

Agreement for the Purchase of Annual Emission Allocation Units (AEAs)

Between

Hungary

as Seller

and the

Federal Republic of Germany

as Buyer

24 october 2022

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This Agreement for the Purchase of Annual Emission Allocation Units (“**Agreement**”) has been made between

Hungary acting through the Ministry of Technology and Industry as the seller (“**Seller**”) having his offices at 1011 Budapest, Fő utca 44 – 50, Hungary; represented by its State Secretary, duly authorized to sign the Agreement by the Government Decree No. 182/2022. (V.24.) on the duties and powers of the members of the Government and the Instruction of the Minister of Technology and Industry No. 1/2022. (VI.28.) on the temporary definition of the organizational and operational rules of the Ministry of Technology and Industry, and

The Federal Republic of Germany, acting through the Federal Ministry for Economic Affairs and Climate Action as the buyer (“**Buyer**”), having his offices at Scharnhorststrasse 34-37, 10115 Berlin, Germany, represented by its State Secretary, duly authorized to sign this Agreement in accordance with the Joint Rules of Procedure of the Federal Ministries (GGO),

each a "**Party**" and together, the "**Parties**".

PREAMBLE

WHEREAS:

- A. With a view to meeting the ultimate objectives of the United Nations Framework Convention on Climate Change (“**UNFCCC**”), the European Union (“**EU**”) adopted Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 (“**Effort Sharing Decision**” or “**ESD**”), which establishes binding annual greenhouse gas emission targets for EU member states for the period 2013 to 2020.
- B. The Effort Sharing Decision and relevant implementing legislation lay down annual targets known as Annual Emission Allocations and provide certain flexibilities to EU member states in meeting these targets.
- C. Article 3.5 ESD permits an EU member state to transfer the part of its Annual Emission Allocation that exceeds its greenhouse gas emissions for a given year, subject to the use of any other flexibility instruments, to another member state.
- D. The Parties intend to use the flexibility provided in Article 3.5 ESD with respect to the annual emission allocation for the year 2020.
- E. The Parties seek to realize the transfer of a specific amount of annual emission allocation units

("AEAs") through a sale and purchase, whereby Hungary would act as the Seller and the Federal Republic of Germany would act as the Buyer.

- F. The Parties wish to link this sale and purchase to a specific climate mitigation activity in Hungary, whereby the proceeds received by the Hungary will be invested in its "**Green Bus Program**".

- G. The Parties wish to enter into a contract not falling under the scope of the Vienna Convention on the Law of Treaties.

IT IS AGREED AS FOLLOWS:

1. DEFINITIONS AND INTERPRETATION

- 1.1 *Definitions.* Subject to any express provision to the contrary in this Agreement or its respective Appendixes or unless the context otherwise requires, in this Agreement and its respective Appendixes the following terms have the following meaning:

Agreement: Means this Agreement for the Purchase of Annual Emission Allocation Units (AEAs).

Agreement Term: Means the time period described in section 11.8.

Annual Emission Allocation: means an EU member state's annual maximum allowed GHG emissions in the years 2013 to 2020 as specified in Article 3(2) ESD.

Annual Emission Allocation Unit or "AEA": means a subdivision of a EU member state's annual emission allocation as determined pursuant to Article 3.2 and Article 10 ESD equal to one tonne of carbon dioxide equivalent.

Annual Report: Has the meaning given to the term in section 5.10 and following the template provided in **Annex II**.

Annex I: Means the annex to the Agreement that includes the description of the Program.

Annex II: Means the annex to the Agreement that includes the template for the Annual Report.

Annex III: Means the annex to the Agreement that includes the template for the Final Report.

Annex IV: Data Management Information

Auditor: Has the meaning given to the term in section 5.11.

Banking Day: A day (other than a Saturday or Sunday or legal holiday) on which commercial banks and the relevant exchanges are generally open for business in Berlin, Federal Republic of Germany, and Budapest, Hungary.

Beneficiary: Has the meaning given to the term in **Annex I**.

Buyer's Registry Account: Means the Registry Account of the Buyer, with the No. [REDACTED].

Carbon Dioxide Equivalent or CO₂e: The base reference for the determination of global warming potential of Greenhouse Gases as listed in the Kyoto Protocol in units of carbon dioxide.

Compliance Year: Means any calendar year from 2013 to 2020 that gives rise to compliance obligations for EU member states under the ESD. “**Compliance Year 2020**” refers to the calendar year 2020 and the resulting compliance obligations.

Contract AEs: Has the meaning given to the term in section 2.1.

Contract Value: Means the total amount in EUR due as payment for Contract AEs and Option AEs under the Agreement.

Delivery: Has the meaning given to the term in section 3.1, and “**Deliver**” shall be construed accordingly.

Eligibility Criteria: Means the requirements for the use of the ESD’s flexibility instruments, notably its article 3.4 and its article 3.5. It includes, but is not limited to, compliance with the reporting obligations under Article 6 ESD and meeting its Annual Emission Allocation in each of the years from 2013 to 2020.

European Transaction Log or “EUTL”: Means the standardized electronic database as defined in Article 6 of the Registry Regulation.

EU Rules: means the Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 on the effort of Member States to reduce their greenhouse gas emissions to meet the Community’s greenhouse gas emission reduction commitments up to 2020 (“**Effort Sharing Decision**” or “**ESD**”), Regulation (EU) No 525/2013 on a mechanism for monitoring and reporting greenhouse gas emissions (“**Mechanism for Monitoring Regulation**” or “**MMR**”), and Commission Regulation (EU) No 389/2013 (“**Registry Regulation**”); as well as and any relevant regulations, directives, decisions, guidance or other regulatory instrument, each as amended from time to time.

EURIBOR: Means for any time period the percentage rate per annum (rounded up, if necessary, to the next 1/16th of one per cent.) quoted on Reuters' page EURIBOR01 or, if this page does not have the required details or is not accessible, on Bloomberg page Corp EBF (or on a successor page which replaces Reuters' page EURIBOR01 or Bloomberg page Corp EBF) at or about 11.00 a.m. Brussels time on the second Banking Day before the first day of that time period as the EURIBOR rate of the European Banking Federation for Euro term deposits in the European interbank market for the same period as that time period or, if none of the periods quoted by Reuters or Bloomberg are the same as that time period in question, the EURIBOR rate so quoted for the next longer time period.

Euro or EUR: Means the lawful currency of the member states of the European Union that adopt single currency in accordance with the EC Treaty.

Event of Default: Means an event specified as such in section 7.

Final Report: Has the meaning given to the term in section 5.10 and following the template provided in **Annex II**.

Force Majeure: means the occurrence of any event or circumstance beyond the control of a Party that could not, after using all reasonable efforts, be overcome (such as war, natural disasters, strike and lockout, act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion or public demonstration) and which makes it impossible for that Party to perform its obligations under the Agreement. For the avoidance of doubt, lack of funds shall not constitute a Force Majeure.

Greenhouse Gases or GHGs: The six gases listed in Annex A to the Kyoto Protocol.

HUMDA: Means the Hungarian Motorsport and Green Mobility Development Agency Ltd.

Lien: Means any mortgage, charge, pledge, lien, assignment, security interest, title retention, preferential right, trust arrangement, contractual right of set-off or any other security agreement or arrangement in favour of any person by way of security for the payment of a debt or any other monetary obligation.

Parties: Seller and the Buyer, and each of them are individually referred to as a **Party**.

Program: Means the Green Bus Program as further described in **Annex I**

Registry Account: Means the ESD Compliance Account as defined in the Registry Regulation. See also “**Buyer’s Registry Account**”.

Subsidized Project: Means an energy saving measure funded under the Program.

Taxes: All national, state, regional, provincial, local, foreign and other net income, gross income, gross receipts, sales, use, stamp, ad valorem, registration, transfer, franchise, profits, license, lease, service, service use, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, windfall profits, fuel, gas import, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever imposed by any governmental entity, whether in effect at the time of the Agreement or thereafter imposed, together with any interest and any penalties, additions to tax or additional amounts with respect thereto.

UNFCCC: Has the meaning given to that term in the Preamble.

- 1.2 *Capitalized Terms.* The capitalized terms used in this Agreement shall have the meanings expressly set forth in section **Hiba! A hivatkozási forrás nem található.** or elsewhere in the body of this Agreement or its annexes.
- 1.3 *Interpretation.* Subject to any express provision to the contrary in this Agreement or unless the context otherwise requires, references in this Agreement to:

- 1.3.1 to any document (including this Agreement) is to that document as varied, amended, novated, ratified or replaced from time to time;
 - 1.3.2 to any Party includes that Party's executors, administrators, successors and permitted assigns, including any person taking by way of novation and, in the case of a trustee, includes any substituted or additional trustee;
 - 1.3.3 to the singular includes the plural and vice versa, and to a gender includes all genders; to a Party means a Party to this Agreement, and to a clause means a clause of this Agreement (unless specified otherwise);
 - 1.3.4 to any EU Rules, statute or to any treaty or statutory provision includes any statutory modification or re-enactment of it or any treaty or statutory provision substituted for it, and all protocols, rules, modalities, guidelines, procedures, ordinances, by-laws, regulations, rules and statutory instruments (however described) issued under it; and to the words "including", "include", "included", "such as", "consisting of" and the like shall be deemed to be completed by the expression "but not limited to".
- 1.4 *EU Rules.* The terms of this Agreement shall be interpreted in a manner that is consistent with the EU Rules.
- 1.5 *Headings.* The headings of the provisions herein are inserted for convenience of reference only and shall not affect the interpretation of this Agreement.
- 1.6 *Conflict.* In the event of any conflict with Annex I or any other relevant document, this Agreement shall prevail.

