

Annex I - Programme Decision

1. Expected Outcomes & Indicators for Outputs

Expected Outcome(s): Increased renewable energy production

Output

Preparation of a geothermal based district heating system(s) where a district heating system is already in place.

Output indicator(s)	Baseline	Target	Source of Verification
Number of geothermal based district heating systems being prepared.	0	2	The project implementation reports.

Output

Completion of the geothermal production wells.

Output indicator(s)	Baseline	Target	Source of Verification
Number of geothermal production wells.	0	2	The project implementation reports.

Expected Outcome(s): Increased awareness of and education in renewable energy solutions

Output

Awareness raising campaigns.

Output indicator(s)	Baseline	Target	Source of Verification
Number of awareness raising campaigns.	0	8	Documentation of events, participation lists, electronic documentation.
Number of actively reached persons.	0	6000	Documentation of events, participation lists, electronic documentation.
Number of passively reached persons.	0	1000000	Documentation of events, participation lists, electronic documentation.

Output

Participation in educational programmes on renewable energy.

Output indicator(s)	Baseline	Target	Source of Verification
Number of Masters degrees earned.	0	8	Attendance sheets, report on the achieved results, certification and diplomas.
Number of participants in UNU - GTP courses.	0	6	Attendance sheets, report on the achieved results, certification and diplomas.
Number of staff participating in short courses to improve their skills to perform their duties.	0	80	Attendance sheets, report on the achieved results, certification and diplomas.

2. Conditions

2.1 General

1) A methodology on the calculation of the flat rate to be applied to indirect eligible costs (overheads) in accordance with Article 7.4.1(b) of the Regulation shall be submitted to the FMO no later than two weeks prior to the deadline for providing to the FMC the text of the call for proposals, as required by Article 6.3.4 of the Regulation.

2) Any interest earned at any level on EEA FM funds in Hungary, held by National Authorities until they are transferred to the Programme Operators or by Programme Operators and intended for re-granting, is a resource for the FMC and shall be reported on and reimbursed to the FMC in line with the procedures foreseen in Article 8.7 of the Regulation.

3) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters who have, in line with this Agreement, received an exception from the general rule in Article 7.3.1(c) of the Regulation with respect to any equipment (the excepted equipment):

- Keep the excepted equipment in their ownership for a period of at least five years following the completion of the project and continue to use that equipment for the benefit of the overall objectives of the project for the same period;
- Keep the excepted equipment properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of the excepted equipment for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract; provided however that the Programme Operator may release any Project Promoter from the above obligations with respect to any specifically identified excepted equipment where the Programme Operator is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose. The National Focal Point shall furthermore ensure that the Programme Operator keeps a list of the excepted equipment for each project.

4) The National Focal Point shall ensure that the Programme Operator ensures that Project Promoters:

- Keep any buildings purchased, constructed, renovated or reconstructed under the project in their ownership for a period of at least 5 years following the completion of the project and continue to use such buildings for the benefit of the overall objectives of the project for the same period;
- Keep any buildings purchased, constructed, renovated or reconstructed under the project properly insured against losses such as fire, theft and other normally insurable incidents both during project implementation and for at least 5 years following the completion of the project; and
- Set aside appropriate resources for the maintenance of any buildings purchased, constructed, renovated or reconstructed under the project for at least 5 years following the completion of the project. The specific means for implementation of this obligation shall be specified in the project contract.

5) Bilateral, output and outcome indicators shall be reported on in the annual programme report.

6) The National Focal Point shall ensure that any public support under this Programme complies with the procedural and substantive state aid rules applicable at the time when the public support is granted. The National Focal Point shall, by way of the programme implementation agreement, ensure that the Programme Operator maintains written records of all assessments concerning compliance with state aid rules, particularly decisions to award grants and set grant rates, and provides such records to the FMC upon request. The approval of the Programme by the FMC does not imply a positive assessment of such compliance.

7) The National Focal Point shall ensure that the Programme Operator ensures that any residual or extracted material from project activities is reused, recycled, treated and/or deposited in an environmentally sound manner.

8) The National Focal Point shall ensure that the Programme Operator consults with and coordinates the implementation of sub-measure B of the small grant scheme (Scholarship Component) with the Programme Operator of the Hungarian Scholarships Programme funded under the EEA Grants 2009-2014.

