



INCENTIVE GUIDE

TCTF subsidy for net-zero economy



hipa

HUNGARIAN INVESTMENT
PROMOTION AGENCY

INCENTIVE GUIDE

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INTRODUCTION

The purpose of the Incentive Guide published by the Incentives Directorate of the HIPA Nemzeti Befektetési Ügynökség Nonprofit Zrt. (HIPA) is to inform investors planning to invest in Hungary about the non-refundable, post-financed VIP cash subsidy for accelerated investments in sectors strategic for the transition to a net-zero economy (hereinafter: TCTF cash subsidy).

For further information, please contact us via incentive@hipa.hu.

TCTF SUBSIDIES

Accelerating the green transition could reduce emissions, dependency on imported fossil fuels, and protect against price hikes, thus benefitting the Hungarian (and European) economy. The automotive sectors plays a key role in the Hungarian economy as well as in the green transition, therefore targeted state aid measures in that sectors are very much warranted in alignment with objectives of the Green Deal Industrial Plan. In order to accelerate the economic transition and overcome the current crisis, Hungary intends to grant aid under Article 2.8 in Temporary Crisis and Transition Framework (hereinafter: TCTF) scheme for the transition towards a net-zero economy.

The aid will be available **in the form of cash subsidy and tax allowance** and the combination of these two incentive measure may reach the maximum aid intensities.

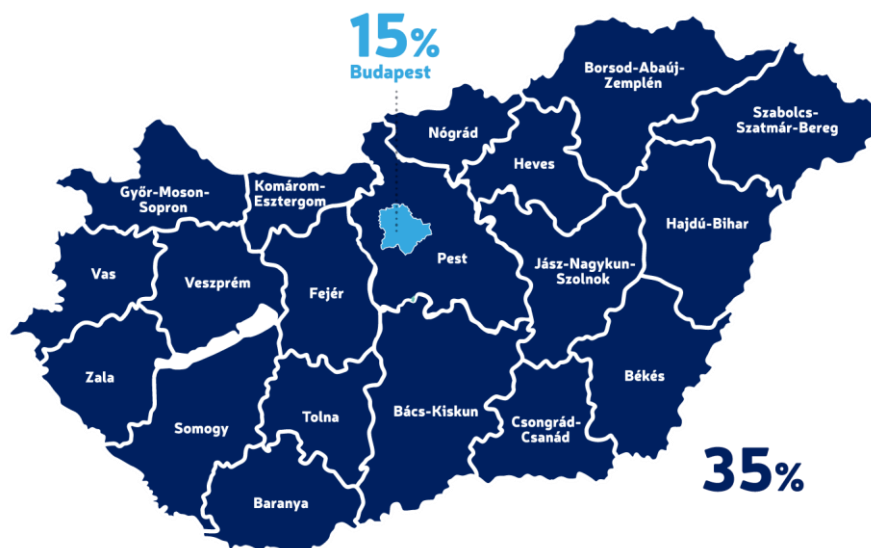


Figure 1.: TCTF aid map

The two types of aid available for companies under the scheme are:

- Aid for investment projects of strategic importance for the transition to a net zero emission economy – Based on Paragraph (85) of Article 2.8. in TCTF adopted by European Commission (hereinafter: EC).
- Aid granted on the basis of individual notifications for the production of the relevant goods for the transition to a net-zero emission economy – Based on Paragraph (86) of Article 2.8. in TCTF.

TCTF 2.8. Section 85

		BUDAPEST	LOCATIONS OUTSIDE OF BUDAPEST
NATIONAL THRESHOLD (in nominal value) <i>Maximum aid amount per undertaking¹ per Member State</i>		EUR 150 M	EUR 350 M
Maximum aid intensity	for large enterprises	15%	35%
	for medium-sized enterprises	25%	45%
	for small enterprises	35%	55%

Table 1.: Maximum aid intensity (TCTF 2.8. Section 85)

Please note that amount of the subsidy may not exceed EUR 350 million (in NV) per undertaking with the condition that the subsidy granted in Budapest may not exceed EUR 150 million per undertaking.

The aid can only be granted to an undertaking that would have carried out its investment outside the EEA in the absence of aid. The beneficiary must provide credible evidence of the alternative scenario. The mandatory documents must be submitted during the application phase.

¹ Undertaking measured at company group level.

TCTF 2.8. Section 86

In case the aid intensity and/or the amount of subsidy may exceeds the thresholds stipulated under Article 2.8. Section 85 (g) of TCTF, the company may be granted with individual aid under Article 2.8. Section 86 of TCTF, as it follows:

Exceptionally, on the basis of individual notifications, the EC may approve individual aid for the production of goods relevant for the transition to a net-zero economy, up to the amount of subsidy which the beneficiary could demonstrably receive for an equivalent investment in a third country jurisdiction outside the EEA.

The beneficiary must provide solid evidence of subsidies that the investment would credibly receive in a non-EEA jurisdiction area for a similar project and must demonstrate that without the aid the planned investment would not take place in the EEA. Therefore, the company has to prove that the key factor in the location selection was the investment aid from Hungary (the so called incentive effect must be proved for the EC).

Maximum aid amount	<ul style="list-style-type: none">• The amount of subsidy may not be exceeding, which the beneficiary could demonstrably receive for an equivalent investment in a third country jurisdiction outside the EEA.• The aid may not exceed the minimum amount needed to incentivise the aid beneficiary to locate the investment in the area concerned in the EEA (Funding Gap/NPV Gap calculation).
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Table 2.: Maximum aid amount (TCTF 2.8. Section 86)

The beneficiary must commit to use for the production of goods the latest commercially available state-of-the-art production ² technology from an environmental emissions perspective.