2. SALE AND PURCHASE

- 2.1 *Contract AEs.* The Seller agrees to sell and Deliver, and the Buyer agrees to purchase and accept [REDACTED] – (“**Contract AEs**”), together with all rights and entitlements pertaining to the Contract AEs, in accordance with the terms and conditions of this Agreement.
- 2.2 *Option AEs.* The Seller agrees to sell and Deliver to the Buyer on each Option Delivery Date and the Buyer agrees to purchase and accept from the Seller such Option AEs as the Buyer has agreed to purchase pursuant to section 2.3.
- 2.3 *General.* In addition to the Buyer's purchase of the Contract AEs, the Seller grants the Buyer the right, but not the obligation (“Option”), exercisable at the Buyer's sole and absolute discretion on one or more occasions on or before 15 February 2023 (“**Final Option Day**”), to purchase up to [REDACTED] (“**Option AEs**”), together with all rights and entitlements pertaining to the Option AEs, in accordance with the terms and conditions of this Agreement.
- 2.4 *Option Exercise.* To exercise the Option referred to in section 2.3, the Buyer shall notify the Seller in writing (“**Option Notification**”). The Seller shall confirm the receipt of the Option Notification immediately. For the avoidance of doubt, the failure to confirm the receipt of the Option Notification does not affect its effectiveness.

- 2.5 *Exclusivity.* During the Option Term the Seller shall not offer for sale or transfer any Option AEA to any third party. Furthermore, subject to section 2.6 below, the Seller may sell and transfer AEA only that it holds in excess of the number of GHG emissions recognized in the 2020 GHG Commission Implementing Decision, after deducting the combined sum of Contract AEA and Option AEA and other AEA it may have transferred.
- 2.6 *Option Waiver.* After the Final Option Day, the Buyer shall be deemed to have waived its right to the Option referred to in section 2.3, and the Seller shall be free to sell the relevant AEA to a third party.

3. DELIVERY

- 3.1 *Contract AEA.* The Seller shall transfer the Contract AEA free from any Liens to the Buyer's Registry Account – for the Compliance Year 2020 – in a single tranche by 20 November 2022 at the latest.
- 3.2 *Option AEA.* The Seller shall transfer any amount of Option AEA for which the Buyer has exercised the Option pursuant to section 2.4, free from any Liens to the Buyer's Registry Account within ten (10) Banking Days of the receipt of the Option Notification.
- 3.3 *Delivery.* The transfer of Contract AEA and of Option AEA is complete and the AEA in question deemed delivered when the final notification in the total sequence of message and/or notification exchanges in respect of the transfer has been received by the EUTL and the AEA have been credited to the Buyer's Registry Account ("**Delivery**").
- 3.4 *Notice.* The Seller shall promptly notify the Buyer upon each Delivery.
- 3.5 *Transfer of title.* Full legal title to the Contract AEA and Option AEA passes from the Seller to the Buyer upon Delivery of such AEA and due payment in accordance with section 4 below. The Seller must take all steps required to ensure the proper transfer of full legal title to all Contract AEA and Option AEA Delivered to the Buyer.

4. PRICE AND PAYMENT

- 4.1 *Unit Price.* The price for each Contract AEA and Option AEA Delivered shall be Euro [REDACTED] ("**Unit Price**").
- 4.2 *Total Purchase Price:* The product of the amount of properly Delivered Contract AEA and Option AEA (where applicable) and the Unit Price.
- 4.3 *Invoice.* The Seller shall send to the Buyer a separate invoice – or alternatively, a disbursement request – for each Delivered AEA tranche ("**Invoice**"). The Invoice shall be submitted to the Buyer together with the notification referred to in section 3.4. Each Invoice shall include:

- 4.3.1 the number of AEAs Delivered;
- 4.3.2 the identification as Contract AEAs or Option AEAs;
- 4.3.3 the relevant Delivery Value in EUR; and
- 4.3.4 the account details as defined in section 4.5 below.

4.4 *Payment arrangements.* The Buyer will initiate the payment to the Seller of the relevant Delivery Value for each Delivery within 15 Banking Days after the later of (i) Delivery of the AEAs in the Buyer’s Registry Account in accordance with the provisions of this Agreement, (ii) the notification referred to in section 3.4, and (iii) receipt of a duly submitted Invoice. For the avoidance of doubt, full legal and beneficial title to the Contract AEAs shall pass to the Buyer after Delivery and payment only.

4.5 *Payments to Seller.* Any and all payments to be made by the Buyer to the Seller under or in connection with the Agreement shall be made in Euro and to the following bank account:

4.6 *Taxes, charges and fees.* Each Party shall cover its own Taxes, bank service charges, and transaction fees and, to the extent required by law, shall correctly account for any value-added tax properly due in its jurisdiction.

5. USE OF AEA PROCEEDS

5.1 *AEA Proceeds.* All payments received by the Seller for the Delivery of AEAs (“**AEA Proceeds**”) Seller shall be used for the sole purpose of covering the costs associated with the Green Bus Program as further described in **Annex I (“Program”)**.

5.2 *Implementation Window.* All Proceeds shall be fully disbursed and invested in the Program within five (5) years from their receipt (“**Implementation Window**”).

5.3 *Program Costs.* The costs for the management of the Program, including operations, supervision, monitoring, reporting, and audits, as well as public communications and awareness-raising campaigns (“**Program Costs**”) shall not exceed EUR 500,000.

5.4 *Implementing bodies.* The Seller shall assume all the operational tasks conferred upon it under this Agreement and the Program and ensure that the Program’s implementing bodies, including HUMDA, fulfil their roles as foreseen under the Program. In case HUMDA proves incapable to execute its role the implementation of the Program, the Seller shall appoint an appropriate replacement; until then, the Seller shall fulfil the relevant duties through its own and duly appointed staff;

5.5 *Changes.* The Seller shall not make a material change in the Program without prior consent from the Buyer and it shall inform the Buyer immediately of any changes it intends to suggest stating the reasons, the planned measures and the consequences of the changes envisaged. In case that one or

more of the Subsidized Projects are cancelled or not or only partially implemented, the Seller shall offer alternative projects comparable to them. Upon acceptance by the Buyer, such alternative project shall become part of the Program.

- 5.6 *Compliance.* The Seller shall at all times ensure compliance by all Beneficiaries under the Program with the terms of conditions set therein and procure immediate repayment of funds in case funds are found to have been misused; whenever a monitoring audit shows that the relevant targets set have not been met, the Seller shall investigate and remedy the situation, where appropriate. Any agreements the Seller concludes with a Beneficiary shall be in accordance with the Program and shall be made enforceable under laws of the Hungary. The Seller shall provide the Buyer with an English translation of any model agreements.
- 5.7 *Cooperation agreements.* The Seller shall enter into cooperation agreements with local banks or the purposes of providing the concessional loans foreseen under the Program. These cooperation agreements shall ensure that the local banks perform appropriate know-your-customer, financial standing and other regular checks to support compliance with the terms of the loan and of the Program.
- 5.8 *Books.* The Seller shall maintain at all times books and records showing unequivocally all grants, Beneficiaries, agreements concluded with Beneficiaries, the concessional loans the grants are linked to, the up-to-date amounts of proceeds not yet allocated for funding, Misused Proceeds and those under investigation, as well as all disbursements and other costs. The Seller shall enable the Buyer to inspect all books and records at any time.
- 5.9 *Jeopardy.* The Seller shall promptly inform the Buyer of any and all circumstances that could preclude or jeopardize the implementation of this Agreement.
- 5.10 *Reporting.* By 1 November each year until 1 November 2026, the Seller shall provide annual reports following the model provided in **Annex II** (“Annual Reports”). By 1 November 2027, the Seller shall provide a final report (“**Final Report**”) covering the entire Implementation Window and following the model provided in **Annex III**.
- 5.11 *Audits.* In order to ensure the agreed use of the Proceeds, Parties agree to the following monitoring, reporting and auditing procedure:
 - 5.11.1 The Seller shall appoint and employ an independent, internationally recognized auditing firm, (“**Auditor**”) to audit annually, the last Audit to be submitted within three (3) months of the Final Report, the disbursement of the Proceeds by the Seller to fund the Program and the achieved GHG reductions in accordance with the Program throughout the Implementation Window. Before appointment of the Auditor, the Seller shall send to the Buyer a document which contains general information of the Auditor. The Auditor shall be appointed by mutual consent between the Buyer and the Seller.
 - 5.11.2 The Seller shall provide any information or material which the Buyer reasonably requests in relation to the Program, the budget pertaining thereto and the proper use of the Proceeds under this Agreement within twenty (20) Banking Days upon receipt of such Buyer’s request.

