

## Hungary grid modernization

Hungary will benefit from EUR 11.4 million (1st round) and EUR 8.5 million (2nd round) from the European Union's Modernisation Fund to promote renewable energy generation in local communities. The first call was already published back in the autumn of 2021. The second call has been postponed due to the missing detailed regulation on energy sharing.

There is a specific targeting, and budget allocation for energy communities. Specifically, 11.4 million euros have been set aside for priority investments titled "Development of energy communities".

The definition of Energy communities is not optimal, leaving space for a wrong attribution of funds. The definitions of RECs and CECs transposed are not matching the goals of the European definitions.

The first call under the Modernisation Fund (2021 autumn) was open for all type of entities (including large energy companies) by committing to create and register an energy community. This paves the way for corporate capture, and raises questions about how effective control of energy communities by citizens will be ensured.

Pilot energy communities are mainly financed from the first call of the Modernisation Fund. However, major investment needs will arise after the detailed rules on energy sharing come into force. The number of officially registered energy communities is zero, but reaching the target number of the National Energy Strategy (at least one energy community in each of the 175 micro-regions of Hungary by 2030) would require higher levels of investment.

Only grants are available. Different financing tools available that fit different situations (e.g., loans, guarantees, blended finance) are not currently foreseen.

There is no holistic strategy in place to provide financing across different levels of project development (i.e., facilitating grid access, one stop shops, awareness raising & capacity building, pilot financing, administrative, business model and legal advice)

The relevant managing authority (NFFK? - The International Fund Development and Coordination Agency) offers support for beneficiaries of the first call to register as energy communities and has established working groups to share information.

Only a few years ago, the Hungarian National Energy Strategy set the then ambitious target of reaching 6 GW of solar power capacity by 2030. By early 2024, that target had already been achieved, as the gross capacity of PV installations doubled within only two years. The new target for 2030 is now set at 12 GW, and there is little doubt that it will be easily reached.

From the perspective of interested investors, the HEA's database will contain all relevant data regarding the total 6 GW solar capacity under development and intended to be commissioned by 2030. In other words, for the very first time, Hungary will have a true public "marketplace" where potential buyers, investors and finance providers can seek out and contact the developers of the last wave of PV projects to facilitate transactions, joint ventures or other forms of cooperation. We anticipate it becoming a pivotal tool for stakeholders and stimulating the solar generation unit market.

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