JOINT POSITION PAPER
on the revision of the General Block Exemption Regulation

I. General Justification

In the context of the public consultation launched by the European Commission, a comprehensive review of the General Block Exemption Regulation (hereinafter: GBER) is underway. The Hungarian Cogeneration Association (MKET) and the Hungarian District Heating Association (MaTáSzSz) welcome the opportunity to participate in this review, given that the preservation and development of efficient district heating systems are key objectives at both the EU and national levels. The expansion and modernization of the efficient domestic district heating infrastructure is a fundamental pillar of national energy security and energy independence; therefore, ensuring its long-term sustainability is of strategic importance.

In the current energy, technological, and market environment, high-efficiency cogeneration (CHP) plays a key role in the reliable operation of district heating systems. The preservation, modernization, and development of cogeneration over the next two decades are not only prerequisites for the economical and environmentally friendly operation of efficient district heating, but also essential for the flexibility and security of supply of the national energy system. Restricting or phasing out support opportunities for high-efficiency CHP, given the current state of domestic infrastructure, would jeopardize the preservation and development of efficient district heating, and indeed district heating as a whole[1], and would endanger the achievement of energy independence goals.

In parallel, the integration of renewable energy sources—particularly geothermal, biomass, heat pump, and waste heat technologies—into district heating systems remains a primary EU and national priority. However, under current technical conditions, these technologies can largely ensure the continuous and secure supply of efficient district heating to consumers only in combination with high-efficiency cogeneration. Therefore, the joint, complementary application of high-efficiency CHP and renewable energy sources is an indispensable condition for simultaneously achieving environmental, supply security, energy efficiency, and energy independence objectives. High-efficiency CHP is not a technology of the past, but the stabilizer of the energy system of the future. Removing it from efficient district heating does not accelerate decarbonization, but rather weakens energy security.

The development, modernization, and expansion of district heating systems require a regulatory and support environment that can handle the technological specificities of both high-efficiency cogeneration and renewable energy sources, and that encourages their integrated application in a flexible, size- and technology-neutral manner. The European Union's assessment of fossil-based high-efficiency CHP must be reviewed in the same way as that of nuclear energy. A system-oriented approach is needed during the review of the regulation. The goal is system stability, not the preservation of fossil fuels. High-efficiency CHP is a bridge technology between the current system and the future low-carbon energy mix. If we remove

[1] If high-efficiency cogeneration facilities are not maintained and refurbished, it will become necessary to replace at least 1,000 MW of heat source capacity over the next one and a half to two decades.

the bridge, we cannot cross to the other side; that is, phasing out high-efficiency CHP does not accelerate decarbonization, but rather hinders it.

The development policy environment must also support the approach outlined above. The current draft GBER regulation, therefore, requires modification on several points to ensure that it does not restrict the meaningful implementation of these objectives, but rather promotes the long-term preservation and development of efficient domestic district heating.

Considering the above, MKET and MaTáSzSz make the following amendment proposals.