- 5.11.3 The Seller furthermore agrees to authorize the Auditor to have full access to all relevant data, information, documents and invoices that are relevant to the disbursement of the Proceeds by the Seller to fund the Subsidized Projects and the Program Costs.
- 5.11.4 The Buyer shall have a right to request on-site inspection from the Seller and shall have a right to conduct on-site inspections of the Subsidized Projects at the Buyer's cost at any time. And
- 5.11.5 With respect to the Annual Reports and the Final Report, the Buyer shall be entitled, acting reasonably, to make comments on the reports and demand further data, information, and documents that are reasonably connected to the Subsidized Projects and the Program.

6. REPRESENTATIONS, WARRANTIES, COVENANTS AND UNDERTAKINGS

- 6.1 *Seller.* The Seller represents, warrants, covenants, as of the date of this Agreement and on the date on which the Seller makes the Delivery of any Contract AEAs and Option AEAs (in each case by reference to the facts and circumstances then existing), that:
 - 6.1.1 The Seller has all requisite legal power and authority, including capacity to agree to arbitration, to execute this Agreement and to carry out the terms, conditions and provisions hereof and all legislative, administrative, or other action required to authorize the execution and performance by the Seller of this Agreement and the transactions contemplated hereby have been duly taken and are in full force and effect.
 - 6.1.2 This Agreement constitutes valid, legal, and binding obligations of the Seller, enforceable in accordance with the terms hereof.
 - 6.1.3 All information which is material for the purpose of this Agreement, including but not limited to the Program and that is furnished in writing by or on behalf of the Seller to the Buyer and is identified as being subject to or connected to this Agreement is, or shall be, as of the date it is, or will be, furnished to the Buyer, true, accurate and complete in every material respect.
 - 6.1.4 Other than as contemplated by this Agreement, the Seller has not sold, transferred, assigned, licensed, disposed of, granted, or otherwise created any Lien over its tradable amount of AEAs that would jeopardize Delivery under this Agreement.
 - 6.1.5 At the time of the payment, the Buyer will receive valid legal title to the Contract AEAs and Option AEAs free of any Liens.
 - 6.1.6 The Seller ensures that the Proceeds shall not be used by the Seller (or any other entity mandated to perform services to the Seller or HUMDA for any purpose (including bribery) that is contrary to the laws, regulations, rules, guidelines, approvals, orders or decrees of Hungary or the EU and applicable international law, nor for any purpose other than disbursement to or implementation of the Program and the coverage of Program Costs.

- 6.1.7 The Seller guarantees that the Program is not legally mandated under the laws of the Seller; that the Proceeds will be used entirely to add onto or complement existing government obligations or planned commitments of the Seller; and that the GHG emission reductions achieved by the Program reflect mitigation efforts beyond business-as-usual assumptions. For the avoidance of doubt, the Proceeds must not release the Seller government or a government body of the Seller of any domestic funding commitments.
- 6.1.8 All the statements made with respect the Program are correct and that it intends to implement it accordingly through proper staff, HUMDA, and other entities it employs during the course of implementation, as the case may be;.
- 6.1.9 The Seller shall hold the amount of AEAs which is required to maintain to meet its compliance obligations under the ESD and, in addition, to meet its Delivery obligations under this Agreement.
- 6.1.10 The Seller guarantees that this Agreement does not contravene, conflict with, or result in a breach of any applicable Hungarian law, regulation, governmental decision. And
- 6.1.11 That no Event of Default, nor a set of facts or circumstances which would constitute an Event of Default, has occurred with respect to the Seller's actions or inactions and no such event would occur as a result of the Agreement entering into force or the Seller performing its obligations under the Agreement.
- 6.2 *Seller undertakings.* The Seller undertakes throughout the term of this Agreement the following:
 - 6.2.1 The Seller shall take all necessary measures to maintain, prior to and during Delivery of Contract AEAs and Option AEAs, fulfilment of the Eligibility Criteria and to ensure the operationality of the Seller's Registry Account.
 - 6.2.2 The Seller must not take any action that could put its compliance obligations under the ESD in jeopardy and risk corrective actions under article 7 ESD.
 - 6.2.3 The Seller shall use the AEA Proceeds and implement the Program as laid out in section 5 above.
- 6.3 *Buyer.* The Buyer represents, warrants and covenants, as of the date of this Agreement and on the date on which the Buyer makes the payment of the Contract Value (in each case by reference to the facts and circumstances then existing), that:
 - 6.3.1 The Buyer has all requisite legal power and authority, including capacity to agree to arbitration, to execute this Agreement and to carry out the terms, conditions, and provisions hereof.
 - 6.3.2 All legislative, administrative, or other action required to authorize the execution and performance by the Buyer of this Agreement and the transactions contemplated hereby have been duly taken and are in full force and effect.

- 6.3.3 This Agreement constitutes valid, legal, and binding obligations of the Buyer, enforceable in accordance with the terms hereof.
 - 6.3.4 All information which is material for the purpose of this Agreement and that is furnished in writing by the Buyer to the Seller and is identified as being subject to or connected to the Agreement is, or shall be, as of the date it is, or will be, furnished to the Seller, true, accurate and complete in every material respect.
 - 6.3.5 The Buyer maintains at all times a fully operational Buyer's Registry Account.
 - 6.3.6 The Buyer guarantees that this Agreement does not contravene, conflict with or result in a breach of any applicable German law, regulation, governmental decision. And
 - 6.3.7 That no Event of Default, nor a set of facts or circumstances which would constitute an Event of Default, has occurred with respect to the Buyer's actions or inactions and no such event would occur as a result of the Agreement entering into force or the Buyer performing its obligations under the Agreement.
- 6.4 *Information.* Each Party shall inform the other Party immediately in writing upon any change to its above-mentioned representations, warranties, covenants and/or undertakings.
 - 6.5 *Improper payments and illegal activities.* Neither Party nor any of its officers, directors, employees or agents acting on its behalf nor (to the best of the respective Party's knowledge and belief) any implementation partner or Beneficiary has made or received any improper gifts or payments for the purpose of influencing any person in connection with the Program, or is/are involved or have authorized any person acting on their respective behalf to be involved in any illegal activities in relation to drugs, terrorism, money laundering or similar activities.
 - 6.6 *Costs.* All Taxes, obligations, fees and other governmental charges which are due and payable have been paid.
 - 6.7 *EU legal compliance.* The Seller shall establish the necessary procedures and safeguards to ensure that the Program be operated in compliance with relevant EU law on health, environment, climate change, services, consumer protection and other, as well as state aid and financial crimes, including Directive (EU) 2015/849 on preventing the use of the financial system for money laundering or terrorist financing. The Buyer represents and warrants that the Program funding be compatible with Article 107 and Article 108 of the EU Treaty on the Functioning of the European Union and relevant legislation adopted in this context, including on block exemptions.
 - 6.8 *Access for the Buyer.* Upon reasonable notice, the Seller shall provide the Buyer and any other person designated by the Buyer, or will procure that they are provided, with access during normal business hours to the Program and to its books, records and all information relating to the Program for inspection purposes and shall provide such persons, or ensure that they are provided, with all necessary assistance for this purpose.

7. EVENTS OF DEFAULT AND REMEDIES

- 7.1 *Event of Default.* The occurrence at any time with respect to a Party of any of the following events constitutes an event of default (“**Event of Default**”) with respect to such Party:
- 7.1.1 the Party fails to pay when due any amount payable by it under this Agreement, except that the failure is caused by a technical or administrative error not attributable to the Party, or a disruption to payment or communication systems in any relevant financial market which are, in each case, required to operate in order for such payments to be made in connection with this Agreement (and in each case, is not caused by, and is beyond the control of, the defaulting Party).
 - 7.1.2 the Seller fails to Deliver the Contract AEA’s and/or Option AEA’s in accordance with the provisions of this Agreement.
 - 7.1.3 the Seller including HUMDA and any of the persons or entities the Seller appoints and/or employs to implement the Program fails to implement, operate and maintain the Subsidized Projects and/or to use the Proceeds in strict accordance with this Agreement and the Program.
 - 7.1.4 With respect to the Seller, the AEA Proceeds, or any portion thereof have been used for purposes, intentionally or not, other than the Program or to cover the agreed Program Costs (“**Misused Proceeds**”).
 - 7.1.5 the Party fails to perform any material obligation under this Agreement, each of the obligations listed in section 6.2 above being deemed material.
 - 7.1.6 any representation or warranty made or repeated or deemed to have been made or repeated by the Party in this Agreement proves to have been incorrect or misleading (in any material respect when made or repeated or deemed to have been made or repeated); and
 - 7.1.7 Hungary fails to maintain the fulfilment of the Eligibility Criteria until Delivery of all Contract AEA’s and Option AEA’s is completed.
- 7.2 *Non-defaulting Party.* Upon the occurrence of any Event of Default, the non-defaulting Party may exercise one or more rights provided in this Agreement or under applicable law. The exercise or failure to exercise of any one or more rights or remedies shall not operate as a waiver of any rights or remedies hereunder.
- 7.3 *Notice of Remedial Action.* The defaulting Party must immediately – not exceeding three (3) Banking Days from the day it becomes aware of it – give notice of the Event of Default to the other Party in writing, specifying the underlying reasons and detailing whether it believes the Event of Default can be cured. If it does, the defaulting Party shall propose the appropriate remedial action and set out a firm timeframe when this action would be complete (“**Remedial Action**”).
- 7.4 *Rejection of Remedial Action.* Exercising its reasonable discretion, the non-defaulting Party may reject the Remedial Action in writing. If the cure period proposed by the defaulting Party exceeds ten