9) Pre-defined projects 1 and 2 shall be audited by an independent and certified auditor, certifying that the claimed costs are incurred in accordance with the Regulation, the relevant national law and accounting practices once the projects are completed.

2.2 Pre-eligibility

Not Applicable.

2.3 Pre-payment

Not applicable.

2.4 Pre-completion

Not applicable.

2.5 Post-completion

Not applicable.

2.6 Other

Not applicable.

3. Eligibility of costs

3.1 Eligibility of costs - period

Eligibility of costs (excluding prog prep costs): 24/05/2013-31/12/2017

Eligibility of programme proposal preparation costs: 13/11/2011-23/05/2013

3.2 Grant rate and co-financing

Programme estimated total cost (€)	€9,071,765
Programme estimated eligible cost (€)	€9,071,765
Programme grant rate (%)	85.0000%
Maximum amount of Programme grant (€)	€7,711,000

3.3 Maximum eligible costs (€) and Advance payment amount (€)

Budget heading	Eligible expenditure	Advance payment*
Programme management	€897,176	€136,076
Increased renewable energy production	€6,265,233	€0
Increased awareness of and education in renewable energy solutions	€1,623,367	€0
Fund for bilateral relations	€220,630	€0
Complementary action	€20,000	€0
Preparation of programme proposal	€45,359	€45,359
Reserve for exchange rate losses	€0	€0
Amount not agreed upon → Amount not agreed upon	€0	€0
	€9,071,765	€181,435

* The advance payment is composed of €154,220 in grant amount and €27,215 in co-financing.

3.4 Retention of management costs

Retention of management costs - percentage of the management costs	10.00%
Retention of management costs - planned Euro value	€76,260

3.5 Small Grant Scheme

Outcome	Increased awareness of and education in renewable energy solutions
Total Amount Reserved	€1,433,367
Grant Amount at Project Level	€3,000 – 120,000
Duration of the Project	0 – 30 months
Maximum Grant Rate at Project Level	100.00%

Annex II - Operational Rules

1. Eligibility

1.1 Eligible measures

The Ministry of National Development is the Programme Operator. Certain tasks related to implementation and monitoring of the programme will be delegated to the Implementing Agency (IA) which is the International Development and Fund Coordination Agency. The Icelandic National Energy Authority is the Donor Programme Partner for the programme.

The Programme shall be implemented by way of the following measures:

1. One call for proposals “Geothermal based district heating systems”. The call will provide funding for the future replacement of fossil fuel by direct use of geothermal energy in existing district heating systems.
2. A small grant scheme focused on increased education in the field of the sustainable use of renewable energy – scholarship component.
3. The pre-defined projects described in part 6 of this Annex.

1.2 Eligible applicants:

The rules on eligibility of applicants are set in Article 6.2 of the Regulation.

By way of further specification, public entities, including government organisations and universities, as well as non-commercial organisations are eligible applicants under sub-measure(b) of the Small Grant Scheme “Increased education in the field of the sustainable use of renewable energy – scholarship component”. Natural persons will be entitled to support as final beneficiaries of the aforementioned eligible applicants.

1.3 Special rules on eligibility of costs:

Costs are eligible in accordance with Chapter 7 of the Regulation, with the following exceptions:

- a) In-kind contributions are not considered eligible expenditure.
- b) By way of exception from Article 7.3.1(c) of the Regulation, the entire purchase price of new and second hand equipment will be eligible in projects where the equipment is installed at the end of the project and the utilisation of the equipment starts after the closure of the project and/or in those cases where the equipment’s use after project completion is limited to activities in line with the project’s objectives. This exception is not applicable to projects implemented under the Small Grant Scheme.

Indirect eligible costs can be claimed by the application of a flat rate of up to 15% of total eligible direct costs. The Programme Operator shall describe a methodology that shall ensure the fair apportionment of the overall overheads in the open call text. All Project Promoters or project partners must apply the methodology established by the Programme Operator when setting the precise level of this flat rate.

2. Financial parameters

2.1 Minimum and maximum grant amount per project in Open Call:

The minimum amount of grant assistance applied for under the call for proposals is €600,000; the maximum amount is €3,300,000.

The minimum amount of grant assistance applied for under the small grant scheme (scholarship component) is €3,000; the maximum amount is €30,000.