II. Substantive comments, additions, and amendments to the draft GBER

PROPOSED AMENDMENT	JUSTIFICATION
Article 7: Aid intensity and eligible costs 7 (2.b) The method is or has been used for an operation that is at least partly financed through a Union fund that allows the use of simplified cost options <u>(inclusive "financing not linked to costs" options)</u> or, alternatively, has been verified ex ante by an appropriate authority.	The Commission provides the opportunity to apply so-called "financing not linked to costs" across several funding sources. Therefore, it is proposed to supplement the simplified cost options included in Article 7 ("Aid intensity and eligible costs") with the "financing not linked to costs" option.
Article 8: Incentive effect 8(2). Aid shall be considered to have an incentive effect if the beneficiary has submitted a written application for State aid or EU funding before work on the project starts or before the activity starts. <u>Aid may also be considered to have an incentive effect if the beneficiary submitted a written application for aid to the Member State after the commencement of project works, provided that the financial advancement of the project and the value of commitments undertaken in connection with its implementation do not exceed 10%, and that an alternative scenario analysis confirms the project would not have been implemented without the aid.</u> The application for the aid shall contain at least the following information: (…).	The pace of implementing transformational activities does not fully align with the timelines of calls for proposals, particularly under the EU funds, which are characterised by cyclical implementation. Beneficiaries must coordinate several parallel processes, including public aid, selecting contractors, executing contracts, and obtaining necessary permits and approvals. This often necessitates at least partial parallel execution of these activities. As a result, the simplified verification of the incentive effect, as foreseen in aid schemes compliant with the GBER, becomes inefficient and may lead to unjustified conclusions. (The proposal is in line with the COGEN proposal of October 2025.)
Article 51: Investment aid for climate protection Proposed amendments: 2. This Article shall not apply to aid which exceeds EUR ~~*30*~~*150* million per undertaking per project.	The same notification threshold shall apply to all investments in energy sector due to extremely high energy transition costs. Furthermore, high inflation and the increased dynamics of investment projects mean that the current notification threshold is no longer adequate. That is why it is proposed that the notification threshold shall be raised to EUR 150 million also for investment aid for climate protection. (The proposal is in line with the COGEN proposal of October 2025.)
Article 56: Investment aid for energy efficiency measures in buildings	Connecting buildings to energy efficient district heating and cooling (DHC) systems is a critical measure to improve the overall primary energy

3.) This Article shall not apply to...3.(b) aid for cogeneration and aid for district heating and/or cooling, ***with exception of investments in building-level heating installations and connection infrastructure that allow integration into efficient district heating and/or cooling systems.***	performance of the building stock. While general DHC distribution infrastructure is covered under Article 64, the necessary building-side investments (such as building-level substations, heat exchangers, and the adaptation of internal heating systems) required for this integration should be explicitly eligible under building energy efficiency measures. Such consumer-side upgrades directly contribute to significant primary energy savings and are essential to overcoming the financial barriers of replacing individual fossil fuel boilers with efficient DHC connections.
Article 56: Investment aid for energy efficiency measures in buildings rticle shall not apply to: ... 4.(a) aid for cogeneration and aid for district heating and/or cooling, ***with exception of investments in technical building systems, as defined in Article 2, point (6), of Directive 2010/31/EU, which enable the connection to and integration into efficient district heating and/or cooling systems.***	To ensure a successful energy transition, it is essential to distinguish between the development of the external district heating and cooling (DHC) network and the necessary upgrades within the consumer premises. While the former is regulated under Article 64, the latter—the technical building systems—must be eligible under building energy efficiency measures. Upgrading internal installations (including space heating and domestic hot water systems) to make them compatible with DHC connections is a prerequisite for fossil fuel phase-out. Using the EPBD definition ensures legal coherence and clarifies that support is targeted at user-side equipment required for integration, which directly improves the primary energy performance of the building.
Article 56: Investment aid for energy efficiency measures other than in buildings 6. In case of renovation of existing buildings, the aid shall induce an improvement in the energy performance of the building measured in non-renewable primary energy of at least 20 % compared to the situation before the investment. The integration of the building into an efficient district heating and/or cooling system shall be considered a priority measure for achieving this improvement. In such cases, the investment shall be deemed to fulfil the energy performance	The 20% energy performance improvement requirement under Article 56(6) should be specifically measured in 'non-renewable primary energy', in alignment with the Energy Performance of Buildings Directive (EPBD). Integrating a building into an efficient district heating and/or cooling system—which leverages high-efficiency cogeneration (CHP) and increasing shares of renewable energy—inherently results in a significant reduction of non-renewable primary energy, typically far exceeding the 20% threshold. Therefore, connecting to efficient DHC should be recognized as a measure that automatically fulfills the energy performance requirement, ensuring that the