(10) Banking Days, the Remedial Action is deemed rejected by the non-defaulting Party, unless the non-defaulting Party decides otherwise and notifies the defaulting Party of its intention in writing within ten (10) Banking Days following the submission of the Notice of Remedial Action.

- 7.5 *Termination.* If the defaulting Party fails to submit a Notice of Remedial Action as due, if the Remedial Action is rejected or deemed rejected, or if has failed to cure the Event of Default in accordance with the Notice of Remedial Action, the non-defaulting Party may upon written notice to the defaulting Party terminate this Agreement with immediate effect.
- 7.6 *AEA Return.* As a result of termination, if the defaulting Party is the Buyer and to the extent that the Seller has Delivered Contract AEA's and/or Option AEA's to the Buyer and the Buyer has not paid the Contract Value in relation to such AEA's to the Seller, the Seller may require the Buyer to deliver to the Seller AEA's free of any Liens in the same number as the Contract AEA's and/or Option AEA's Delivered, within ten (10) Business Days of the Seller's notice of termination of this Agreement.
- 7.7 *Replacement AEA's.* As a result of termination, if the defaulting Party is the Seller and if the Event of Default consists in the failure to Deliver any Contract AEA's or Option AEA's as due ("**Shortfall AEA's**"), the Buyer may purchase an amount of AEA's equivalent to the Shortfall Amount from another EU member state ("**Replacement AEA's**") and, if the price of the Replacement AEA's is higher than the Unit Price, request that the Seller pay the difference, as well as all direct costs related to the purchase, including legal and brokerage fees. In case the Buyer fails to purchase Replacement AEA's on the market despite reasonable efforts to do so, the Seller shall indemnify, defend and hold harmless the other Buyer from any ensuing liability and loss, including from corrective action under Article 7 ESD, which directly or indirectly arise out of such breach.
- 7.8 *Unused AEA Proceeds.* As a result of termination, if the defaulting Party is the Seller, the Seller must immediately block the use of the remaining – non-spent – AEA Proceeds for the Program. The Buyer may in its absolute discretion agree to the continuation of the use of the AEA Proceeds under the Program or direct the Seller to transfer the amount to a not-for-profit organization based in Hungary.
- 7.9 *Misused Proceeds.* Irrespective of termination, in case of Misused Proceeds, the Buyer may request that the equivalent amount in EUR be repaid to the Buyer within one (1) month of such written request.
- 7.10 *AEA Transfer Finality.* For the avoidance of doubt, if the termination is the result of a default by the Seller, there is no obligation for the Buyer to return any Contract AEA's and/or Option AEA's received by the Buyer.

8. FORCE MAJEURE

- 8.1 *Events of Force Majeure.* A Party's failure to perform any of its obligations under the Agreement due to Force Majeure will, subject to section 8.2 below, have the following consequences:
- 8.1.1 *Postponement of date of performance.* If any delay occurs, the performance of both Parties' affected obligations will be postponed for so long as is made necessary by the Force Majeure.
- 8.1.2 *Limited liability.* The affected Party will not be liable for any loss or damage suffered or incurred by the other Party arising from the Force Majeure.

8.1.3 *Termination of Agreement.* If any of a Party's obligations under this Agreement is suspended by reason of Force Majeure for more than 2 months, the other Party may terminate the Agreement.

8.1.4 *Mitigation.* Each Party must use its reasonable endeavours to minimise the effects of any Force Majeure.

8.2 *Applicability of Force Majeure exception.* Section 8.1 only applies if:

8.2.1 the affected Party could not have avoided the effect of the Force Majeure by taking precautions which, having regard to all matters known to it before the occurrence of the Force Majeure and all relevant factors, it ought reasonably to have taken but did not take; and

8.2.2 the affected Party has used reasonable endeavours to mitigate the effect of the Force Majeure and to carry out its obligations under this Agreement in any other way that is reasonably practicable; and

8.2.3 the affected Party advises the other Party in writing as soon as reasonably practicable (at the latest within three (3) Banking Days of becoming aware of it) of:

(i) the event or circumstance constituting Force Majeure;

(ii) its estimate of the likely effect of that Force Majeure on its ability to perform its obligations under this Agreement; and

(iii) its estimate of the likely period of that Force Majeure; and

8.2.4 the affected Party uses all reasonable endeavours to terminate or overcome the event or circumstance constituting Force Majeure and resumes full performance of its obligations as soon as reasonably practicable.

9. CONFIDENTIALITY

9.1 *Each* Party shall be allowed to disclose such information regarding this Agreement as required by any relevant law or ruling of competent courts or authorities in Hungary, the Federal Republic of Germany or the EU.

9.2 This Agreement and its terms shall otherwise be treated as confidential by the Parties. The Parties may, however, disclose the existence of this Agreement, the identity of the Parties, the use of the AEA Proceeds, and the details of the Program. The Parties agree that the number of AEAs transacted, and the Contract Value shall not be disclosed before the end of the Final Option Day.

9.3 Subject to section 9.2 above, both Parties shall keep confidential any information of the other Party that is: (a) qualified by any Party as confidential; or (b) apparently, on its face, intended to be kept confidential, as evidenced by the communication from the concerned Party ("**Confidential Information**") and shall not disclose the same to any third party without prior written consent of the other Party. Notwithstanding the foregoing, the Confidential Information shall not include information on the Contract Value, or any the information that:

- 9.3.1 is now or subsequently becomes generally available to the public through no fault or breach on the part of the receiving Party;
 - 9.3.2 the receiving Party can demonstrate to have had rightfully in its possession prior to disclosure to the receiving Party by the disclosing Party;
 - 9.3.3 is independently developed by the receiving Party without the use of any Confidential Information of the other Party under this Agreement; or
 - 9.3.4 is supplied to the receiving Party without restriction by a third party who is under no obligation to a disclosing Party to keep the information confidential.
- 9.4 Notwithstanding sections 9.29.3 above, each Party is entitled to disclose any Confidential Information to its Parliament, any government entity and any officers, employees, representatives, agents and advisers of such institutions, it being understood that the status of confidentiality within these bodies shall be decided by the applicable laws governing transparency of information, access to documentation and treatment of confidential information.
- 9.5 Except as otherwise agreed between the Parties in writing, this section 9 will remain in full force and effect for a period of two (2) years after the termination or expiration of this Agreement.

10. NOTICES, AMENDMENTS AND DATA MANAGEMENT

10.1 Any notice, communication, request, report or correspondence required or permitted under the terms of this Agreement shall be in writing, in the English language (it being understood that any such communication in a language other than English shall be of no force or effect), and shall be delivered personally, or via courier, registered mail, facsimile or sent as attached pdf file by electronic mail against e-mail confirmation from and to the following persons (the “Contact Persons”):

10.1.1 For the Seller: **Ministry of Technology and Industry**

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

10.1.2 For the Buyer: **Federal Ministry for Economic Affairs and Climate Action**

[Redacted]
[Redacted]
[Redacted]
[Redacted]
[Redacted]

10.2 The Parties shall inform each other in writing about any changes in the Contact Persons, their addresses, fax numbers or e-mail addresses.

- 10.3 Any notice or other communication shall be deemed to have been received:
- 10.3.1 in the case of personal delivery, on the calendar day delivered; or
 - 10.3.2 in the case of registered mail or courier, when delivered to the recipient or 30 calendar days after being deposited with the courier or the post office, whichever is earlier; or
 - 10.3.3 in the case of delivery by facsimile, on the calendar day a valid transmission report confirming good receipt is generated; or
 - 10.3.4 in the case of delivery by electronic mail, on the calendar day a reply e-mail confirming good receipt is generated.
- 10.4 *Amendments.* Any supplement or amendment to this Agreement must be in writing in accordance with clause 10.1. Any waiver of the requirement of written form must also be in writing.
- 10.5 The Parties shall ensure that their designated Contact Persons – as data subjects – are properly informed that their personal data provided in this Agreement is processed by the other party for the purpose of exercising the rights and fulfilling the obligations specified in this Agreement, in accordance with the protection of natural persons with regard to the processing of personal data and the with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46/EC (hereinafter: “**GDPR Regulation**”). Data management is necessary to enforce the legitimate interests of the data controller – communication, contact – and its legal basis is Article 6 (1) of the GDPR Regulation.

