

Hungary could escape the trap of fossil energy dependence with focused plans on energy transition and enhanced support for households.

The energy transition in Hungary faces the risk of slowing down or even regressing, a scenario that would further increase its heavy dependence on [fossil fuels](#). This concerning situation stems from the upcoming finalisation of the review of **Hungary's national energy and climate plan (NECP)** and the amendment of its recovery and resilience plan, which involves the introduction of an additional REPowerEU chapter.

Hungary's allocation under the **Recovery and Resilience Facility (RRF)**, along with the additional funding supplied by the chapter, serves as a key source of financing for the implementation of the NECP. Both plans, which are currently approaching their submission deadlines, will profoundly shape Hungary's climate and energy policies, investments and financing in the medium term. Unfortunately, as of 26 June, only the NECP review has been published and made available for public consultation.

Adding to the emergency, the Hungarian government is expected to decide by the end of June whether to reopen the old coal-fired units at Mátra power plant. In light of these developments, the National Society of Conservationists - Friends of the Earth Hungary (MTVSZ in Hungarian) is calling on the government to adopt an approach that ditches fossil fuels and gives priority to measures aimed at improving household energy efficiency. Such an approach is the most cost-effective way of reducing Hungary's dependence on fossil fuels.

According to Hungary's National Energy Strategy for 2030, with an outlook towards 2040, investments in the energy efficiency of residential buildings, including the adoption of renewable technologies, are projected to reduce annual gas consumption for heating purposes by 2 billion cubic metres (m³) by 2030. This is equivalent to one-fifth of Hungary's total fossil gas consumption per year. Of course, during the formulation of any such approach, meaningful public consultation should be at the heart of the decision-making process.

EU funds for accelerating the energy transition

By the end of June 2023, each Member State is required to revise its NECP in accordance with the EU's climate and energy policy goals for 2030 and 2050, as well as with the commitments outlined in the Paris Agreement. These revisions are crucial for accelerating the energy transition, especially amid the ongoing fossil energy crisis.

Furthermore, as part of the EU's REPowerEU initiative, Member States are expected to prepare and submit their respective national REPowerEU chapters by the end of the summer in order to accelerate the energy transition and reduce dependence on Russian

fossil energy sources. Hungary also intends to request loans from the RRF to supplement its financing. In total, the combined REPowerEU and RRF loan package for Hungary is expected to amount to EUR 8.8 billion.

Hungary needs a green economic transition instead of re-industrialisation

The European Union shares our concerns over the direction of Hungary's planning, as highlighted in its Country-Specific Recommendations recently adopted by the Council of the European Union. The document emphasises the need for a regulatory framework that systematically supports a diverse range of renewable energy sources. It recommends modernisation of the electricity grid to meet renewable demand and specifies the need for improvements to the energy efficiency of buildings to reduce gas consumption. It also calls on Hungary's government to strengthen energy cooperation with other Member States and to provide the necessary investment, skills and retraining for a successful transition to a green economy. However, it appears that the opposite is happening in the form of continued reliance on fossil fuels.

National non-governmental organisations, including MTVSZ, have been actively monitoring all planning processes connected with the NECP review and the combined REPowerEU and RRF loan plan. In a joint letter sent to relevant ministries on 12 June, and in a similar advocacy letter sent to the European Commission on 13 June, MTVSZ and Hungary's Clean Air Action Group (CAAG) stressed the importance of focusing on energy efficiency and reducing energy demand in households instead of pursuing health-damaging mega-investments that deplete natural resources, especially when public money is involved. As a result, the government invited our organisation and other groups to consult on the plans. There is much cause for concern given that Hungary's economic policy is now prioritising re-industrialisation, mostly to meet the energy needs of incoming foreign investors. The planned construction of three new gas-fired combined-cycle gas turbine (CCGT) power plants with a total capacity of around 1,500 megawatts (MW) has no place in an ambitious energy transition scenario, according to a recent study by the Regional Centre for Energy Policy Research (REKK). Such actions would further increase dependence on fossil fuels and hinder a just energy transition while exacerbating the health and environmental burdens on the population.

On 23 June, the Hungarian government published a draft NECP review, which is now open to public consultation until 7 July. Based on the 45-page review, which devotes only one page to information on financing, it is still unclear whether the government intends to finance these polluting CCGT projects, at least in part, with EU and/or Hungarian state funds. There is a further lack of transparency regarding which energy projects derive from

REPowerEU chapter financing and which do not. Significantly, the draft NECP review reveals that a decision has been made to commission 1,500 MW of CCGT capacity. Based on this new information, and given that a public tendering process for the CCGT plants was launched in mid-March 2023 by MVM, Hungary's leading state-owned energy company, we can safely assume that the move is going ahead.

Adequate public consultation to help improve energy efficiency in households

The inclusion of measures and instruments aimed at gradually reducing domestic fossil energy consumption is vital for Hungary's [energy transition](#). The role of both the EU and domestic public funding should be duly considered in the design process of the NECP and of the REPowerEU and RRF loan plan.

To ensure the interests of the Hungarian public are adequately represented, it is crucial to expedite the publication of both draft plans and to conduct meaningful and extensive public consultation by the end of summer 2023. Such a consultation would provide valuable input from the wider public, allowing their perspectives and insights to shape and improve Hungary's plans. By actively involving citizens in the decision-making process, the plans should be significantly refined and amended to meet the needs of Hungarian citizens.

Source: Bankwatch