2.2 Project grant rate:

In the case of the projects selected under the call for proposals, the project grant rate shall not exceed 85% of the eligible costs of the projects and shall be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects and/or the project promoter or partner, where relevant. The remaining costs of the project shall be provided or obtained by the Project Promoter.

In the case of the projects selected under the small grant scheme, the project grant rate may be up to 100% of the eligible costs of the projects and shall be set at a level that complies with the State Aid rules in force and takes into account any and all other forms of public support granted to projects and/or the project promoter or partner, where relevant. The remaining costs of the project shall be provided or obtained by the Project Promoter.

3. Selection of projects

3.1 Selection procedures in the Open Call:

All selection procedures carried out under this Programme shall be in accordance with the procedures specified in the Regulation. The independent and impartial experts required by Article 6.5.2 of the Regulation shall be independent of and impartial to both project applicants and the Selection Committee.

3.2 Open calls and availability of funds:

There shall be at least one call for applications under the call for proposals "Geothermal based district heating systems". The call shall be launched no later than in the fourth quarter of 2013 and make available no more than €6,349,787. Should funds remain uncommitted as a result of the first call, a second call may be launched no later than in the third quarter of 2014 and shall make available any remaining funds for re-granting.

There shall be one continuous call for applications under the small grant scheme (scholarships). The call shall be launched no later than in the fourth quarter of 2013 and make available at least €720,000. The call shall remain open until 31 December 2015.

3.3 Selection criteria:

The final project selection criteria to be applied shall be detailed in the framework of the calls for proposals in accordance with Article 6.3 of the Regulation. The criteria shall be based on the proposal of the Programme Operator, and shall be subject to the approval of the Donor Programme Partner. As a minimum, they shall include the following:

- Extra points will be awarded to projects implemented in partnership with one or more entities from the Donor States.

4. Payment flows, verification of payment claims, monitoring and reporting

4.1 Payment flows

Payments towards the end beneficiaries will be in the form of advance payments, interim payments and payments of the final balance.

The Project Promoters have the possibility to request an advance payment not exceeding 30% of grant amount in the case of the Normal Grant Scheme and 75% in the case of the Small Grant Scheme. Advance payments to projects under the scholarship component of the Small Grant Scheme advance payment may be up to 90% of the grant.

Payments towards the pre-defined projects will be in the form of pre-financing and may be up to 100% of the projects awarded grant amount in the case of pre-defined project 1 and up to 30% in the case of any other pre-defined projects. The pre-financing schedule of the pre-defined projects will be outlined in the Programme Implementation Agreement.

All advance and pre-financing requests by projects funded under the programme will need to be justified and are subject to approval by the Programme Operator. Where applicable the advance payment off-set mechanism will be adapted to each Project Promoter's liquidity needs and included as part of the Project Contract.

4.2 Verification of payment claims

The payment request prepared by the Project Promoter will be reviewed by the Implementing Agency (IA). The IA will finish the verification process within 15 days after receiving all necessary supporting documents linked to the payment request. The conclusion of the IA on the eligibility of costs included in the payment request will be sent to the Programme Operator for final approval which should not take more than 5 days.

The rules and frequency of payment requests provided by the Project Promoter will be set in the Project Contract. In case of the Pre-defined Project it will be set in the Programme Implementation Agreement.

Proof of expenditure shall only be submitted with the payment claim for costs above a certain threshold to be determined by the PO/IA, in the range of €1,700 - €2,000 for the Open Call. Expenditures falling below this threshold should be summarized and will be controlled during on-the-spot audits.

Under the Scholarship components under the Small Grant Scheme, rather than checking invoices, the Programme Operator will verify that the activity in question has been carried out properly.

In case of the Pre-defined Project the Project Promoter will give grants in the form of 'lump sums' to the Donor Project Partner against submitted payment claims and according to the number of the participating fellows. The Project Promoter's management

cost will be verified on the basis of actual incurred expenditures and on an audit report by an independent and certified auditor where proof of expenditure is required. If the activities are deemed to have been realised in a satisfactory manner, the entire grant amount is approved. Detailed financial checks can be made in case there is any doubt regarding the proper realisation of the mobility project.

4.3 Monitoring and reporting

Project promoters shall submit project progress reports on project implementation and one final report following project completion.