The Parties acknowledge that, in accordance with Articles 16 and 18 of the GDPR, the person designated as Contact Person may request the correction of their personal data, the restriction of their processing, and may object to their processing in the event of a case pursuant to Article 21 of the GDPR. Mandatory processing of personal data begins with the preparation of the conclusion of this Agreement and lasts until the data is deleted. Deletion can take place if, according to the relevant European Union and national legislation, the document retention obligation ceases related to the contract. Additional information on data management details is provided in **Annex IV**.

11. MISCELLANEOUS

- 11.1 *Assignment.* Neither Party shall be entitled to assign its rights and/or novate its obligations under the Agreement to a third party without the prior written consent of the other Party (not to be unreasonably delayed or withheld).
- 11.2 *Severability.* If any provision of this Agreement is found by any Court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement which shall remain in full force and effect. If any provision of this Agreement is found to be invalid or unenforceable but would be valid and enforceable if some part of the provision were deleted or modified, the provision in question shall apply with such deletions or modifications as may be necessary to make it valid and enforceable.
- 11.3 *Waivers and exercise of rights.* If either Party does not exercise or exercises only partially any of its rights under this Agreement, that will not be a waiver or variation of such a right. The single or partial

exercise of any right by such party will not prevent any further exercise of such a right nor the exercise of any other right in the future.

- 11.4 *Entire Agreement.* This Agreement (including its annexes) constitutes the entire Agreement and understanding of the Parties with respect to its subject matter and supersedes and extinguishes the Term Sheet previously negotiated and any representations previously given or made with respect to its subject matter other than those given or made in the Agreement, but nothing in this section limits or excludes any liability for fraud in relation to those representations.
- 11.5 *Nature of Relationship.* The Seller and the Buyer acknowledge and agree that the contractual relationship created by this Agreement is one of buyer and seller on an arm's length basis. Nothing in this Agreement shall constitute or be deemed to constitute to create a partnership, joint venture, agency, employer-employee relationship between the Parties or any fiduciary duty owed by one Party to the other Party.
- 11.6 *No set-off by the Seller.* Neither Party shall be entitled to assert any rights of retention or rights of set-off or counterclaim against obligations under this Agreement unless such rights are undisputed or confirmed by non-appealable judgment.
- 11.7 *Interest on overdue payments.* If either Party is overdue with any payment due under or in connection with this Agreement, the late-paying Party shall be liable to pay interest on the overdue amount at an annual rate equal to the three months EURIBOR plus 2% p.a. compounded monthly from and including the date when payment was due until the date of payment.
- 11.8 *Term.* This Agreement remains valid until all its obligations of the Buyer and the Seller, save any obligations under section 9, have been fulfilled ("**Agreement Term**").

12. LEGAL NATURE, LAW AND JURISDICTION

- 12.1 *Commercial contract.* The Agreement will have the nature of a commercial contract between the Parties not falling under the scope of the Vienna Convention on the Law of Treaties. The Parties, in connection with this Agreement, unconditionally and irrevocably agree that the execution and performance of this Agreement by the Parties constitute a private and commercial act rather than a public or governmental act, and, that no immunity exists in respect of the Parties and their assets and no immunity can be claimed by it with respect to their assets, should any proceedings be brought against the Parties or their assets arising from or in connection with this Agreement.
- 12.2 *Applicable law.* This Agreement is governed by German law, without regard to conflict of law provisions. The United Nations Convention on Contracts for the International Sale of Goods (1980) shall not apply to this Agreement.
- 12.3 *Consultation.* In the event of differences of opinion on their legal obligations, the Parties engage to hold arbitration proceedings with the objective of achieving a fair agreement doing justice to their interests by means of a consultation – with the support of a neutral mediator, if so requested by either Party – taking the economic, legal, personal and social situation into due account. Each Party may commence such consultations by giving the other Party a written notice of any dispute not settled in the normal course of business ("**Consultation Notice**").
- 12.4 *Dispute settlement.* Any dispute not settled by consultation and negotiation within forty (40) Banking

Days from the receipt of the Consultation Notice or within any other timeframe mutually agreed by the Parties in writing, shall be finally settled in accordance with the Arbitration Rules of the German Arbitration Institute (DIS) without recourse to the ordinary courts of law. The arbitral tribunal shall be comprised of three (3) members. The seat of the arbitration shall be Berlin, Germany. The language of the arbitration shall be English. The award of the arbitrator shall be final and binding upon the Parties.

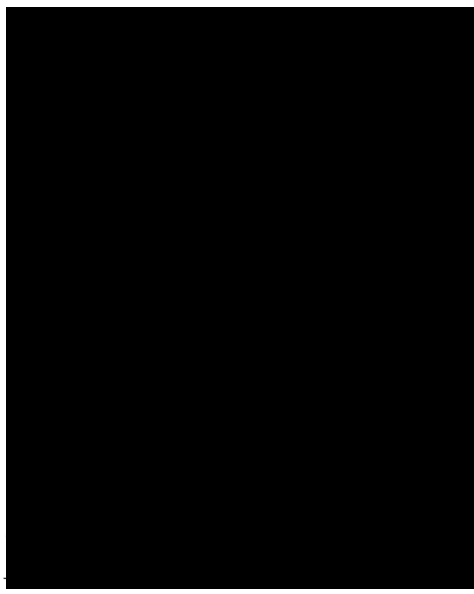
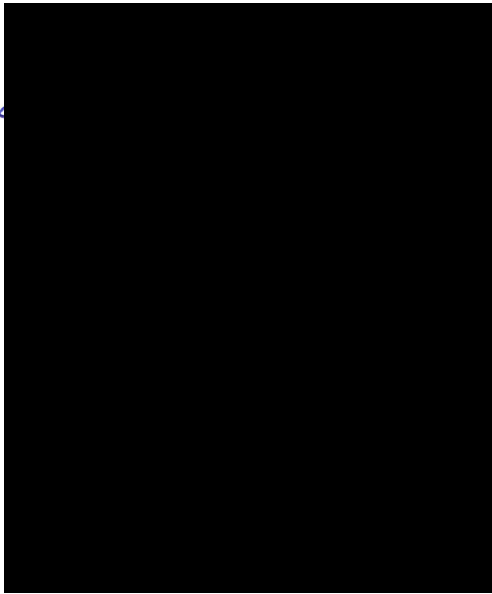
- 12.5 *Waiver of immunity.* To the extent that at the date of the Agreement or at any time in the future either Party can claim for itself or its assets immunity in any jurisdiction, whether it be immunity from proceedings, from execution, from attachment or from other legal process, each such Party irrevocably agrees not to claim and irrevocably waives any such immunity to the fullest extent permitted by the laws of the relative jurisdiction.
- 12.6 *Recourse.* Nothing in this Agreement shall prevent either Party from having recourse to a court of competent jurisdiction to seek a preliminary injunction or such other provisional judicial relief.
- 12.7 *Copies.* This Agreement shall be executed in two (2) copies in the English language, each of which shall be deemed an original.

--- Remainder of the page intentionally left blank ---

IN WITNESS WHEREOF, the Parties hereto have entered into this Agreement upon signature by both Parties or in the case of signing at a different time, on the day of the last signature.

**Hungary, acting through the
Ministry of Technology and
Industry, and represented by**

**The Federal Republic of Germany,
acting through the Federal Ministry
for Economic Affairs and Climate
Action, and represented by**



ANNEX I: Description of the Program

I. Green Bus Program as Umbrella Program

I.1 Eligibility of Phase 1 and Phase 2 of the Umbrella Program

The Green Bus Program (“**Umbrella Program**”) – originally funded at 36 billion Hungarian forint (or about 90 m EUR) from the Hungarian national budget from the chapter of the Ministry of Technology and Industry – aims at the replacement of the public bus fleet with clean vehicles to reduce GHG emissions, lower maintenance, and operating costs of bus transport, and to improve the quality of travel services.

The focus of the Umbrella Program’s first phase is on 47 municipalities with more than 25 000 inhabitants (covering a total of 4.5 million inhabitants) and operating capacity of 2.792 buses. The investment will include the replacement of initially 300 buses using old fossil fuel with electric buses and the construction of the same number of charging points over the period 2022-2025. By 2030, the plan is to have 2100 buses replaced. The calculation is based on bus equivalents. The value of this bus equivalent 22 seats/bus. In the investment budget, the cost of the vehicles is about 90 % and the construction of the charging infrastructure represents about 10 %. Accruals are made on a temporal and territorial basis.

