affect the implementation of the measures concerned.

The REPowerEU chapter based on Article 21c of Regulation (EU) 2021/241

- (20) The REPowerEU chapter includes 13 new reforms and 16 new investments. The REPowerEU chapter includes scaled-up measures affecting two measures under component 6 (Energy – Green transition). The scaled-up measures included in the REPowerEU chapter introduce a substantive improvement in the level of ambition of the measures already included in the RRP.
- (21) Energy poverty is tackled by a reform aimed at levelling the playing field for applying to EU-funded residential energy efficiency support schemes (C10.R12: Supporting potential beneficiaries’ applications for EU-funded residential energy efficiency support schemes) and by an investment supporting energy efficiency in residential buildings (C10.I13: Setting up a financial instrument to improve the energy efficiency of residential buildings and tackle energy poverty).

- (22) The REPowerEU chapter includes reforms and investments aimed at the integration of energy stemming from renewable energy sources in the Hungarian electricity system and strengthen the electricity system. Those reforms and investments concern the scaled-up investments into grid development and dissemination of smart meters, which are part of an overarching investment into grid development (C10.I1: Electricity network development and digitalisation); and the new investments relating to the digitalisation activities by the system operators, improvement of weather forecasting accuracy for better energy production estimation (C10.I1: Electricity network development and digitalisation) and digitalisation activities in the energy sector (C10.I5: Digitalisation of energy companies). Reforms in this area include measures having the objective to improve transparency, predictability and availability of grid connection procedure for renewables, in particular commitment of issuing 12 000 MW grid connection authorisations to weather-dependent renewable power plants (C10.R1: Improving the transparency, predictability and availability of the grid connection procedure) and establishing a standardised approach for connection applications to be applied by distribution system operators (C10.R1: Improving transparency, predictability and availability of the grid connection procedure); enhancing the use of smart meters to better exploit the technology (C10.R3: Adapting the legislation on smart meters); establishing a comprehensive regulatory framework for energy storage (C10.R8: Legal incentives for the uptake of energy storage); ensuring that transmission and distribution tariffs are non-discriminatory and cost-reflective (C10.R2: Setting network tariffs). Reforms also include the revision of the legislation concerning energy communities to incentivise their development and participation in activities such as collective production and consumption (C10.R7: Expanding energy communities); introducing legislative and policy amendments to improve the market access and service development of aggregators (C10.R4: Strengthening the role of aggregators); amending the framework to open the market to new supply-side players in the regulatory reserve market (C10.R6: Renewing the product structure of regulatory reserve markets to facilitate market entry for new types of flexibilities); and introduction of dynamic pricing in the retail market (C10.R5: Wider use of dynamic pricing in electricity purchase agreements).

- (23) The REPowerEU chapter includes several measures to increase Hungary's renewable energy potential. Those measures concern the reform related to the revision of the regulatory framework (C10.R11: Improving the geothermal energy regulatory framework) and two investments to promote the exploration and use of geothermal energy (C10.I11: Supporting geothermal energy exploration; C10.I16: Setting up a financial instrument to support geothermal energy exploration and exploitation); adjustment of the legal framework to encourage the development of a renewable hydrogen ecosystem (C10.R9: Ensuring a legal framework for renewable hydrogen) and the investment supporting the production and use of renewable hydrogen (C10.I6: Hydrogen investments); and development of a strategy and action plan to promote the uptake of sustainable biogas and biomethane production (C10.R10: Development of a strategy and action plan for biogas and biomethane).
- (24) New investments also contribute to the decarbonisation and the deployment of the renewable energy production of the Hungarian economy. Those investments concern the decarbonisation of the activities of industrial, science and technology, and logistics parks (C10.I2: Greening of industrial-, science and technology- and logistics parks for energy purposes); support to the upstream manufacturing of products and providing of services contributing to the green transition (C10.I3: Building green economy production capacities); and the decarbonisation of industrial processes (C10.I4: Application of green technologies for the decarbonisation of industry).

- (25) Other new measures contribute to improving energy efficiency. Those measures concern support for energy efficiency improvements of public buildings (C10.I8: Energy efficiency investments in public buildings) as well as the setting up of financial instruments to support energy efficiency investments of companies (C10.I12: Setting up a financial instrument to improve companies' energy efficiency) and energy efficiency improvements of residential buildings (C10.I13: Setting up a financial instrument to improve the energy efficiency of residential buildings and tackle energy poverty). A reform in this field is aimed at providing technical assistance for the preparation of the applications of potential beneficiaries of energy efficiency support schemes financed by EU funds (C10.R12: Supporting potential beneficiaries' applications for EU-funded residential energy efficiency support schemes).

- (26) Other new investments are aimed at the decarbonisation of transport. Those investments concern the electrification of a railway section and developing the capacity of the electricity network of railways by building or reconstructing substations (C10.I9: Electrification of railway sections); setting up a financial instrument to boost the electromobility sector by developing the charging infrastructure for electric vehicles (C10.I14: Setting up a financial instrument to increase the rollout of recharging stations for electric vehicles (EVs)); encouraging the private sector's uptake of electric vehicles through grant support and by setting up a financial instrument (C10.I10: Boosting companies' uptake of battery-electric vehicles (BEVs); C10.I15: Setting up a financial instrument to support the purchase of battery-electric vehicles (BEVs) by fleet providers); and investment in hydrogen mobility (C10.I6: Hydrogen investments). The reform related to the hydrogen ecosystem is expected to create enabling conditions for the uptake of hydrogen in transport (C10.R9: Ensuring a legal framework for renewable hydrogen).
- (27) The REPowerEU chapter contains new measures to develop green skills. Those measures concern the reform that should establish a national strategy on skills for the green transition and an action plan for its implementation (C10.R13: National strategy for developing green skills) as well as the investment that is to support the workforce in acquiring green skills (C10.I7: Strengthening human resources in the green economy) and the improvement of services needed for activities contributing to climate change mitigation (C10.I3: Building green economic production capacities).