The Programme Operator and the IA will monitor the projects by reviewing project reports and through monitoring visits and on-the-spot checks. Monitoring visits will be conducted by the Programme Operator and will assess whether the project is implemented in accordance with the project contract and all relevant regulations and will identify potential risks and related mitigation measures.

On-the-spot checks will be conducted every year by the Implementing Agency on a sample of projects selected on the basis of risk analysis or random sample. Monitoring activities will be supported by external experts.

The aim of the on-the-spot checks is to make sure that the project is implemented in accordance with the requirements of all relevant regulations and the project contracts, to verify procurement procedures and the cost efficiency of incurred expenditures. On-the-spot checks and monitoring visits on an ad-hoc basis will also be carried out when suspicions arise that the information provided by the Project Promoter is incorrect or misleading. On-the-spot checks on an ad-hoc basis can also be organised for other reasons. Information about the date of the ad-hoc on-the-spot checks should normally not be provided to the Project Promoter in advance.

Irregularities will be handled in accordance with Chapter 11 of the Regulation.

Information on Reporting and Monitoring shall be further outlined in the description of the Programme's Management and Control System according to Article 4.8.2 of the Regulation.

5. Additional mechanisms within the programme

5.1 Fund for bilateral relations

The Programme Operator shall set aside a minimum of 1.5% of the total eligible expenditure of the programme for a fund for bilateral relations.

The details of the use of the bilateral fund, the indicative split between measures (a) and (b) of the bilateral fund as per paragraph 1 of Article 3.6 of the Regulation, the detailed procedures and criteria for awarding support from the fund, and any other relevant details will be developed by the Programme Operator in cooperation with the Donor Programme Partner and will be subject to the approval of the Cooperation Committee.

5.2 Complementary action

Complementary action under this programme shall be further defined by the Programme Operator in accordance with Article 7.11 of the Regulation. In particular, funds for complementary actions shall facilitate the participation of relevant stakeholders in events, seminars and activities agreed with the Donors.

The use of the funds for complementary actions shall be discussed and agreed in the Cooperation Committee.

5.2 Reserve for exchange rate losses

Not applicable.

5.4 Small Grant Schemes

One small grant scheme shall be implemented within the programme:

- (a) Increased education in the field of the sustainable use of renewable energy – scholarship component.

The scholarship component can fund scholarships for short courses (days/weeks) with the aim to train and raise the awareness of practising experts, decision makers and teachers on the sustainable use of renewable energy. It can also fund scholarships for higher education, with the aim to provide MSc degrees in the field of sustainable use of renewable energy.

The details for the implementation of the small grant scheme can be found in the relevant parts of this Programme Agreement.

6. Pre-defined projects

1. Pre-defined project name: Training at the Geothermal Training Programme of the United Nations University in Iceland (UNU-GTP).

Project Promoter: Ministry of National Development.

Donor Project Partner: The Icelandic National Energy Authority.

Maximum grant amount: €190,000

Grant rate: 100%

Estimated total project cost: €190,000

The pre-defined project will provide for scholarships which will fund the participation of Hungarian nationals at the UNU-GTP programme. The participants are selected through the UNU-GTP selection process. The duration of the training is 6 months. Grant per person is €30,000, covering tuition fee, travel and subsistence. The pre-defined project will provide scholarships for Hungarians.

Main activities:

- Advertising the UNU-GTP among the relevant stakeholders in Hungary;
- Coordination of applications for participants in the training;
- Providing UNU-GTP with a shortlist of the eligible applicants;
- Oversight of training implementation.

2. Pre-defined project name: Everybody talks about it – effectively for the renewable generation - Complex Awareness Raising Campaign for Renewable Energy and Energy Efficiency

Project Promoter: Ministry of National Development.

Maximum grant amount: €680,000

Grant rate: 100%

Estimated total project cost: €680,000

The main goal of the project is to create public awareness for the possible developments of households and everyday practices related to the use of renewable energy sources combined with energy efficiency related issues. While the goal of the programme and the project is to promote the reasonable and enhanced use of renewable energy solutions and by this generate developments aiming at the establishment of renewable energy solutions, it is also necessary to promote practical solutions for improvement of energy efficiency, in order to ensure synergies and complex solutions. The project is targeted to provide information and practical knowledge about opportunities for energy efficiency and possible change of lifestyles, benefiting the target group, as well as environmental and policy aims.