requirements of this paragraph, regardless of whether additional energy efficiency measures are implemented on the building envelope.	phase-out of fossil fuel boilers remains supportable without mandating additional building envelope renovations.
Article 58: Investment aid for the promotion of energy from renewable sources and high-efficiency cogeneration 2. This Article shall not apply to aid which exceeds EUR ~~30~~150 million per undertaking per investment project. For assessing whether this threshold is met, all investment components (including production, dedicated infrastructure and storage) shall be considered to be a single integrated project.	The same notification threshold shall apply to all investments in energy sector due to extremely high energy transformation costs. Furthermore, high inflation and the increased dynamics of investment projects mean that the current notification threshold is no longer adequate. That is why it is proposed that the notification threshold shall be raised to EUR 150 million also for investment aid under Article 58. (The proposal is in line with the COGEN proposal of October 2025)
Article 58: Investment aid for the promotion of energy from renewable sources and high-efficiency cogeneration 9. The eligible costs shall be the total investment cost. The maximum aid amount shall be determined according to one of the following options: (a) The aid intensity shall not exceed: – ~~30~~*60* % of the eligible costs for investments in high-efficiency cogeneration based on gas; – ~~45~~*60* % of the eligible costs for any other investment covered by this Article, including the construction or upgrade of dedicated infrastructure.	All investments in RES, both generation and storage are essential for the development of renewable energy. Without suitable support (investment aid) for electricity storage projects as well as for thermal storage projects, further development of RES will be incredibly difficult. In addition, the division of the intensity of public support raises questions of interpretation, e.g. it is not clearly indicated which threshold applies to projects with energy storage. In our opinion, the same aid intensity shall apply to a single integrated project (generation and storage) and for projects where storage is connected to an existing renewable generation installation. We suggest rising the aid intensity to 60% of the eligible costs for all investments covered by Article 58 of the GBER. (The proposal is in line with the COGEN proposal of October 2025.)
Article 58: Investment aid for the promotion of energy from renewable sources and high-efficiency cogeneration 9.(b) The aid intensity may be increased by 10 percentage points for aid granted to medium-sized undertakings and by 20 percentage points for aid granted to small undertakings or, alternatively, where the total aid amount does not exceed EUR 1.5 million per undertaking, per project, by 20 percentage points for aid to any undertaking, regardless of its size.	It is proposed to supplement the options for calculating aid intensity with the simplified funding gap-based determination option, as this method is the most suitable for comparing the actual aid requirements of investments based on different technologies.

(c) The aid may reach up to 100 % of the simplified funding gap; (d) The aid intensity may reach 100 % of the eligible costs where aid is granted in a competitive bidding process, where at least 70 % of the total selection criteria used for ranking bids and allocating aid are defined in terms of aid per unit of output or capacity.	
Article 58: Investment aid for the promotion of energy from renewable sources and high-efficiency cogeneration 9.(b) "The aid intensity may be increased by 10 percentage points for aid granted to medium-sized undertakings and by 20 percentage points for aid granted to small undertakings, and to majority municipally owned undertakings..."	The SME definition adversely affects state and municipally owned companies (which, regardless of their size, do not fall into the SME category), whereas the share of municipally owned companies in energy production is significant. Therefore, it is proposed to supplement the text to include majority municipally owned companies.
Article 64: Investment aid for district heating and/or cooling 2. This Article shall not apply to aid which exceeds EUR ~~50~~*150* million per undertaking per project.	Supporting district heating, as a regional solution, does not violate competition rules and will not cause a 'subsidy race' between Member States. Furthermore, in view of high inflation and the increased dynamics of investment projects in district heating, it is proposed that the notification threshold be raised to EUR 150 million. Renewable energy technologies in heating, necessary to achieve the transformation goals, are very expensive. (The proposal is in line with the Euroheat and COGEN proposals of October 2025 (100 M EUR)).
Article 64: Investment aid for district heating and/or cooling 3.(b) thermal storage *and electrode boilers*; or	It is proposed to supplement the list with the "electrode boiler" category.
Article 64: Investment aid for district heating and/or cooling 4. Aid shall only be granted for district heating and/or cooling systems which are energy efficient within the meaning of Article 2, point (46), of Directive (EU) 2023/1791 or which are part of a plan to improve the efficiency of the district heating and/or cooling system within the meaning of Article 26, point (5) of	Since, under Article 26(5) of Directive (EU) 2023/1791, the preparation of the referenced plan is mandatory only for operators of district heating and cooling systems with a capacity exceeding 5 MW, systems with a capacity of 5 MW or below could potentially be excluded from the eligible category for support. Therefore, it is proposed to supplement the text to specify that, in the case of