- (28) The Commission has assessed the modified RRP, including the REPowerEU chapter, against the assessment criteria laid down in Article 19(3) of Regulation (EU) 2021/241.

Balanced response contributing to the six pillars

- (29) In accordance with Article 19(3), point (a), of and Annex V, criterion 2.1, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, represents to a large extent (rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all of the six pillars referred to in Article 3 of that Regulation, taking into account the specific challenges faced by and the financial allocation for the Member State concerned.
- (30) The modified RRP, including the REPowerEU chapter, continues to cover in a comprehensive manner the six pillars structuring the scope of application of the Recovery and Resilience Facility established by that Regulation (the ‘Facility’): (a) green transition, (b) digital transformation, (c) smart, sustainable and inclusive growth, (d) social and territorial cohesion, (e) health and economic, social and institutional resilience, and (f) policies for the next generation. The main objectives of the RRP are unchanged and aim to improve Hungary’s growth potential, job creation, and economic, social, and institutional resilience that should ultimately reduce the country’s vulnerability to shocks.

- (31) The modified RRP, including the REPowerEU chapter, includes further measures to support the green transition pillar, in particular through deployment of renewable energy sources, electrification through grid developments, improving energy efficiency in both public and residential buildings, expansion of alternative mobility, and development of green skills. The modified RRP also includes further measures supporting the digital transition, in particular developing digital skills, digitalisation of public services, deployment of national single tariff, ticketing and passenger information system based on digital technologies.
- (32) Moreover, the modified RRP includes measures to enhance social and territorial cohesion, in particular through development of suburban and regional railway networks aimed at increasing social mobility, especially in lagging regions, and support for energy poor households. The modified RRP includes further measures advancing policies for the next generation and ensuring gender balance, in particular through investments in upskilling and reskilling in green skills areas, and creation of additional creche places that should improve women's access to the labour market and reduce employment gaps.

Addressing all or a significant subset of challenges identified in country-specific recommendations

- (33) In accordance with Article 19(3), point (b), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, is expected to contribute to effectively addressing all or a significant subset of challenges (rating A) identified in the relevant country-specific recommendations addressed to Hungary, including fiscal aspects thereof, and recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 of the European Parliament and of the Council<sup>1</sup>, or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.
- (34) In particular, the modified RRP, including the REPowerEU chapter, takes into account country-specific recommendations formally adopted by the Council prior to the assessment of the modified RRP by the Commission. As the size of the RRP increased following an additional loan request intended to be used not exclusively for REPowerEU objectives, all 2022 and 2023 structural recommendations are considered in the overall assessment. The loan support is requested almost exclusively for measures included in the REPowerEU chapter, therefore, the assessment is focused on the energy-related recommendations of 2023. The modified RRP introduces changes to a limited number of investments under Article 21 of the Regulation (EU) 2021/241. Those changes do not affect the overall level of ambition of the RRP with regard to addressing all or a significant subset of challenges identified in country-specific recommendations.

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<sup>1</sup> Regulation (EU) No 1176/2011 of the European Parliament and of the Council of 16 November 2011 on the prevention and correction of macroeconomic imbalances (OJ L 306, 23.11.2011, p. 25).

- (35) Having assessed progress in the implementation of all country-specific recommendations as part of 2023 European Semester, the Commission finds that substantial progress had been made on ensuring liquidity to Small and mid-size enterprises (2020 recommendations 3.1) and promoting private investment (2020 recommendation 3.3).
- (36) The modified RRP, including the REPowerEU chapter, includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Hungary by the Council in the context of the European Semester, in particular regarding the green and digital transition, energy, education, labour market, social policy, healthcare, the anti-corruption framework, judicial independence, competition in public procurement, the quality and transparency of decision-making, taxation and aggressive tax planning, and the pension system. By addressing those challenges, the modified RRP is also expected to contribute to correcting the imbalances, as identified in recommendations made pursuant to Article 6 of Regulation (EU) No 1176/2011 in 2023, that Hungary is experiencing, in particular with regard to very strong price pressures and external and government financing needs.

- (37) The modifications to Hungary's RRP do not affect the outcome of the previous assessment that the RRP is contributing to effectively addressing all or a significant subset of the country-specific recommendations addressed to Hungary for the years 2019, 2020 and 2022. In the modified RRP, Hungary removes or reduces the ambition of a limited number of investments but compensates this reduction by adding new investments and scaling up existing ones. The ambition level in relation to the recommendation on water and waste management decreases. However, at RRP level, the overall ambition does not decrease. Many of the new measures help further address country-specific recommendations mainly related to energy that are already partly addressed by the existing RRP. The new measures address the energy-related country-specific recommendations of 2023.

(38) The REPowerEU chapter reinforces the ambition of the RRP as regards most of the relevant country-specific recommendations in the field of energy (2022 recommendation 6 and 2023 recommendation 4), in particular to reduce overall reliance on fossil fuels, accelerate the deployment of renewables, reform balancing energy market, upgrade the electricity infrastructure, improve energy efficiency in buildings, adjust the current system of regulated energy prices and step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition. The REPowerEU chapter includes several reforms in addition to those already included in the RRP to further accelerate the deployment of renewables, in particular by streamlining the permitting procedures (2022 recommendation 6.2 and 2023 recommendation 4.2). Those reforms concern renewing the product structure of regulatory reserve markets, legal incentives for the uptake of energy storage, ensuring a legal framework for hydrogen, harmonisation of the electricity grid connection procedure and improving the geothermal energy regulatory framework. Investments in the REPowerEU chapter also contribute to the deployment of renewables, such as greening of industrial parks for energy purposes, hydrogen and geothermal energy exploration.