² State-of-the-art production will be measured at the time when the application form is officially submitted.

TCTF CASH SUBSIDY FOR NET-ZERO ECONOMY	
Objective of the subsidy	Aid for investment projects of strategic importance for the transition to a net zero emission economy.
Beneficiaries	The aid may be granted to a company which is an enterprise with its registered office, branch or establishment in Hungary and which, in the absence of aid, would carry out its productive investment in a sector of strategic importance for the transition to a net-zero emission economy in a country outside the EEA.
Signing of the Incentive Agreement	December 31, 2025
Eligible activities	<p>i. The production of relevant equipment for the transition towards a net-zero economy, namely <i>batteries, solar panels, wind turbines, heat-pumps, electrolyzers equipment for carbon capture usage and storage</i>; or</p> <p>ii. The <i>production of key components</i> defined in Annex 1 of Incentive Guide that are designed and primarily used as direct input for the production of the equipment listed above; or</p> <p>iii. The <i>production or recovery of related critical raw materials</i>³ necessary for the production of the equipment and key components defined in (i) and (ii) above.</p> <p><i>A detailed list of critical raw materials are defined in Annex 2.</i></p>
The aid may not be provided	<ul style="list-style-type: none"> • If the beneficiary carries out relocation.⁴ • If the beneficiary is in difficulty.⁵
Monitoring period	<p>For large enterprises: min. 5 years For SMEs: min. 3 years</p>
Monitoring period	Maintenance of already existing jobs on average during the monitoring period.

³ Critical raw materials may be accepted in accordance with the list stipulated COM(2020) 474 „Critical Raw Materials Resilience: Charting a Path towards greater Security and Sustainability. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0474>

⁴ ‘Relocation’ means a transfer of the same or a similar activity or part thereof from an establishment in one contracting party to the EEA Agreement (initial establishment) to the establishment in which the aided investment takes place in another contracting party to the EEA Agreement (aided establishment). There is a transfer if the product in the initial and in the aided establishments serves at least partly the same purposes and meets the demands or needs of the same type of customers and jobs are lost in the same or similar activity in one of the initial establishments of the aid beneficiary in the EEA.

⁵ As defined in the Communication from the Commission - Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (OJ C 249, 31.7.2014, p. 1).

ANNEX 1: List of key components

Name of the equipment	Name of the component
Heat-pumps	4 way valve gas and liquid control unit
	Casing elements
	Compressor support unit
	Control panel support coordinating unit
	Coolant filters
	EEV valve
	Evaporator
	Evaporator antifreeze unit
	Fixing support unit
	Gas piping system
	Heat exchanger
	Heat exchanger support unit
	Heat pump frame system
	Liquid piping system
	Oil separator support unit
	Oil separator tank
Ventilator coordinator support unit	
Water pump support unit	
Li-ion (or Na-ion) batteries, future technology batteries	Cathode
	Anode
	Battery housings, cases and accessories
	Battery Management System
	Battery module
	Battery pack
	Battery tabs / Metal Lead plate
	Busbars
	Wire Harness
	Electrolyte
	Separator
(Redox) Flow Batteries (RFB)	Current collectors (copper plate or foil)
	Battery housings/enclosures and other plastic
	Structural materials (tubes, sheets, plates)
	Carbon plates, bipolar plates
	Cation or anion exchange membranes/separators
	Electrode materials (porous graphite felt, carbon felt, carbon cloth)
	Electrolyte solution storage tanks
	Electrolyte solutions containing one or more electroactive redox pair systems (inorganic or organic)
	Gaskets
Pumps for circulating the electrolyte solution	
Heat batteries	Battery Management System
	Heat Exchanger
	Phase-change material filling

Solar panels	Aluminium Frame
	Glass cover
	Solar Cells
	Encapsulant
	Back Sheet
	Junction box
Electrolysers	Transformers
	Power electronics, converters
	Electric switchboards
	High and low pressure gas cylinders
	Stainless steel piping
	Stainless steel connectors and fittings
	Manual On/Off valves
	Solenoid valves
	Separators
	Radiators and evaporators
	Containers
	Cooling system deionizers
	Pressure regulators
	Temperature regulators
	Gas-detection system
	ATEX components
	Compressors
	Operating and emergency ventillation
	Electronic control software
	Electronic control unit
Tools and sensors	
Fuel cell stack and it's components	
Gas filter system	
Gas dryers	
Wind turbines	Nacelle
	Steel structure
	Crane and elements
	Crane rails
	Main axle
	Bearings
	Gearbox
	Coupling elements
	Generator
	Cables
	Cooling system (Air-, oil-)
	Transformator
	Switch cabinets
	Electrical protection
	Controllers
	Motors for nacelle turning
	Oscillation damper
	Bat sensor
	Telecommunication
	Blade
Blade cup	
Motors for blade turning	
Lightning protection devices	
Stretch stamps	

Wind turbines	Sensors
	Steel-body
	Control cabinet
	UPS (Uninterruptible power supply)
	Current transformers
	Voltage transformers
	Circuit breakers
	Control building
	Control elements
	Measuring equipment

ANNEX 2: List of critical raw materials

Critical Raw Materials		
Antimony	Indium	Bauxite
Hafnium	Tantalum	Fluorspar
Phosphorus	Borate	Niobium
Baryte	Magnesium	Lithium
Heavy Rare Earth Elements	Tungsten	Gallium
Scandium	Cobalt	Platinum Group Metals
Beryllium	Natural Graphite	Titanium
Light Rare Earth Elements	Vanadium	Germanium
Silicon metal	Coking Coal	Phosphate rock
Bismuth	Natural Rubber	Strontium