Directive (EU) 2023/1791, or, in the case of district heating and/or cooling systems with a heating capacity of 5 MW or below, which are part of a development plan required under national law for such systems and approved by the competent national authority. The relevant point in time for assessing whether the energy efficiency criteria are met is the date of the aid application.	district heating and cooling systems with a capacity of 5 MW or below, it is a condition that the investment forms part of a development plan required for such systems under national law and approved by the competent national authority.
Article 64: Investment aid for district heating and/or cooling 5. By way of derogation from paragraph 4, aid may be granted for upgrades of existing thermal storage solutions or distribution networks in district heating and/or cooling systems that are not already or will not become energy efficient, if the following conditions are met: (a) the distribution network becomes suitable for the transmission of heating or cooling generated from renewable energy sources and/or waste heat; or (b) the upgrade does not result in an increased generation of energy from fossil fuels.	It is requested that the text be amended so that the two exception rules are connected by the word "or", in order to allow support for upgrades that do not alter the network's capacity to integrate renewable energy, but whose implementation is in line with energy efficiency objectives (e.g., pipe insulation, substation upgrades, network leak detection developments). If the above proposal is not acceptable, it is proposed to amend the text as follows: “the distribution network is already suitable or becomes suitable for the transmission of heating or cooling generated from renewable energy sources and/or waste heat”.
Article 64: Investment aid for district heating and/or cooling 8.(a) The aid intensity shall not exceed ~~30~~*60* % of the eligible costs. The aid intensity may be increased by 10 percentage points for aid granted to medium-sized undertakings and by 20 percentage points for aid granted to small undertakings or, where the total aid amount does not exceed EUR 2.5 million per undertaking, per project, by 20 percentage points for aid to any undertaking, regardless of its size. The aid intensity may be increased by 15 percentage points for investments using only renewable energy sources, waste heat, or a combination of the two, including high-efficiency cogeneration based on renewable energy sources.	Investment costs are a barrier to growth for many district heating companies. Companies which undertake investments must include the costs of the investment in the price of heat for end consumers to maintain profitability and bankability of investments. It should also be borne in mind that heat prices are regulated in many EU countries, so that companies are not able to cover their investment costs in the tariff. This is, of course, a way of protecting end users, but it also affects the profitability of district heating companies. Funding gap analysis performed as part of the assessment of aid applications (for example by National Fund for Environmental Protection and Water Management) indicate that justified aid intensity is most often higher than 50%. In addition, the sector has been facing the problem of high heat prices since 2019 since there has been an increase in fuel prices (due to rising inflation) and CO2 emission allowances, which does not improve the economic situation of companies. In such a situation, undertaking investments is largely dependent on the possibility of obtaining a public support. However, its amount must take