- (39) The REPowerEU chapter also includes investments on electricity network development, which increases the ambition of the existing measure in the RRP, and energy digitalisation to improve the security of electricity supply. Both investments contribute to further addressing the challenge related to upgrading of the electricity infrastructure (2022 recommendation 6.3 and 2023 recommendation 4.5). Several investments in this chapter improve the energy efficiency of buildings (2022 recommendation 6.5 and 2023 recommendation 4.7) and these are additional measures to the ones in the other components of the RRP. These additional measures include a subsidy programme to improve the energy efficiency of residential buildings, public buildings and companies. The REPowerEU chapter consists of investments on electrification of railways and subsidies for boosting the private sector's uptake of electric vehicles and recharging stations. These investments contribute to further addressing the challenge related to improving the sustainability of transport (2022 recommendation 6.6). The chapter contains reform and investment on skilling, upskilling and reskilling the workforce to acquire green skills, which contribute to addressing the relevant country-specific recommendations (2022 recommendation 5.3 and 2023 recommendation 4.9).
- (40) The modified RRP increases the ambition of an already existing measure in the adopted RRP regarding the creation of new places in crèches. This measure should contribute to addressing the country-specific recommendation on the integration of the most vulnerable groups in the labour market (2019 recommendation 2.1 and 2022 recommendation 3.1).

Contribution to growth potential, job creation and economic, social and institutional resilience

- (41) In accordance with Article 19(3), point (c), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, is expected to have a high impact (rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Hungary, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.
- (42) The modified RRP, including the REPowerEU chapter, continues to support Hungary's recovery and improve its long-term growth prospects through a range of investments and reforms. The main objectives of the RRP are unchanged and aim to improve Hungary's growth potential, job creation, and economic, social and institutional resilience, which should ultimately reduce the country's vulnerability to shocks. Measures in the new REPowerEU chapter are expected to enhance energy independence and security (for example, the reform on expanding energy communities (C10.R7)), decarbonisation through reforms and investment in renewable energy sources and electrification (for example, the investments on greening industrial, science and technology, and logistics parks (C10.I2) and the application of green technologies for the decarbonisation of industry (C10.I4)), energy efficiency (for example, measures involving a medium-depth energy-efficient renovation (C10.I8, C10.I12, and C10.I13)), zero-carbon mobility (C10.I9, C10.I10, C10.I14, C10.I15), and the development of skills needed for the green transition (C10.R13, C10.I7).

- (43) In the modified RRP, various measures have been changed, but overall maintain the level of ambition of the original RRP. Additional 16 investments and 13 reforms are introduced in the REPowerEU chapter. The modified RRP is expected to have a more significant impact on the economy as a result of the sizeable new REPowerEU chapter. The effect on economic cohesion is expected to be moderate whereas the new REPowerEU chapter is expected to reduce weaknesses and vulnerabilities of the economy in a pronounced way in the field of energy even more than the original RRP.
- (44) The modified RRP, including the REPowerEU chapter, continues to support social cohesion and social protection systems. In component 1, the increased ambition of measure C1.I4 (Creation of new crèche places) and the new measure C1.I5 (Creation of further new crèche places) should generate additional crèche places, which should further improve women's access to the labour market and help reduce employment gaps.

- (45) In the REPowerEU chapter, measure C10.R12 provides technical assistance to potential beneficiaries of energy efficiency support schemes financed by all EU funds, in particular to vulnerable households and households living in energy poverty. A financial instrument will be set up to finance energy efficiency renovations of residential buildings and at least 10 % of the support will be reserved for energy-poor households. The modified RRP also contains a measure (C10.I7) to skill and upskill workforce in areas needed for the green transition, with priority given to unemployed, inactive labour force and workers from micro and small enterprises, thus ensuring equal opportunities for all and increasing social cohesion. This measure envisages development of new green skills learning content for different courses, including micro-credential courses, to be integrated into formal accredited vocational and higher education programmes, thereby contributing to increasing learning and employment opportunities for children and youth.

Do no significant harm

- (46) In accordance with Article 19(3), point (d), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, is expected to ensure that no measure (rating A) for the implementation of reforms and investments projects included in this RRP does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council<sup>1</sup> (the principle of ‘do no significant harm’).

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<sup>1</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

(47) Hungary has provided comprehensive self-assessments for all modified components and the investments of the REPowerEU chapter, including substantive assessments for environmental objectives at risk, thereby providing reassurance that all major environmental concerns are addressed in line with the technical guidance provided in the Commission Notice entitled ‘Technical guidance on the application of “do no significant harm” under the Recovery and Resilience Facility Regulation’<sup>1</sup>. For several measures, conditions were introduced as a precaution to ensure compliance with the principle of ‘do no significant harm’. This includes for activities under the emissions trading system under Directive 2003/87/EC of the European Parliament and of the Council<sup>2</sup> safeguards to achieve projected greenhouse gas emissions below the relevant benchmarks, and significantly below the relevant benchmarks as far as possible. Moreover, for all financial instruments and the investment on green economic production capacities (C10.I3), a list was introduced that aims to ensure activities and assets that are not in line with the principle of ‘do no significant harm’ are not being supported. Similarly, safeguards to ensure that only sustainable biomethane and renewable hydrogen in line with Directive (EU) 2018/2001 of the European Parliament and of the Council<sup>3</sup> are being supported were introduced where necessary and safeguards to geothermal drilling activities were added. The need for an additional safeguard for one of the rail electrification projects (C10.I9) on circular economy was identified and addressed through a safeguard. On this basis, the modified RRP is expected to ensure that no measure does significant harm.

