

REBOOT 2020

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E-MOBILITY: WITH INCENTIVES PILING UP, OPPORTUNITIES ARE BETTER THAN EVER

E-mobility enjoys a growing market in the CEE/SEE region. The financial and legal environment supports new investments, partially thanks to an effective EU framework and the corresponding national legislation in member states. With these incentives in place and the long-term competitive advantages of electrical vehicles, there are growing opportunities for investors to capitalize on green growth. E-mobility and its alternatives, such as hydrogen technology, will be of the utmost importance for the continued development of the entire region.

E-mobility refers to the application of electric propulsion for the transport of people and goods. There are *three main types* of electric vehicles (EV): (i) those that are fully battery-powered (BEV); (ii) those that are powered by an on-board electrical generator, such as an internal combustion engine (a hybrid electric vehicle, HEV) or a hydrogen fuel cell; and finally (iii) those that are powered by stored electricity originally generated by an external power source, termed plug-in hybrid vehicles (PHEV), which utilize rechargeable batteries.

Between 2010 and 2015, it became clear that a pan-European framework for the financial and legal support of e-mobility was needed. In recent years, after the establishment of such framework, national legislators have started to implement these European standards into national law. Certain legislative developments, coupled with more stringent safeguards and support mechanisms, now provide **national incentives to promote e-mobility throughout the CEE/SEE region.**

These financial and legal incentives are attractive for investors, offering an opportunity for electric vehicles to gain **significant competitive advantages over conventional internal combustion vehicles.** Moreover, e-mobility might lead to the revival of some well-known ideas, such as the use of power generation and power storage capacities of consumers (in this case, the capacity of electric vehicles to store electricity and to reload it to the transmission grid if needed), or the concept of peer-to-peer (P2P) power trading between stakeholders without the use of a central clearing party (such as the transmission and distribution system operators).

POSITIVE LEGISLATIVE CHANGES WITH LONG-TERM COMMITMENTS

After a period characterized by restrictions and budgetary constraints (especially given the current state of the COVID-19 pandemic), it is important to find ways to bolster EU economies. The implementation of **coherent, investor-friendly national legislation** and carefully structured support mechanisms can help spur economic growth.

In Hungary for example, the adoption of financial and legal instruments to promote e-mobility commenced well before the pandemic. However, the impact of COVID-19 and its aftermath should provide a renewed impetus for the innovative, market-oriented solutions of entrepreneurs and business enterprises in this industry sector.

The most important legislative change for promoting the development of EV charger infrastructure in Hungary was adopted on 9 July 2019. It provided a unified structure for the rules of e-mobility (replacing the earlier fragmented legislative acts and governmental decrees), as well as a more sophisticated categorization of the respective actors and instruments of the market with more clear separation between their roles and competence. It also replaced some earlier provisions that proved incapable of incentivizing stakeholders to develop minimum numbers of e-chargers at their premises.

More specifically, this resulted in the following changes: **(i)** "EV charger operators" have now been separated from "e-mobility service providers" (thus, it is now possible to render e-mobility services without the need for any special knowledge or input from the technical side, while the technical operation and maintenance of e-chargers remains with mechanical engineering and operator companies); **(ii)** sanctions for violating the applicable laws have become much stricter (e.g. with penalties up to EUR 290,000 and prohibitions against engaging in e-charging activities for up to 12 months); and **(iii)** the possibility of rendering one-time services has been created. The market participants had time to prepare for these new rules until 30 June 2020.

GROWING OPPORTUNITIES FOR E-MOBILITY SERVICE PROVIDERS

After creating the legislative background, the next step in the support of e-mobility has been **the deliberate, non-discriminatory structuring of subsidy schemes** to promote competition in this market. Renewable energy-based projects have a strong position in the subsidy policy of Hungary. The recently announced METÁR tender allocates EUR 2.3 million between the applicants, irrespective of the technique they may deploy to generate electricity from renewables.

Additionally, there is a tender available especially for e-mobility projects with a budget of EUR 13 million. Despite the fact that private companies are also interested in this support scheme and in EV charger development in general, for the most part it is the state-owned or state-related companies and public utility service providers that are currently constructing EV charger infrastructure in Hungary.

In contrast, we have witnessed **more dynamic private sector competition on the EV infrastructure market in other parts of the region** (e.g. in Romania and Slovakia): this may be because these countries are typically more adept than Hungary at accessing subsidies

from the European Commission and the European Investment Bank in order to reach the targets set by the *European Green Deal*.

Another indicator of the transforming market and the investment possibilities is the decreasing number of free charging systems. Investors are attempting – in line with European trends – to apply user-friendly charging fees and a wide range of service options to encourage the use of charging stations, instead of home charging.

E-mobility also brings industrial innovations. In this regard, 2020 might be a year of significant development. For example, the Supercharger system of Tesla is moving into the region (specifically, several charging stations have been constructed in Hungary for example in Törökbálint, Miskolc, Debrecen and Szeged). Volkswagen will also be present in the market this year, producing its own lightning chargers equipped with batteries. Gas stations, shopping malls, plazas, parking lots and underground garages are also all attractive locations for these EV chargers.

THERE IS NO FUTURE FOR E-MOBILITY WITHOUT HYDROGEN TECHNOLOGY

Although electric powered and hybrid electric cars are currently the most popular forms of green transportation, other less widely known technologies may actually determine the future of e-mobility. Many experts agree that **hydrogen will be the ultimate green energy**, being capable of revolutionizing transportation in all areas – surface, water, and even air transport.

The central role of hydrogen is recognized by the EU as well. Different scenarios predict around 550 GW of electrolyzers by 2050, which is enormous taking into account that this number is well below 30 MW today. Despite the fact that the technology does not seem to be a competitive option until at least 2030 (mainly due to the lack of flexibility when using it as an intermediary for power supply), it is anticipated that with further innovations in the near future, hydrogen will become an increasingly viable option.

It is important to note that hydrogen technology only works if the production capacities are there, and these production capacities are based on renewable resources (i.e. the energy used for electrolysis is from green energy). At present, 80% of the hydrogen production ties to fossil energy, therefore, **there is still much development necessary** before this becomes a realistic alternative.

E-mobility will have a central role in our future. From green emission targets to smart cities and modern power generation and trading solutions, e-mobility will greatly impact the energy and transportation markets of tomorrow. The legal and financial environment in the CEE/SEE region supports new investments, and **effective developers are likely to enjoy long-term returns**. Considering the importance of hydrogen technology as well, green transportation will continue to be a dynamic market for ambitious investors.

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For more information about our services, please contact:



László Kenyeres

Partner

laszlo.kenyeres@wolftheiss.com

T: +36 1 4848 800



Ádám Lukonits

Associate

adam.lukonits@wolftheiss.com

T: +36 1 4848 800

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Wolf Theiss
Schubertring 6
AT – 1010 Vienna

www.wolftheiss.com