	into account the condition of the sector. Therefore, it is necessary to increase the intensity of public aid to 60% to enable the implementation of decarbonisation and also to mitigate its effects on consumers so that the price of heat is affordable and thereby not lose the public's trust and acceptance of the district heating transformation. (The proposal is in line with the Euroheat proposal of October 2025.)
Article 64: Investment aid for district heating and/or cooling 8.(b) The aid may reach up to 100 % of the funding gap for aid under paragraph 3, points (a) and (b) or where the funding gap cannot be calculated, the simplified funding gap shall be applied, and of the simplified funding gap for aid under paragraph 3, point (c).	In many cases, the calculation of the funding gap cannot be interpreted for investments in heat generation and storage equipment, as no real counterfactual investment exists (the realistic alternative would be "do nothing"). Therefore, it is proposed to provide the option of a simplified funding gap calculation for cases where the funding gap cannot be interpreted.
Article 66 Aid for energy infrastructure Article 2: Definitions (141) 'energy infrastructure' means... 141(e) infrastructure used for transmission or distribution of thermal energy in the form of steam, hot water or chilled liquids from multiple producers or users, based on use of ~~renewable energy or waste heat from industrial applications~~ efficient district heating and/or cooling systems, as defined in Article 26, point (1), of Directive (EU) 2023/1791 of the European Parliament and of the Council;	The definition of energy infrastructure under Article 2 does not cover efficient district heating systems that utilize heat from gas-based cogeneration. Consequently, certain efficient district heating infrastructures do not fall under the category of Article 66 "Aid for energy infrastructure". Therefore, it is proposed to amend the definition in Article 2 or to clarify Article 66.
Investment aid for preparedness aimed at mitigating emergency events (new aid category)	It is proposed to introduce a new aid category to facilitate the preparation of electricity and district heating infrastructure for emergency events. The reinforcement and modernization of these critical infrastructures contribute to ensuring the continuity of service in extraordinary situations, with particular regard to the increasingly frequent and severe disruptions caused by climate change. Such a targeted support instrument enables preventive investments and enhances the resilience of systems in a coordinated manner at the EU level. Furthermore, the aid can contribute to increasing energy efficiency and promoting more sustainable operations, in line with the European Union's long-term climate and energy policy objectives.

	We propose to insert investment aid for preparedness aimed at mitigating emergency events as a new aid category into the GBER, considering the following: Support for preparedness for emergency situations does not fall under the category in Article 63, “Investment aid for the remediation of environmental damage, the protection or restoration of nature and the implementation of nature-based solutions for climate change adaptation and mitigation”, which targets the “remediation of environmental damage, the protection or restoration of nature and the implementation of nature-based solutions for climate change adaptation and mitigation” and excludes aid aimed at making good the damage caused by natural disasters. Likewise, the aid does not fall under the category in Article 68, “Aid schemes to make good the damage caused by certain natural disasters”, which provides support for restoration costs incurred after the occurrence of a natural disaster.

III. Interpretative and clarifying questions, and comments on the draft GBER

DRAFT GBER	QUESTION, COMMENT
Article 58: Investment aid for the promotion of energy from renewable sources and high-efficiency cogeneration 3. Investment aid shall be granted for one or more of the following: (a) the production of renewable energy (including renewable fuels);	Are we correct in our interpretation that the category under Article 58 also covers geothermal-based energy production and the eligibility of exploratory drilling?
Article 1 Subject matter and scope (123) "energy from renewable sources' or 'renewable energy' means energy produced by plants using only renewable energy sources as defined in Article 2, point (1), of Directive (EU) 2018/2001, as well as the share in terms of calorific value of energy produced from renewable energy sources in hybrid plants which also use conventional energy sources and includes renewable electricity used for filling storage systems connected behind-the-meter (jointly installed or as an add-on to the renewable installation), ~~but excludes electricity produced as a result of storage systems;~~"	According to our interpretation, the definition of "renewable energy" in the draft GBER excludes electricity generated from renewable sources that is subsequently stored and then utilized from the storage facility. In our view, this represents a logical contradiction with the term "renewable energy storage" as used in the regulation, for example in Article 58(5): "... aid is granted for the production or storage of renewable energy ..." Therefore, an amendment to the definition is proposed.
Article 66: Aid for energy infrastructure 3.(a) energy infrastructure partly or fully exempted from third party access or tariff regulation in accordance with Regulation (EC) No 715/200911, Regulation (EU) 2019/943, Directive (EU) 2019/944 or Directive (EU) 2024/1788;	It needs to be clarified whether domestic district heating falls under this category. These regulations apply to the electricity and gas markets, not to district heating. District heating is generally not considered "exempt infrastructure"; therefore, in our view, this article of the draft GBER likely applies to district heating as well.