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<sup>1</sup> OJ C 58, 18.2.2021, p. 1.

<sup>2</sup> 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 (OJ L 275, 25.10.2003, p. 32).

<sup>3</sup> Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82).

- (48) No measure under the modified RRP, including the REPowerEU chapter, falls under Article 21c(3), point (a), of Regulation (EU) 2021/241.

Contribution to the REPowerEU objectives

- (49) In accordance with Article 19(3), point (da), of and Annex V, criterion 2.12, to Regulation (EU) 2021/241, the REPowerEU chapter is expected to effectively contribute to a large extent (rating A) to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030.

(50) The REPowerEU chapter contributes to boosting energy efficiency in buildings and critical energy infrastructure, increasing the production and uptake of sustainable biomethane and of renewable or fossil-free hydrogen, and increasing the share and accelerating the deployment of renewable energy through the investment supporting the deployment of renewable energy production capacities in industrial parks (C10.I2); reform improving the geothermal energy regulatory framework (C10.R11) coupled with two investments to support geothermal energy exploration and exploitation (C10.I11 and C10.I16); reforms and investments incentivising the production and use of renewable hydrogen (C10.R9 and C10.I6); the development of a strategy and action plan for biogas and biomethane (C10.R10); the investments in energy efficiency in residential (C10.I13), companies' (C10.I12) and public sector's (C10.I8) buildings; and the reform providing technical assistance to potential beneficiaries of energy efficiency support schemes financed by EU funds (C10.R12). Measures contributing to the decarbonisation of industry include those concerning support for industrial, science and technology, and logistics parks in their efforts to deploy renewables (C10.I2), the installation of energy storage, the use of residual heat and support for energy efficiency improvements; the manufacturing of products and provision of services that are related to the green transition towards a net-zero economy (C10.I3); and green technologies (C10.I4), in accordance with Article 21c(3), point (b), of Regulation (EU) 2021/241.

- (51) The REPowerEU chapter also contributes to addressing energy poverty through a reform and an investment supporting the energy efficiency improvements of households, with a specific focus on lower-income and energy-poor households (C10.R12 and C10.I13), in accordance with Article 21c(3), point (c), of Regulation (EU) 2021/241.
- (52) The REPowerEU chapter also contributes to incentivising reduction of energy demand through the aforementioned energy efficiency improvements (C10.I12, C10.I13, C10.I8), industry decarbonisation measures (C10.I2, C10.I3), enhancing the use of smart meters (C10.R3, C10.I1) and digital monitoring systems (C10.I1), opening the energy market to supply-side players (C10.R6), as well as investments related to green technology (C10.I4), in accordance with Article 21c(3), point (d), of Regulation (EU) 2021/241.

(53) The REPowerEU chapter also contributes to addressing internal and cross-border energy transmission and distribution bottlenecks, supporting electricity storage and accelerating the integration of renewable energy sources, and supporting zero-emission transport and its infrastructure, including railways, through a wide range of reforms and investments. This objective is served by the reforms strengthening the role of energy communities (C10.R7) and aggregators (C10.R4), improving regulatory reserve markets (C10.R6), incentivising the uptake of electricity storage (C10.R8), enhancing the range of consumers that are to use smart meters (C10.R3) and harmonising the way the connection application rules are applied by the distribution system operators (C10.R1), and the introduction of dynamic pricing in the residential sector on a voluntary basis (C10.R5). Investments into smart meters, grid development, digitalisation, improvement of the weather forecast system (C10.I1), energy storage in industrial parks (C10.I2) should also strengthen the energy sector and help the integration of renewable energy. Zero-emission transport and related infrastructure should be supported through investments in electrifying railways (C10.I9), supporting the uptake of battery-electric vehicles and recharging stations (C10.I10 and C10.I14), hydrogen fuel-celled vehicles and refuelling stations as well as through the reform on hydrogen mobility (C10.I6 and C10.R9), in accordance with Article 21c(3), point (e), of Regulation (EU) 2021/241.

- (54) The REPowerEU chapter also contributes to supporting the above objectives with the reform aimed at developing a national strategy and an action plan on green skills (C10.R13) as well as an investment supporting the current and future workforce to acquire the skills needed for the green transition (C10.I7) by developing courses and related content and providing training to 50 000 professionals. The digitalisation of the energy sector as a means of enabling the energy transition and sub-measures such as improving the accuracy of weather forecasting for the electricity grid (C10.I1) also create enabling conditions, in accordance with Article 21c(3), point (f), of Regulation (EU) 2021/241.
- (55) The measures in the REPowerEU chapter are therefore consistent with the efforts of Hungary to achieve the objectives set out in Article 21c(3) of Regulation (EU) 2021/241. In particular, the contributions to addressing internal and cross-border energy transmission, boosting of energy efficiency in buildings, promoting the uptake of sustainable biomethane, renewable hydrogen and other renewable energy generation and use, the decarbonisation of industry and zero-emission transport are significant.
- (56) The measures in the REPowerEU chapter are also consistent with the initial RRP as REPowerEU measures build on reforms and investments in the initial RRP, in particular in the field of energy efficiency and renewable energy sources, as well as sustainable transport.