In Phase 1 of the Umbrella Program launched by the call Nr. ZBP-005, the eligibility criteria for the applicants are exclusively **municipalities of cities with more than 25.000 residents**, public service providers of those cities, local public service providers, public service providers up to 100 km circle from Budapest (capital) except the public administration area of Budapest, consortia of local municipalities, public service operators and public service providers or in form of consortium a member of the consortium can be the subcontractors of the public service providers. Based on the evaluation of the Steering Committee of the Green Bus Program, eligible applicants were selected on the basis of these main requirements.

In Phase 2 of the Umbrella Program (called “Green Bus Program Plus”), the extension of the program is planned on the basis of 2 pillars. **Pillar 1** is the extension of the eligibility criteria for municipalities below 25 0000 residents, thus the support will be available for municipalities above and under 25 000 inhabitants as well as for the capital city of Budapest. **Pillar 2** includes hydrogen buses along with the electric buses provided by the Umbrella Program. Green Bus Program Plus starts in the first quarter of 2023.

I.2 Existing and planned funding of Phase 1 and Phase 2

In Phase 1, the Government of Hungary provided 36 billion HUF for Green Bus Program as domestic (national) fund in the period of 2020-2030, from which 22,75 mrd HUF has already used for granting subsidies and management costs.

Beneficiaries received 80% subsidy of the total costs for the procurement of electric buses and 60% of the total costs for the procurement of electric chargers.

In Phase 2, RRF (EU) fund of 54 billion HUF is planned to be used in the period of 2022-2026. AEA Proceeds would be used as additional funding also in Phase 2.

Grant intensity is planned according to Phase 1: 80% for the procurement for electric buses and 60% for procurement for electric chargers.

The aim of these measures is to comply with minimum targets set by European Union to Hungary in the Directive 2009/33/EC in the promotion of clean and energy-efficient road transport vehicles (Clean Vehicles Directive) in order to achieve full electrification and zero emission transport.

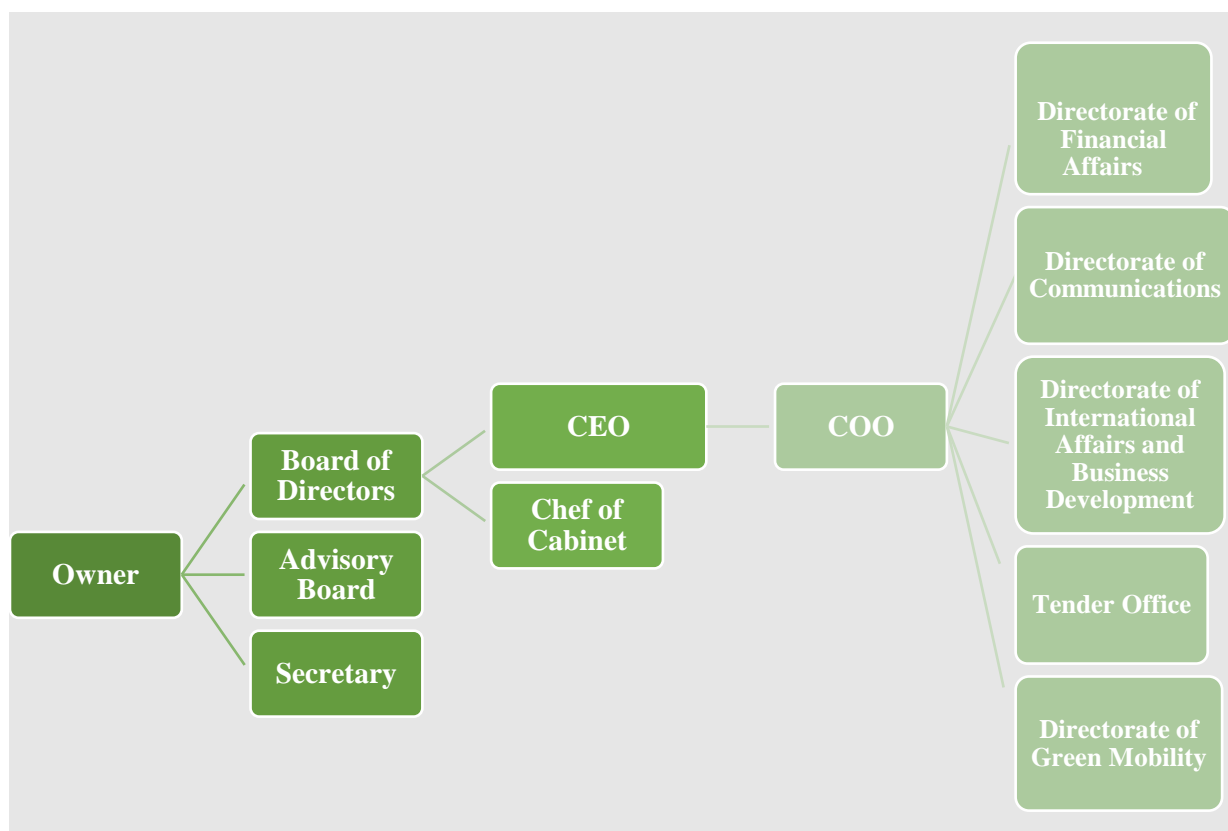
I.3 Expected GHG reductions

Exact level of CO2 reduction will be calculated on the experiences of Phase 1. As a result of Phase 1, 135 of the 139 electric buses and trolleys will be in operation on the roads by the beginning of 2023; the remaining 4 trolley buses are expected to be delivered later.

In Phase 1, eligible vehicles replacing fossil fuel buses included categories EURO 1 to EURO 4 buses. The Government Decree Nr. 48/2011. (III. 30.) on the fostering of the procurement of environment-friendly and energy efficient road transport vehicles determines the calculation methods for the CO2 consumption of road vehicles. Based on the provisions of the Decree a EURO 4 type bus consumes 45 liters of gasoline per 100 km on average, so it emits 1,134 kg CO2 s per 1 km.

I.4 Overall governance of the Green Bus Program

HUMDA Hungarian Motorsport and Green Mobility Development Agency Ltd. (HUMDA Ltd.) is responsible for the implementation of the Umbrella Program, under which the Directorate of Green Mobility (“DGM”) is the designated organizational unit.



The tasks of the Directorate of Green Mobility (DGM) are the management of the electromobility programs (Green Bus Program and retail programs) furthermore execution of the designated tasks from the implementation of the Hungarian National Hydrogen Strategy 2030.

1. Execution of the Green Bus Pilot Project and the Green Bus Program;
2. Acting as an implementing body in the Green Bus Pilot Project and the transmitted subsidy from the Green Bus Program based on the Government Decree No. 1537/2019. (IX. 20.) on tasks related to the new bus strategy conception of Hungary and Green Bus Pilot Project
3. Monitoring and reporting;
4. Acting as a supporting and preparatory body for the Steering Committee of the Green Bus Program.

The **Steering Committee** is responsible for the strategic guidance of the Green Bus Program. It consists of 6 members, who are appointed by the Minister of Technology and Industry. The decisions of the Committee are made jointly by voting. For the successful voting a simple majority is satisfactory. The Committee is gathered temporarily and occasionally on strategic issues, is convened in case the decision is necessary to be made in connection with the transmitted subsidy.

I.5 Call for proposals and project implementation

The Directorate for Green Mobility launches the calls for proposals for the state subsidy.

After the evaluation of the proposals, grant agreements are concluded with the Beneficiaries.

Beneficiaries select the suppliers of buses and charging infrastructure through a public procurement procedure. Beneficiaries are responsible for conducting the public procurement procedure. There is no centralized public procurement system for the beneficiaries, they are separate legal entities. Since the threshold of the procurement of the subject matter of goods (electric buses and connecting charging infrastructure) reach the EU procurement threshold, the calls must be published on the official procurement portal of the EU Tenders Electronic Daily ([TED](#)).

The tender requirements set out technical requirements for the procurement of buses and charging infrastructure, in particular as regards the level of service that meets the EU requirements and the vehicle safety system. The beneficiary shall ensure the establishment and development of a site for the storage of the charging infrastructure and green buses.

We intend to carry out the evaluation on the basis of the already published Green Bus Pilot tender, which is to be implemented from domestic sources. The principle of the evaluation of the proposal is to replace the most polluting buses as soon as possible at efficient costs. Based on the provisions of the Government Decree No. 48/2011 (III.30.) on the fostering of the procurement of environment-friendly and energy efficient transport vehicles, the CO₂ reduction is calculated per each bus category. Priority will also be given to those who permanently withdraw as many polluting, obsolete buses as possible, thereby improving the cost-effectiveness of public transport.

I.6 Description on financial management and transparency mechanisms, including external verification

Implementation period (planned): 01/09/2022-30/06/2026

	Planned costs
Total costs	60.000.000.000 HUF
Subsidies for Beneficiaries	55.000.000.000 HUF
Total management costs	5.000.000.000 HUF

Procurement procedures carried out by the Beneficiaries will be evaluated ex-ante and ex-post by DGM, risk management is done by DGM. Beneficiaries are obliged to provide data listed in Annex II and Annex III to the DGM. The replacement of fossil fuel buses are needed to be verified with scrap report.

