It was evident already in 2010 that the Orbán government considers the nationalization of utility companies one of its priorities. Indeed, by now almost all such companies, including, believe it or not, those of chimney sweeps, have been nationalized.

In 2013 the government, in an effort to bolster its sagging popularity, slashed retail utility rates. With this move the government killed two birds with one stone. The much-advertised cut in utility prices made the government very popular practically overnight. It also resulted in serious losses for E.ON, a German-owned gas and electricity company, and practically forced the German owners of E.ON to bail and sell the company to the Hungarian state. As it turned out, the Hungarian government paid far too much, 260 billion forints, when the assessors claimed that E.ON was actually 600 billion forints in the hole. Obviously, price was no object. Orbán wanted utility companies to be in state hands.

Once this was done, the government set about to lower prices in three stages. Critics warned that producing gas and electricity at a loss would mean that these utilities would not be able to undertake the technical innovations necessary for improved service. Once again, however, Viktor Orbán was lucky, at least in the case of natural gas. In the last couple of years the price of gas on the free market has fallen around 40%, yet the state did not lower the price it charged consumers anywhere close to that amount. Given the state's monopoly in the energy sector and the government-regulated price structure, the profit margin of the state utility companies must be considerable. According to some estimates, Hungarian families pay about 25% more for gas today than they would if there were no fixed prices and if true market conditions existed.

Independently from all this, the European Commission is working on a so-called "winter energy package," which is a comprehensive plan for the creation of an "energy union." One particular provision of this proposal caught the eye of the Hungarian government: the abolition of government-set prices for electricity retailers over a five-year period. If adopted by the European Council, the body consisting of the prime ministers of the member states, Hungary will no longer be able to keep electricity prices artificially low. Hungary has among the lowest electricity rates in the EU. In Denmark consumers pay 0.309 euros per kWh, in Germany 0.297. In Hungary the price is 0.111 euros per kWh. Only in Bulgaria is electricity less expensive than it is in Hungary. The European Council is convinced that artificially low prices discourage the conservation of energy and deter investors.

So, the Orbán government decided to launch a new "war against Brussels." Viktor Orbán announced in his Friday morning radio interview that "the government will not allow Brussels to eliminate the government's power to set prices." Such a move, he emphasized, would put an end to the government's ambitious plan to lower utility prices even further in the future. He promised to defend “utility decreases,” adding that “it will be a difficult struggle but we have a chance of success” because Hungary’s position in Brussels has been greatly strengthened. Naturally, due to his outstanding political success on the world stage. Szilárd Németh, who was chosen to be the “utility tsar” back in 2013, was given a new mission. The result? He announced that the government had found the remedy. The government will endow the Hungarian Energy and Public Utility Regulatory Authority with legislative powers which, in his opinion, could derail Brussels’ intentions of abolishing fixed electricity prices.

Németh outlined the terrible state of affairs during the socialist-liberal governments when electricity prices went up by 97% and the price of gas tripled while inflation was only 58%. The evil foreign owners “lugged out 1,200 billion forints of profits.” But then came the Fidesz government which froze prices in 2010, and in the next two years prices rose only very little.

This is not what the author of a very thorough article remembers about the course of natural gas pricing. According to her, in 2012 one MJ of natural gas up to 1,200 m^3 use was 15% more expensive than before the Orbán government came into power. Her final estimate is that if the Orbán government hadn’t touched gas prices at all, the average consumer would pay significantly less than he does today.

In discussing the evil deeds of Brussels, Németh stressed that the European Union cannot constantly ignore Hungarian sovereignty. “Hungary didn’t join the European Union to give up everything it possesses.” The decrease in utility prices is a question of sovereignty and national security. It is up to the Hungarian government to decide how it wants to help Hungarian families. Obviously, the government doesn’t want to help only those families who need assistance. Otherwise, it could offer subsidies to people whose income is insufficient to pay the full price for utilities. No, the government wants all Hungarians to be grateful that they are getting a break on their utility bills thanks to Fidesz.

The most interesting twist in Németh’s story came at the end of his press conference. He admitted that in 2013 the Hungarian parliament had extended the right of legislative powers to MEKH but that the European Union considered the decision illegal and subsequently the Hungarian government had to annul the law. So, I don’t know why the Orbán government thinks that this time around they will be more successful than they were three years ago.

All the talk about fighting Brussels on electricity prices is most likely just a political ploy. The Commission’s recommendations are just that, recommendations. The final nod comes from the European Council where Hungary is represented by Prime Minister Viktor Orbán.

He can vote against the proposal.
My guess is that now that the migrant issue has lost its appeal, the government has decided to turn its attention to utility decreases which were so successful in gaining voter support before the last election. Fighting Brussels over a pocketbook issue can most likely be dragged out until 2018.
source: hungarianspectrum.org