Measures having a cross-border or multi-country dimension or effect

- (57) In accordance with Article 19(3), point (db), of and Annex V, criterion 2.13, to Regulation (EU) 2021/241, the measures included in the REPowerEU chapter are expected to a large extent (rating A) to have a cross-border or multi-country dimension or effect.
- (58) The REPowerEU chapter contains measures to develop energy infrastructure to facilitate the further deployment of renewable energy sources; energy efficiency measures for households, companies and public sector and measures promoting alternative mobility both electric and hydrogen. This is expected to reduce dependence on fossil fuels and energy demand.
- (59) The total costs of the measures with a cross-border dimension account for 83 % of the estimated costs of the REPowerEU chapter.
- (60) The choice of rating A is justified by the high share of estimated costs with a cross-border dimension, together with the fact that the measures in the REPowerEU chapter contribute to both securing the energy supply and reducing energy demand and dependence on fossil fuels.

## Contribution to the green transition, including biodiversity

- (61) In accordance with Article 19(3), point (e), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, contains measures that contribute to a large extent (rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 67,1 % of the RRP's total allocation and 91,7 % of the total estimated costs of measures in the REPowerEU chapter calculated in accordance with the methodology set out in Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of that Regulation, the modified RRP, including the REPowerEU chapter, is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(62) The modified RRP maintains the overall level of ambition of the original RRP with regard to the green transition. The removal of investments ‘Construction of main water replacement systems, development of new networks and systems’, ‘Strengthening a smart, innovative and sustainable waste management industry and secondary raw materials market’ and ‘Installation of energy storage facilities for the transmission system operator and distribution system operators’ lower Hungary’s ambition in the dimensions of water management, secondary raw materials as part of circular economy, and energy storage. At the same time, other dimensions such as the improvement of public transport infrastructure (investment ‘Development of tram and trolleybus system of Budapest’) and circular economy through incentivising waste separation and collection as the first step of the end-of-life value chain, to mitigate the negative effects on biodiversity through littering and landfilling, are strengthened. Measures in the REPowerEU chapter further develop the green transition dimension of the original RRP. In particular, the expected effect of the original RRP, with measures on promoting the deployment of renewable energy systems, sustainable transport and energy efficiency of buildings, is amplified by additional enabling reforms and complementary investments.

- (63) The measures in the REPowerEU chapter significantly increase the contribution of the RRP to the green transition, including biodiversity. Supported measures are expected to reduce greenhouse gas emissions and pollutants in the energy, industry, transport and buildings sector. In the energy sector, grid development and digitalisation, the deployment of renewable energy production capacities, including bio- and geothermal energy and sustainable hydrogen, as well as reforms removing bottlenecks to the sector's transition such as on dynamic pricing and network tariffs contribute towards the attainment of the Union's 2030 and 2050 climate targets. In the industrial sector, the decarbonisation of industrial processes, energy efficiency measures but also the improvement of framework conditions such as for sustainable hydrogen and bioenergy enable the sector's transition away from fossil fuels. In the transport sector, the switch to a sustainable transport system through electric rail infrastructure, battery-electric vehicles and recharging stations, and hydrogen transport vehicles and refuelling stations is supported. Finally, in the buildings sector, energy-efficient renovation of residential, commercial and public buildings should lead to a reduction in energy consumption. Most measures are expected to have co-benefits for biodiversity through their expected effect on decreasing the emission of air pollutants and climate change mitigation effect.

- (64) The measures on sustainable hydrogen exemplify that reforms and investments contributing to the green transition are largely complementary and should work in conjunction with important reforms at the national level in Hungary, such as the National Hydrogen Strategy. Other examples include the energy renovation of residential buildings reform and investment, the deployment of renewable energy systems and grid connection reform, and the green skills reform and investments; all three issues are also focus topics of the National Energy and Climate Plan.

#### Contribution to the digital transition

- (65) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the modified RRP contains measures that contribute to a large extent (rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 29,1 % of the modified RRP's total allocation calculated in accordance with the methodology set out in Annex VII to Regulation (EU) 2021/241.
- (66) The modifications proposed to the original RRP do not impact the ambition towards the digital transition, therefore the result of the assessment remains unchanged. The revised RRP continues to support the development of digital skills, digitalisation of public administration and of the economy, creating a lasting impact.

- (67) The REPowerEU chapter is expected to contribute to the digital transition and to addressing the resulting challenges by supporting the digitalisation of system operators (C10.I1: Electricity network development and digitalisation) and the installation of smart meters, thus contributing to the security of electricity supply and the operational efficiency of the electricity system. In accordance with Article 21c(5) of Regulation (EU) 2021/241, reforms and investments in the REPowerEU chapter are not to be taken into account when calculating the RRP's total allocation for the purpose of applying the digital target requirement set by that regulation.

#### Lasting impact

- (68) In accordance with Article 19(3), point (g), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, is expected to have a lasting impact on Hungary to a large extent (rating A).
- (69) The reforms 'Strengthening the role of aggregators' (C10.R4), 'Renewing the product structure of regulatory reserve markets to facilitate market entry for new types of flexibilities' (C10.R6) and 'Expanding energy communities' (C10.R7) in the REPowerEU chapter are expected to provide a comprehensive regulatory framework and to ease barriers where needed for the electricity reserve markets, energy communities and aggregators. Other reforms such as 'Adapting the legislation on smart meters' (C10.R3) and 'Wider use of dynamic pricing in electricity purchase agreements' (C10.R5) pave the way for further electrification of the energy sector.