The monitoring of the program is carried out through various activities (checks of documents, site visits) with the aim of the timely execution of the set milestones.

We ensure **transparency**. Beneficiaries are legally obliged to disclose information regarding the projects to the public.

II. **Planned action in Phase 2 of the Green Bus Program financed from the revenue generated from the AEA-proceeds with the Federal Republic of Germany**

II.1 **Additionality of the Program**

Based on the CVD Directive (Directive (EU) 2019/1161 of the European Parliament and of the Council of 20 June 2019 amending Directive 2009/33/EC on the promotion of clean and energy-efficient road transport vehicles), significant development (by 31.12.2025 37%, by 31.12.2030 53%) is needed for wide spreading of zero emissions vehicles in Hungary.

In the light of this approach as well as based on the evaluation and experience gained from Phase 1 of the Green Bus Program as Umbrella Program, **eligible applicants** will be extended for municipalities below 25 000 residents, thus the support will be available for municipalities above and under 25 000 inhabitants as well as for the capital city of Budapest.

There are currently 348 cities in Hungary, 47 of which have more than 25,000 inhabitants so it means the extension of eligible applicants include 301 cities into Phase 2 of the Umbrella Program.

In addition to electric buses, **hydrogen buses** will be also available for funding.

Exact **level of CO₂ reduction** as additionality of the program may be calculated on the experiences of Phase 1. As a result of Phase 1, 135 of the 139 electric buses and trolleys will be in operation on the roads by the beginning of 2023; the remaining 4 trolley buses are expected to be delivered later.

In Phase 1, eligible vehicles replacing fossil fuel buses included categories EURO 1 to EURO 4 buses. The Government Decree Nr. 48/2011. (III. 30.) on the fostering of the procurement of environment-friendly and energy efficient road transport vehicles determines the calculation methods for the CO₂ consumption of road vehicles. Based on the provisions of the Decree a EURO 4 type bus consumes 45 liters of gasoline per 100 km on average, so it emits 1,134 kg CO₂ s per 1 km.

The main objective is the replacement of fossil fuel buses. Fossil fuel buses in categories of EURO O - EURO III must be replaced by newly procured electric or hydrogen buses and at the same time, fossil fuel buses need to be scrapped. Beneficiaries are obliged to verify the fact of the scrapping.

For EURO III and EURO buses the replacement can be made without the deregistration of the fossil fuel bus in case the owner declares that the vehicle replaces another fossil fuel bus in categories in EURO O - EURO III in another geographical area.

II.2 Grant intensity

As in Phase 1, Beneficiaries receive a support of 80% of the total costs for the procurement of electric buses and 60% of the total costs for the procurement of electric chargers in Phase 2 as well.

II.3 Calculation of the costs

Based on the tentative offers received from the electric bus and charging infrastructure suppliers during the Phase 1 of the Green Bus Program, the average prices were calculated, along with all other related costs used for the implementation of the program.

Total costs of the project include the following cost categories: project preparation, subsidies provided for procuring electric buses and chargers, construction works, project management, external advisory services, public procurement.

Unit cost include 1 bus, 1 charger and other related costs. The total number of electric or hydrogen buses and chargers to be purchased from AEA proceeds can be determined based on the unit cost.

AEA proceeds would cover the **management costs**, which are calculated to be around **9%** of the total costs.

II.4 Funding flow

The revenue from AEA Proceeds is transferred to the Chapter XVII of the Ministry of Technology and Industry under the national budget, into the budget line called 'Energy and Climate Policy Modernization System' (in Hungarian: Energia és Klímapolitikai Modernizációs Rendszer – EKMR).

Based on the grant agreement between the Ministry of Technology and Industry and the HUMDA Ltd, the grant from the AEA proceeds will be kept in special and separate account or subaccount of the Green Bus Program at HUMDA Ltd.

II.5 Procedure for annual Program's progress report and final report (see Annex 2 and 3)

In line with the rules laid down in the contract between the Ministry of Technology and Industry and the HUMDA Ltd. an annual report with its accompanying financial documents is needed to be provided for the Ministry on a yearly basis.

Beneficiaries are obliged to send annual AEA Progress Reports to the HUMDA Ltd.

The AEA Progress Report is prepared by HUMDA and sent for approval for the Ministry of Technology and Industry.

ANNEX II: Reporting Template for the Annual Report

Sub-Annex 1: Accounting Form

Page: ____ / ____					
Name of beneficiary: _____					
Commitment Identifier: EKMR-ZBP-002/.....2020					
Amount of subsidy received: (HUF)					
Subsidy used: (Ft)					
Residual amount: (Ft)					
ACCOUNTING FORM					
N u m b e r	Supporting documents for the use of subsidy by type of expenditure		Body issuing the receipt (supplier)		Invoice amount (HUF)
	Invoice serial number	Date of issue	Date of performance (not financial performance)	Date of actual payment	Name
				Tax number (first 8 digits)	Cost type
					Gross amount Net amount
1					
2					
3					
4					
5					
6					
7					
Total:					
Total actual cost of the operation supported:HUF					
Total amount of subsidy received:HUF					
<small>The above data must be completed in accordance with the invoice/receipt!</small>					
<small>The financial supporting documents to be included in the accounts must be submitted: bank certificates for the conversion of foreign currency, inviolated and certified copies of invoices, contracts of agency, rental contracts, performance certificates, declarations, cash vouchers (accounting documents) and bank debit notes, etc. <u>Without exception</u>, the original supporting documents must be endorsed with the following text: "Settled under contract No. EKMR-ZBP-002/.....HUF, i.e. (amount in letters)", and it must be photocopied. <u>Without exception</u>, the photocopied supporting documents shall be marked with the following text: "copy in full compliance with the original" and shall bear the original signature and stamp. If the amount to be accounted for the application in question is not the full amount of the invoice, then the amount to be accounted must also be indicated next to the application identification number.)</small>					
<small>Knowing my responsibility, I hereby declare that the information on this form is true and correct and that the amounts entered in the list have been used, paid and entered in the accounts in accordance with the applicable financial and accounting rules. I further certify that the subsidy has been used for the purposes set out in the subsidy agreement with the commitment number and that the items entered in the accounts have not been/are not and will not be included in other accounts. I further declare that I have ascertained the legality and the amount of the costs indicated before the payment of the costs, including the payment of the return service before the return service is due.</small>					
					signature
					stamp
..... year month day					
<small>Note: The accounting form can be posted based on the number invoices. It is forbidden to declare statements from the accounting form. Without declaration and without the signature of the representative, the accounting form is NOT VALID.</small>					

Sub-Annex 2: Vehicle Registration Form

Beneficiary:								
Commitment Identifier: EKMR-ZBP-005/.../...								
Vehicle Registration Form								
Number	Registration number	Date of entry into service	Manufacturer	Type	VIN	Year of manufacture	Power (kW)	Battery type and power (kWh)
1.								
2.								
3.								
4.								
5.								
6.								
7.								
8.								
9.								
10.								
11.								
12.								
13.								
..... year month day						_____ signature stamp		

Sub-Annex 3: Operation Log

Vehicle data	Registration number:	
	Manufacturer:	
	Type:	
	Category (solo, articulated, midi):	
	Total weight:	
	Number of passengers (number):	
	Engine power (kW):	
	Battery capacity (kWh):	

Date					
Daily vehicle km Power (kW)	Total daily overhead runs (km)	Total daily operating hours (h)	Total daily overhead time (h)	Type of route schedule (all day/shared)	Charging during the day
Level of charge at start of service (%)	Daily charging energy used (kWh)	Air conditioning/heating as % of daily operating hours	Terrain (flat, hilly, mountains)	Average occupancy during the peak period	Possible breakdowns leading to transit cancellation

Sub-Annex 4: Committed Indicators

	starting value (2021)	target value (2023)
Number of fossil-fuelled buses permanently scrapped/ withdrawn from service	0	9
- of which midi	0	4
- of which solo	0	2
- of which articulated	0	3
Fossil fuel vehicle mileage (jkm/year)	476,658 jkm/year	
- of which midi	64,745 jkm/year	
- of which solo	385,871 jkm/year	
- of which articulated	26,042 jkm/year	0
CO2 savings (tonnes/year)	0	1,173.7 tonnes/year

ANNEX III: Reporting Template for the Final Report

Executive summary

Approx. 2 pages ~ 6 thousand characters

- **Description of the developments made (including a high-level description of the main challenges, opportunities and impacts experienced/observed)**
- **Description of equipment purchased**
 - **Vehicles**
 - **technical content**
 - **operating costs (excluding vehicle driver)**
 - **Charging infrastructure, in particular charging equipment**
 - **technical content**
 - **operating costs**
 - **Other developments**
 - **technical content**
 - **operating costs**
 - **Have there been any changes compared to the baseline study? If yes, please explain.**
- **Description of the impacts of the development**

Please provide the following data for vehicles permanently scrapped/ withdrawn from service as a result of the acquisition and for vehicles¹ co-financed by the Green Bus Programme.

