



EFSI Operation Scoreboard¹

<u>PROJECT PRESENTATION</u>	
<u>Project name</u>	POWER TRANSMISSION MODERNISATION AND EXTENSION
<u>Promoter or financial intermediary</u>	MAVIR MAGYAR VILLAMOSENERGIA-IPARI ATVITELI RENDSZERIRANYITO ZRT
<u>Country of implementation</u>	Hungary
<u>Summary project description</u>	<p>The project is a multi-component investment Programme that contains part of the multi-annual investment plan of the Promoter. It aims at reinforcing and modernising the electricity transmission network of Hungary to improve the safety and reliability of the system and to support the efficient operation of the power network and electricity market in Hungary, as well as in the Central and Eastern Europe region in a context of increasing transit and loop flows.</p> <p>The Programme comprises the (i) installation of the Hungarian sections (~24 km) of two new 400 kV overhead lines interconnecting Hungary with Slovakia (10% of the total Programme cost), that are Projects of Common Interest (PCIs), (ii) construction of 4 new substations (61%), (iii) refurbishment and extension of existing substations (24%), and (iv) replacement of optical ground wires on high voltage lines (5%).</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision. Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under the articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	92.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	100.00%
Development and modernization of energy infrastructure (in particular interconnections, smart grids at distribution level, energy storage and synchronisation of networks)	100.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of four indicators which include:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ("ERR"), which considers the project's socioeconomic costs and benefits, including its spillover effects;*
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;*
- (iii) "Sustainability" i.e. environmental and social sustainability²;*
- (iv) "Employment" i.e. the project's direct employment effect.*

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor),*
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments,*
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer – provided in-house by the EIB or in the form of assignments to external consultants – to facilitate the preparation or implementation of a project.*

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 – Complementary indicators

Additionality

In line with the EFSI objective of developing the energy sector in accordance with the Energy Union priorities, the operation will modernise the energy infrastructure in Hungary by increasing interconnection capacity with Slovakia, increasing network capacity and improving reliability of the grid. As the vast majority of project investments will take place in regions eligible under the EU Cohesion Policy, the operation will also contribute to the Union priorities on convergence and social cohesion.

Security of supply is a public good and cross-border interconnections overcome coordination failures. The operation is thus expected to contribute to ensuring reliability and a high level of security of supply of the Hungarian power system, reducing the risk of blackouts. This cross-border project includes two interconnections with Slovakia which form part of the list of Projects of Common Interest (PCIs) and thus shall strengthen the internal EU energy market.

This is the first direct EFSI operation in Hungary, supporting MVM Magyar Villamos Muvek (MVM) ZRT, the key player in the Hungarian power and gas sectors. MVM is fully state-owned and the parent company of an integrated group of companies. For project implementation, MVM will on-lend the proceeds of the EIB loan to its subsidiary MAVIR, the independent Transmission System Operator (TSO) in Hungary. MAVIR is responsible for security of supply of the Hungarian power system as well as for the operations of the transmission network and the adequate development of the transmission network.

The operation falls in the Special Activity category and thanks to EFSI support, the EIB shall provide a loan on terms not otherwise accessible by MVM on the market, with a long tenor, which more closely matches the economic life of assets to be financed, resulting in a contractual subordination of the EIB as compared to other lenders.

Set of indicators related to the macroeconomic environment

Hungary - Economic environment				
Economic Performance				
	HU 2016	EU 2016	US 2016	HU 2001-2007
GDP per capita (EUR, PPS)	20,384	29,440	42,815	21,221
GDP growth (%)	2.0	1.9	1.6	3.7
Potential GDP growth (%)	1.9	1.3	2.1	3.2
Output gap (% of potential GDP)	0.21	-0.75	-0.03	1.9
Unemployment Rate (%)	4.3	8.2	4.7	6.6
Unemployment Rate (%) - Y/Y change (% points)	-1.9	-0.8	-0.3	0.3
Bank-interest rates to non-financial corporations (%)	1.2	1.4	1.8	9.8
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-1.7	-0.21	-1.4	-1.3
Investment rate (GFCF as % of GDP) - Total	17.8	19.7	19.6	24.1
Investment rate (GFCF as % of GDP) - Public	3.1	2.7	3.4	4.3
Investment rate (GFCF as % of GDP) - Private	14.7	17.0	16.2	19.7

Energy					
	2013	2014	2015	2016	EU (latest available)
Energy consumption from renewables (%)	16.2	14.6	14.5	--	16.7
Energy consumption from renewables - distance to EU 2020 target (%)	-3.2	-1.6	-1.5	--	3.3
Energy dependence (%)	52.1	61.7	--	--	53.5
Primary energy consumption (consumption in 2005 =100)	83.2	82.6	87.5	--	89.3
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	255.9	--	--	--	141.7
Primary energy consumption (Million Tonnes of Oil Equivalent)	21.2	21.0	22.3	--	1,530
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-2.9	-3.1	-1.8	--	46.6

General Sector Indicators					
	2013	2014	2015	2016	EU (latest available)
Value added in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	2.0
Employment in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	0.6

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms
- EU value for "Bank-interest rates to non-financial corporations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007
- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics

	Expected at PCR
Start of works	01.01.2018
End of works	31.12.2022
Project investment cost	290.00 MEUR
EIB/EFSI eligible investment mobilised	290.00 MEUR
External EFSI multiplier	2.23
External EIB (non-EFSI) multiplier	
Amount of private financing	160.00 MEUR
Quick start (% of expenditure during 2015-2018)	20.00 %
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	
Employment during construction - temporary jobs	1,700 person years
Employment during operation - new permanent jobs	0 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report.