- (70) The investments in the REPowerEU chapter: ‘Hydrogen investments’ (C10.I6) and ‘Supporting geothermal energy exploration’ (C10.I11) should lead to the further deployment of renewable energy sources and should help reduce Hungary’s external energy dependence, thereby increasing the country’s resilience for future energy shocks. ‘Application of green technologies for the decarbonisation of industry’ (C10.I4) and ‘Building green economy production capacities’ (C10.I3) contribute to the greening of industrial processes and should help preserve the country’s economic competitiveness in the green transition.

#### Monitoring and implementation

- (71) In accordance with Article 19(3), point (h), of and Annex V, criterion 2.8, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP, including the REPowerEU chapter, are adequate (rating A) to ensure effective monitoring and implementation of the RRP, including the envisaged timetable, milestones and targets, and the related indicators.

(72) The modified RRP includes an update of the monitoring and implementation framework. The deputy state secretariat responsible for the implementation of the RRP (hereafter the ‘National Authority’) in the ministry responsible for the implementation of Union support remains responsible for the overall coordination of the RRP and for monitoring progress towards fulfilling the milestones and targets. However, all the implementation tasks are delegated to implementing bodies, a sub-granting body as well as to the Hungarian Development Bank for the new investments envisaged to be implemented through financial instruments. The nature and extent of the proposed modifications to the RRP do not have an impact on the original assessment of the effective monitoring and implementation of the RRP. The structure tasked with the implementation, monitoring and reporting of the RRP has been reinforced and the overall arrangements proposed by Hungary in terms of organisation of the implementation of the reforms and investments remain credible. The milestones and targets that accompany the modified or additional measures, including those in the REPowerEU chapter, are clear and the proposed indicators for those milestones and targets are relevant, acceptable and robust.

#### Costing

(73) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the modified RRP, including the REPowerEU chapter, on the amount of the estimated total costs of the RRP is to a medium extent (rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate with the expected national economic and social impact.

(74) Hungary has provided sufficient information and evidence to consider that the costs are reasonable and plausible overall. Hungary has provided individual cost estimates for all the amended or new investments of its modified RRP. The costs for most of the measures have been estimated based on a bottom-up approach, with the authorities presenting the units that make up the investment and their unit costs being estimated based on market prices or prices of similar units in past investments or on indicative offers from suppliers. For other measures, a top-down approach has been used where the overall cost of the project is based on similar projects from the past. In some cases, details on the methodology and assumptions used to make the cost estimates were limited, or less clear, thus preventing a rating A under this assessment criterion. Most of the costs are backed by appropriate justification and explanations that the amounts do not include costs covered by existing or planned Union financing. Finally, the estimated total cost of the RRP is in line with the principle of cost-efficiency and commensurate with the expected national economic and social impact.

## Protection of the financial interests of the Union

- (75) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the modified RRP, including the REPowerEU chapter, are adequate (rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in accordance with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council<sup>1</sup>.
- (76) The assessment of the original RRP, in accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, considered the arrangements proposed therein to be adequate (rating A) to prevent, detect and correct corruption, fraud and conflicts of interest, including by establishing 27 milestones related to the Hungarian control system aimed at the protection of the financial interests of the Union as a precondition for any payment under Article 24 of Regulation (EU) 2021/241<sup>2</sup>. This precondition equally applies to the loan part of the modified RRP. This requirement is in line with and without prejudice to the remedial measures Hungary has proposed in the context of the procedure under Article 6 of Regulation (EU, Euratom) 2020/2092.

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<sup>1</sup> Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1).

<sup>2</sup> This is the case for milestones 160, 166, 169, 171, 174, 175, 195, 197, 198, 200, 201, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227 and 228.

- (77) Since the original assessment, the Commission has had access to information on Hungary's audit and control system's actual implementation. This includes the preliminary findings of the audit on the protection of the financial interests of the Union performed by the Commission in Hungary.
- (78) In light of this information, the Commission considers that the internal control system of Hungary's RRP is adequate overall. Taking also into account the 27 milestones related to the Hungarian control system aimed at the protection of the financial interests of the Union, the internal control system and arrangements proposed in the revised RRP including its REPowerEU chapter are based on robust processes and structures, clearly identifying the roles and responsibilities of different bodies involved in the implementation, monitoring, control and audit of the RRP, as well as for their interactions. Those robust processes and structures provide for a clear segregation of the control and audit functions and responsibilities. It has been proposed that the National Authority will continue to have overall responsibility for the coordination of the RRP and for performing controls on implementing bodies and the sub-granting body. In line with the original setup, the National Authority is to be responsible for the preparation and submission to the Commission of the payment requests as well as the related management declarations based on verified data from the monitoring system.

However, the responsibility of the National Authority is to be changed in relation to other tasks as it delegated all implementation tasks to implementing bodies, sub-granting bodies as well as to the Hungarian Development Bank for those new investments envisaged to be implemented through financial instruments while the responsibility for monitoring progress of milestones and targets and the oversight of final recipients is to be relocated to the implementing bodies and the sub-granting body as well as to the Hungarian Development Bank. The mandate of audit body of the RRP is assigned to the Directorate General for the Audit of European Funds (EUTAF) which should have the necessary capacity and has administrative experience to carry out the related audit tasks in line with internationally accepted audit standards. The responsibility of EUTAF is to be extended to cover also the body implementing financial instruments (the Hungarian Development Bank). Hungary explained that it established an Integrity Authority as an independent body with powers to intervene in all cases where in its view competent national authorities have not taken the necessary steps to prevent, detect and correct fraud, conflicts of interest, corruption and other illegalities or irregularities that affect or seriously risk affecting the sound financial management of the Union budget or the protection of the financial interests of the Union. Hungary has also explained that it established the Directorate of Internal Audit and Integrity to conduct regular controls of conflict-of-interest declarations and investigate reported suspicions of conflicts of interest. Hungary has proposed to use the same control system for REPowerEU measures as the measures contained in its original RRP. Furthermore, in addition to these general provisions, which are also to be applicable to financial instruments, specific control arrangements for financial instruments have been identified and included in the relevant measures.