	Vehicles permanently scrapped/ withdrawn from service	New vehicles purchased (PLAN)	New vehicles purchased (FACT)
number of vehicles (units)			

¹ Planned data.

vehicle type (solo/articulated bus/self-propelled trolleybus)			
average availability (%)			
annual mileage (jkm²/year)			
average consumption (litres OR kg OR kWh / 100)			
average annual operating hours (vehicle hours/year)			

- **other implemented measures co-financed by the Green Bus Programme to improve the efficiency of local/suburban public transport and their actual impact**
 - o **traffic reorganisation (e.g. new or reorganised local/suburban transport routes)**
 - o **reduction of overhead costs (e.g. use of garage runs for the last passenger runs)**
 - o **the use of intelligent transport systems (e.g. journey planning applications, real-time displays, real-time vehicle tracking, etc.)**
 - o **development and/or integration of fare systems (mobile ticketing, electronic ticketing, integration of local and interurban transport fare systems, etc.)**
- **changes in the number of passengers (where relevant)**
- **actual change in passenger revenue (if not the result of a fare change)**

▪ **Indicators**

	starting value (202x)	target value (202y)	actual value (202y)
Number of fossil-fuelled buses permanently scrapped/ withdrawn from service	0		
- of which midi	0		

² vehicle kilometres

	starting value (202x)	target value (202y)	actual value (202y)
- of which solo	0		
- of which articulated	0		
Fossil fuel vehicle mileage (jkm/year)			
- of which midi			
- of which solo			
- of which articulated			
CO₂ savings (tonnes/year)	0		

- **Ex-post financial analysis**

Approx. 5 pages ~ 15 thousand characters

Upon completion of the project, the main assumptions of the original financial analysis must be revised. The ex-post financial analysis must be completed in case of major changes in the assumptions of more than 10%. In this case, an accounting with investment costs is also necessary.

- **A full ex-post financial analysis must be completed at the end of the maintenance period. When would the replacement of the vehicles concerned by the project have taken place without the project co-financed by the Green Bus Programme? Which vehicles could have been purchased at that time?**
 - **number of vehicles (units)³**
 - **unit price of vehicles (HUF/pc)**
 - **average availability of vehicles (%)**
 - **average age (years)**
 - **remaining useful life of vehicles (years)**
 - **environmental (EURO) classification of the vehicles (EURO0-6; CNG; electric)**
 - **vehicle type (midi, solo, articulated)**

³ The mileage expected to be achieved by the fleet of vehicles to be purchased without the project should match the mileage of the vehicles to be purchased under the project.

- average annual mileage (km/vehicle)
- average annual running time (hours/vehicle)
- maximum power (kW)
- average fuel consumption (litres/kg/100km, kWh/100km)
- specific maintenance cost (HUF/jkm/year)

Please present the cash flows of the hypothetical no-project case.

	Present financial value	Year 1	Year 2	Year n
Investment cost				
Operating costs				
- fuel costs				
- maintenance cost				
Replacement cost				
Total				

▪ **Schedule of the investment**

	Year 1	Year 2	Year n
Purchase of new electric vehicles			
- solo buses			
- self-propelled trolleybuses			
Deployment of electric bus charging infrastructure			
Supporting communication and marketing campaign			
Total			

Please justify in detail any significant deviation from the planned budget, i.e. more than 5%.

- **Financial analysis**

Please first present the cash flows of the vehicles co-financed by the Green Bus Programme in the analysis. An excel sheet with the calculations should be attached as an annex.

	Present financial value	Year 1	Year 2	Year n
Investment cost				
Operating costs				
- fuel costs				
- maintenance cost				
Replacement cost				
Total				

Please show the difference between the cash flows of the vehicles co-financed by the Green Bus Programme (project case) and the case without project.

	Present financial value	Year 1	Year 2	Year n
Investment cost				
Operating costs				
- fuel costs				
- maintenance cost				
Replacement cost				
Total				

- **Calculation of the subsidy ratio**

According to the subsidy rules set out in the call for proposals.

- **Financial sustainability of the planned developments**

Please demonstrate the financial sustainability of the project on the basis of the difference in the cash flows described in section 3.2.

	Present financial value	Year 1	Year 2	Year n
Investment cost				
Operating costs				
- fuel costs				
- maintenance cost				
Replacement cost				
Total costs				
Amount of subsidy received from the Green Bus Programme				
Own contribution				
Other incoming cash flow				
Total revenue				
Net cash flow				
Cumulative net cash flow⁴				

- Describe in detail the source for Own contribution.
- If the other incoming cash flow is positive in any year, give details of the source of the cash flow.

- **Communication report**

- **Communication elements implemented**

⁴ It can only take a positive or zero value in each year.

ANNEX IV: Data Management Information

DATA MANAGEMENT INFORMATION

On the management of personal data of those involved in binding transactions concluded by the Ministry of Technology and Industry

This information applies to the handling of personal data involved in contractual obligations concluded by the Ministry of Technology and Industry (hereafter TIM), i.e. personal data of the Parties, as well as the personal data of natural persons designated as contact persons.

1. Controller of personal data

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

2. Subject of data management

This information applies to the handling of personal data involved in contractual obligations concluded by TIM. The provisions of this information cannot be applied to data relating to non-natural persons.

3. Purpose of data management

Carrying out tasks related to the conclusion of the given binding transaction, facilitating the fulfillment of the obligations of the Parties in the binding transaction, amending, terminating, unilaterally terminating the binding transaction, as well as maintaining contacts.

4. Scope of processed personal data

- a) Personal data concerning the Parties
- b) The contact person is a natural person
 - Name
 - Phone number
 - E-mail address

5. Legal basis for data management

The legal basis for the processing of personal data is Article 6 (1) point b): data management related to contract performance of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation; hereinafter: GDPR)

6. Entities entitled to know the data

At TIM, the organizational units involved in the conclusion, modification, performance, withdrawal from the obligation, the unilateral termination and termination of the obligation, as well as the registration of the obligation, are entitled to access the data; in particular the specific units responsible for the obligation, employees of the management and legal fields.

7. Duration of handling and storage of personal data

The retention period of personal data recorded in the binding transaction lasts at most the retention period applicable to the given binding transaction.

The personal data recorded in the binding transaction is kept by TIM in accordance with the provisions of Act C of 2000 on Accounting.

Personal data processed will be deleted immediately if the data was not processed for the purpose specified in the legislation, or the purpose of the data processing has ceased.

8. Source of personal data

In case of the contact person designated by the TIM: the TIM's records; in case of other parties, the provision of data provided by the given party (e.g. Transferring chapter, Receiving chapter, Receiving institution, parties to a cooperation agreement, etc.).

9. Automated decision-making and profiling, transfer of personal data to a third country or international organization

Neither of these takes place during data management.

10. Information about the data subject's rights in relation to data management

Right to information: The data subject has the right to information about data management, which we fulfil by making this information available.

Right of access to personal data: the data subject can request information on whether his personal data is being processed by the data controller; if it is in progress, he can request a copy of his processed personal data.

Right to rectification and addition: the data subject may request that the data controller correct inaccurate personal data relating to him without undue delay, and he may request the addition of incomplete personal data of the data subject.

Right to deletion or restriction: the data subject may request that the data controller only store his/her personal data or a part of his/her personal data and not perform any other data management operations on them (for example, organization, segmentation, linking, forwarding).

Limitation of data management can be requested for the following reasons:

- The data subject disputes the accuracy of the personal data,
- The data management is illegal and the data subject opposes the deletion of the data, or
- The data controller no longer needs the personal data, but the data subject requires them to present, enforce or defend a legal claim.

If the data is processed in order to fulfil the binding transaction, we cannot fulfil the deletion request.

11. The data subject's right to a legal remedy

The data subject can make a notification regarding his personal data to the data protection officer of the data controller at the contact details provided above. The data subject can also submit a complaint to the Hungarian National Authority for Data Protection and Freedom of Information ([REDACTED]) as a supervisory authority, if he believes the processing of his personal data violates the provisions of the GDPR. He can apply to the relevant court if he believes his rights under the GDPR have been violated as a result of inappropriate handling of his personal data.

12. Fulfilling the requests of the data subject

The data subject may submit a request related to the exercise of their rights to TIM as a data controller, which will be fulfilled free of charge, unless the request is clearly unfounded or - especially due to its repetitive nature - excessive, and the data subject has requested additional copies of his/her personal data, for which the data controller acting on the subject of the request may charge a reasonable fee based on administrative costs.

The fulfilment of requests related to the exercise of the rights of the data subject - if the request was submitted electronically - is done electronically, unless the data subject requests otherwise.

TIM fulfils the request within 30 days of its receipt, which can be extended by 60 days in justified cases.