Main activities:

Principally through soft measures - complex awareness raising campaign with local/regional events (e.g. interactive and demonstration tools) and promotional tools (e.g. on-line, off-line advertisements). The budget for on-line and off-line advertisements and TV and video spots shall not exceed 10% of the total project budget.

3. Further Pre-defined projects:

Funds under the outcome budget lines remaining uncommitted:

- after the conclusion of the selection procedures under the call for proposals "Geothermal based district heating systems";
- after the conclusion of the selection procedures under the small grant scheme focused on increased education in the field of the sustainable use of renewable energy – scholarship component; and
- € 33,367 under the outcome "Increased awareness of and education in renewable energy solutions", formerly set-aside for a small grant scheme on "increased awareness on the sustainable use of renewable energy" but currently not committed to any measure under this Programme;

may be awarded to the pre-defined projects below, under the outcome "Increased Renewable Energy Production". Priority will be given to the projects which aim at the greatest reduction of CO2 emissions, as indicated in the list below. The National Focal Point shall ensure that no project receives funding from this Programme as well as the HU02 'Energy Efficiency' Programme.

The Programme Operator shall, prior to awarding a grant to any of the pre-defined projects listed below, appraise the project in order to verify its quality and contribution to the objectives of the Programme as well as compliance with EU and national legislation. The National Focal Point shall notify the FMC of the result of each such appraisal.

In case the award of grants to the projects listed below, in accordance with the conditions listed above, creates a need for a transfer between the budget lines related to outcomes contained in Annex 1 to this Programme Agreement, the Programme Operator may proceed with such award of grants prior to the modification of the Programme Agreement. Following the award of all grants under the Programme, the National Focal Point shall, if necessary, submit a request for modification of the budget lines related to outcomes contained in Annex 1 to this Programme Agreement.

1. Project title: Creation of a biogas plant at Duna Ethanol Jsc

Project Promoter: DUNA-ETANOL Crop Production Jsc.

Budget: €31 million Euros

Grant rate: 11%

Target: Emission reduction/avoidance of 106 thousand tonnes CO₂ per year

2. Project title: Heat production based on solid biomass at Duna-Ethanol Biofuel Plant

Project Promoter: DUNA-ETANOL Crop Production Jsc.

Budget: €10 million

Grant rate: 33%

Target: Emission reduction/avoidance of 27 thousand tonnes CO₂ per year

3. Creation of a 1.6 MW production capacity biogas power plant in Balatonszabadi

Project Promoter: ENERGREEN Electricity Production and Commercial Ltd.

Budget: €4.9 million

Grant rate: 49%

Target: Emission reduction/avoidance of 10 thousand tonnes CO₂ per year

4. Creation of a biogas plant at the city of Komló

Project Promoter: Komló Power Ltd.

Budget: €5.4 million

Grant rate: 49%

Target: Emission reduction/avoidance of 7 thousand tonnes CO₂ per year

5. 2nd stage of biogas factory and powerplant at Kiskörös

Project Promoter: Bioenergy-Park Industrial and Commercial Service Ltd.

Budget: €4.3 million

Grant rate: 49%

Target: Emission reduction/avoidance of 6 thousand tonnes CO₂ per year

6. Biogas factory of G&A Biogas and Algae Production Ltd

Project Promoter: G&A Biogas and Algae Ltd.

Budget: €4.4 million

Grant rate: 49%

Target: Emission reduction/avoidance of 6 thousand tonnes CO₂ per year

7. Geothermal Energy at Hajdunánás

Project Promoter: Nánás-Therm Investor and Energy Ltd.

Budget: €3.7 million Euros

Grant rate: 49%

Target: Emission reduction/avoidance of 2 thousand tonnes CO₂ per year

7. Modification of the programme

Any modifications of the programme will follow the rules set forth in the Regulation and in Article 2.9 of the programme agreement.

8. Programme proposal version

Any reference to the programme proposal in this programme agreement shall be interpreted as the version signed by the Programme Operator on 18 June 2012 and shall include all subsequent correspondence and communication between the FMC, the Financial Mechanism Office, the National Focal Point and the Programme Operator.

9. Miscellaneous

Not applicable.