The internal control system ensures that data pursuant to Article 22(2), points (d)(i) to (iii), of Regulation (EU) 2021/241 are adequate and stored in the envisaged monitoring repository system, thus contributing to the strengthening of efforts to prevent any misuse of the funds provided by the Facility. The internal control system and other relevant arrangements in the amended RRP, including for the verification mechanisms, data collection and storage, and the responsibilities of relevant actors are adequate with regard to preventing, detecting, and correcting corruption, fraud and conflicts of interest when using the funds under Regulation (EU) 2021/241 and to avoid double funding under that Regulation and other Union programmes. The Commission considers that, overall, the internal control system of the Hungarian RRP is adequate, also taking into account the 27 milestones related to the Hungarian control system aimed at the protection of the financial interests of the Union that are a precondition for any payment under Article 24 of Regulation (EU) 2021/241.

#### Coherence of the RRP

- (79) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the modified RRP, including the REPowerEU chapter, includes to a high extent (rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

- (80) The modified RRP retains the coherent structure of the original RRP. The REPowerEU chapter includes synergies with the existing measures on climate change and energy efficiency. The measures under the new REPowerEU chapter further reinforce the ambition of energy efficiency related investments in component 6 (Energy – Green Transition) of the original RRP.
- (81) The REPowerEU chapter is built around a consistent and mutually reinforcing package of reforms and investments. The investment ‘Setting up a financial instrument to improve the energy efficiency of residential buildings and tackle energy poverty’ (C10.I13) is complemented with the reform ‘Supporting potential beneficiaries’ applications for EU-funded residential energy efficiency support schemes’ (C10.R12) in a coherent and impactful way. Similarly, investments ‘Supporting geothermal energy and exploration’ (C10.I11) and ‘Hydrogen investments’ (C10.I6) are complemented by reforms providing a legal and policy framework supportive of these investments’ implementation (‘Improving the geothermal energy regulatory framework’ (C10.R11) and ‘Ensuring a legal framework for renewable hydrogen’ (C10.R9)).
- (82) These modifications do not alter the overall coherence of the RRP and therefore do not have an impact on the previous assessment on the coherence of the RRP.

Any other assessment criteria

- (83) The Commission considers that the modifications put forward by Hungary do not affect the positive assessment of the RRP set out in the Council Implementing Decision of 15 December 2022 regarding the relevance, effectiveness, efficiency and coherence of the RRP against the assessment criteria laid down in Article 19(3), points (a), (c), (g), (h), (i), (j) and (k), of Regulation (EU) 2021/241.

Equality

- (84) The Commission considers that the modifications put forward by Hungary do not affect the assessment on equality set out in the Council Implementing Decision of 15 December 2022.

## Consultation process

- (85) The public consultation on the revised RRP and in particular on its new REPowerEU chapter was initiated by the government on 28 July and was open until 11 August. On 28 July, the Ministry of Energy published a news bulletin about the start of the public consultation. Via the dedicated web page, 14 civil organisations, public and private companies and the municipality of Budapest provided observations. Six comments were received by the government via other communication channels. The dedicated web page provides access to the observations received via the dedicated digital channel, together with the reaction of the government and with the explanation why the various observations were accepted or not. Most of the observations requested additional investments and reforms aimed at energy savings, extension of the planned investments as well as the elimination of the investments related to the fossil fuels. Altogether, according to the statement of the government, four observations were taken on board in the revised RRP, such as the elimination of developments related to oil and natural gas pipelines.

- (86) In line with its commitment under reform C9.R27 of the adopted RRP, Hungary adopted a consultation strategy setting out the method of consulting stakeholders. Key stakeholders are also envisaged to be involved more closely into consultations in the context of the envisaged Monitoring Committee for the RRP. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the modified RRP, including the REPowerEU chapter.

#### Positive assessment

- (87) Following the positive assessment of the Commission concerning the modified RRP, including the REPowerEU chapter, with the finding that the RRP satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of and Annex V to that Regulation, this Decision sets out the reforms and investment projects necessary for the implementation of the modified RRP, including the REPowerEU chapter; the relevant milestones, targets and indicators; and the amount made available from the Union for the implementation of the modified RRP, including the REPowerEU chapter, in the form of non-repayable financial and loan support.

## Financial contribution

- (88) The estimated total cost of the modified RRP, including the REPowerEU chapter, of Hungary is HUF 3 954 135 844 000 which is equivalent to EUR 10 429 974 916 at the EUR HUF ECB reference rate in the period from 1 April 2022 to 30 September 2022 for the original RRP and at the average EUR HUF ECB reference rate of 31 August 2023 for new measures under the revised RRP, including the REPowerEU chapter. Amounts in euros referred to in the descriptions of the measures and the corresponding milestones and targets have been calculated on the same basis and should be assessed while taking this into account. As the amount of the estimated total costs of the modified RRP is higher than the updated maximum financial contribution available for Hungary, the financial contribution calculated in accordance with Article 11 of Regulation (EU) 2021/241 allocated for Hungary's modified RRP, including the REPowerEU chapter, should be equal to the total amount of the financial contribution available for Hungary's modified RRP, including the REPowerEU chapter. This amount is equal to EUR 5 811 147 717.

- (89) Pursuant to Article 21a(5) of Regulation (EU) 2021/241, on 31 August 2023, Hungary submitted a request for the allocation of the revenue referred to in Article 21a(1) of that Regulation, shared between Member States on the basis of the indicators set out in the methodology referred to in Annex IVa to that Regulation. The estimated total cost of reforms and investments aiming to contribute to the objectives set out in Article 21c(3), points (b) to (f), of Regulation (EU) 2021/241 included in the REPowerEU chapter is HUF 1 749 690 000 000, which is equivalent to EUR 4 602 872 701 at the average EUR HUF ECB reference rate in the period of 31 August 2023. As this amount is higher than the allocation share available for Hungary, the additional non-repayable financial support available for Hungary should be equal to the allocation share. This amount is equal to EUR 700 513 718.
- (90) The total financial contribution available to Hungary should be EUR 6 511 661 435.

## Loan

- (91) Furthermore, in order to support additional reforms and investments, Hungary has requested a total loan support of EUR 3 918 313 481, in particular, EUR 3 897 455 211 to support the reforms and investments in the REPowerEU chapter and EUR 20 858 270 to support the other reforms and investments in the RRP. The amount of the estimated total costs of the RRP is higher than the combined financial contribution available for Hungary, including the REPowerEU chapter and the updated maximum financial contribution for non-repayable financial support, and the revenue from the emissions trading system under Directive 2003/87/EC. The maximum volume of the loan requested by Hungary is less than 6,8 % of its 2019 gross national income in current prices.

## REPowerEU Pre-financing

- (92) Hungary has requested the following funding for the implementation of its REPowerEU chapter: EUR 700 513 718 from the revenue from the emissions trading system under Directive 2003/87/EC and EUR 3 897 455 211 in the form of loan.
- (93) For those amounts, pursuant to Article 21d of Regulation (EU) 2021/241, on 3 October 2023 Hungary has requested pre-financing of EUR 919 593 786, that is 20 % of the funding requested. Subject to available resources, that pre-financing should be made available to Hungary subject to the entry into force of, and in accordance with, agreements to be concluded between the Commission and Hungary pursuant to Article 23(1) of Regulation (EU) 2021/241 and pursuant to Article 15(2) of that Regulation.

- (94) The Council Implementing Decision of 15 December 2022 on the approval of the assessment of the recovery and resilience plan for Hungary should therefore be amended accordingly. For the sake of clarity, the Annex to that Implementing Decision should be replaced entirely,

HAS ADOPTED THIS DECISION:

## *Article 1*

The Council Implementing Decision of 15 December 2022 on the approval of the assessment of the recovery and resilience plan for Hungary is amended as follows:

- (1) Article 1 is replaced by the following:

### *‘Article 1*

#### *Approval of the assessment of the RRP*

The assessment of the modified RRP of Hungary on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, including the relevant milestones and targets and the additional milestones and targets related to the payment of the loan, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.’;

(2) Article 2 is replaced by the following:

*‘Article 2*

*Financial contribution*

1. The Union shall make available to Hungary a financial contribution in the form of non-repayable support amounting to EUR 6 511 661 435\*. That contribution includes:
  - (a) an amount of EUR 4 639 429 967, which shall be available to be legally committed by 31 December 2022;
  - (b) an amount of EUR 1 171 717 750, which shall be available to be legally committed from 1 January 2023 until 31 December 2023;
  - (c) an amount of EUR 700 513 718\*\*, in accordance with Article 21a(6) of Regulation (EU) 2021/241, exclusively for reforms and investments that aim to contribute to the objectives set out in Article 21c(3), points (b) to (f), of that Regulation.

2. The Union financial contribution shall be made available by the Commission to Hungary in instalments in accordance with the Annex to this Decision.

An amount of EUR 140 102 744 shall be made available as pre-financing in accordance with Article 21d of Regulation (EU) 2021/241. That pre-financing may be disbursed by the Commission in up to two payments.

The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

- 2a. The pre-financing referred to in paragraph 2 of this Article shall be released subject to the entry into force of, and in accordance with, the agreement provided for in Article 23(1) of Regulation (EU) 2021/241 (the “financing agreement”).  
Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

3. The release of instalments in accordance with the financing agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of that Regulation, that Hungary has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the RRP. In order to be eligible for payment, Hungary shall complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

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\* This amount corresponds to the financial allocation after deduction of Hungary's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

\*\* This amount corresponds to the financial allocation after deduction of the Member State's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Annex IVa to that Regulation.';

(3) the following article is inserted:

*‘Article 2a*

*Loan support*

1. The Union shall make available to Hungary a loan amounting to a maximum of EUR 3 918 313 481.

The loan referred to in the first subparagraph shall be made available by the Commission to Hungary in instalments in accordance with the Annex to this Decision.

2. An amount of EUR 779 491 042 shall be made available as pre-financing in accordance with Article 21d of Regulation (EU) 2021/241. That pre-financing may be disbursed by the Commission in up to two payments.
3. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.
4. The pre-financing referred to in paragraph 2 of this Article shall be released subject to the entry into force of, and in accordance with, the loan agreement pursuant to Article 15(2) of Regulation (EU) 2021/241 (the “loan agreement”). Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

5. The release of instalments in accordance with the loan agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Hungary has satisfactorily fulfilled the additional milestones and targets covered by the loan and identified in relation to the implementation of the modified RRP, including the REPowerEU chapter. In order to be eligible for payment, Hungary shall complete the additional milestones and targets no later than 31 August 2026.’;

(4) the Annex is replaced by the text set out in the Annex to this Decision.

#### *Article 2*

This Decision is addressed to Hungary.

Done at ...,

*For the Council*

*The President*

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