



RENEWABLE ENERGY POLICY REVIEW

HUNGARY

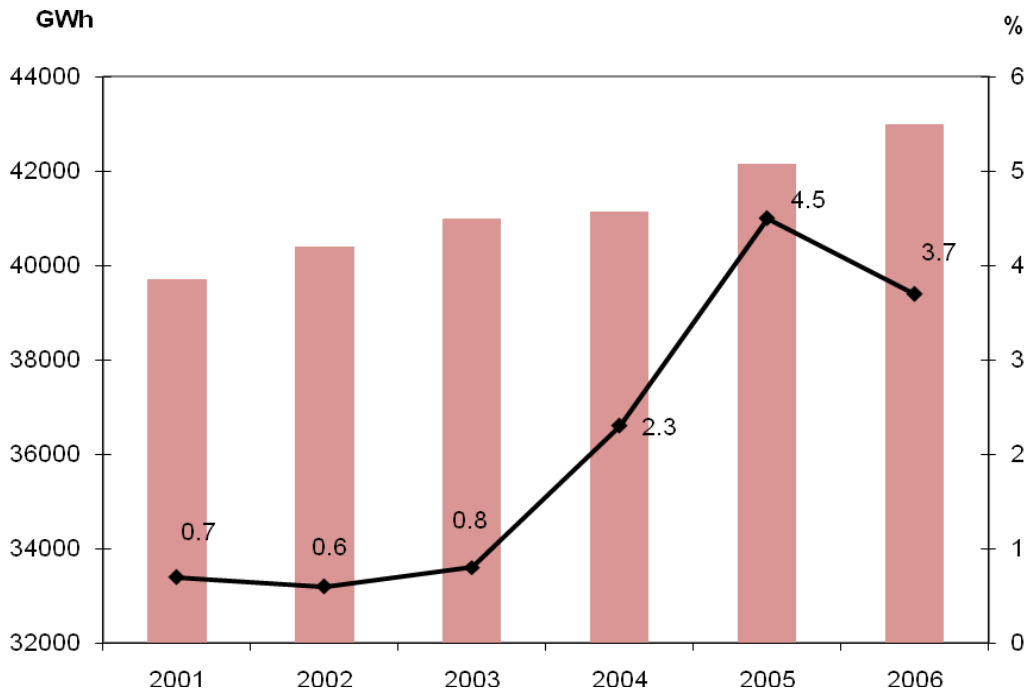
Hungarian Renewable Energy (RES) electricity target for 2010 has been already achieved in 2005 especially due to the biomass contribution.

For solar, geothermal the feed-in tariff is too low, for wind because of system security reasons a 330 MW capacity limit was set until 2010. According the new legislation new wind capacities (over 330 MW) can only be established by a tender. As regards the policy framework, promotional schemes are being used and refined, and subsidies are available under certain conditions for the development of RES. Until 2020, Hungary aims at covering 13% to 15% of its energy demand from renewables. Most of the excess capacity will be provided for by new biomass power plants.

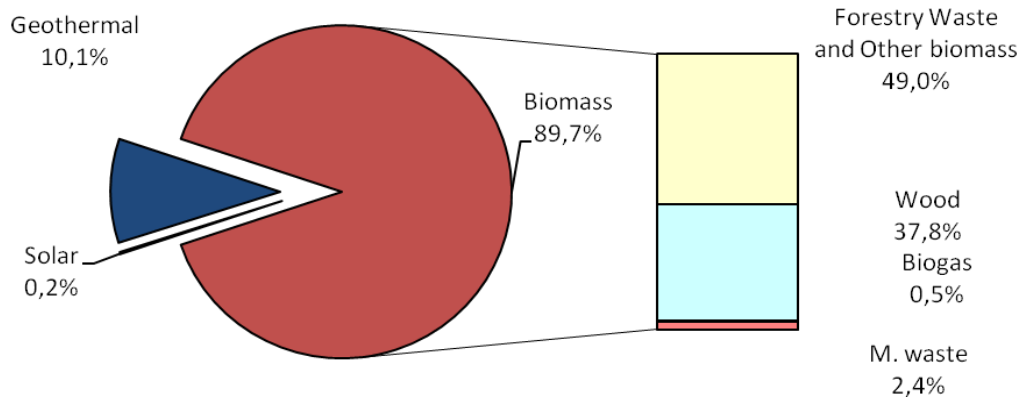
KEY FIGURES

- The **share of RES in total primary energy consumption** was of 4.87% in 2007. Biomass in the main RES source representing more than 89% of RES primary consumption, follow by geothermal (8.2%) and Hydropower (1.7%)
- The **share of RES in the gross final energy consumption** was 4.3% in 2005.
- The **share of RES in the gross electricity production** was 3.7 % in 2006, in 2007 4.3%.
- The **share of biofuels** in the transport sector in 2006 was 0.28%.
- Hungary energy dependence on imports amounts to 63 % in 2005

Share of RES –e in the Hungarian electricity consumption



RES-H fuel fix in 2006 (37.5 PJ)



Source: Hungarian Energy office

RES POLICY

RES TARGETS

Mandatory targets set by the Directive on the Promotion of the use of energy from renewable sources

- 13% share of RES on the final consumption of energy in 2020.
- At least 10% share of renewable energy in final consumption of energy in transport by 2020.

Indicative Target set by the RES- electricity European Directive from 2001¹

- 3.6 % Share of RES on gross electricity consumption by 2010

Indicative Target set by the European Biofuels Directive from 2003²

- Biofuels consumption of 5.75 % of petrol and diesel use for transport in 2010.

National commitments

The Hungarian Renewable Strategy (2007-2020) approved by the Parliament in April 2008 set the target for RES 13-15% in the POLICY, and 11-13% in the BAU scenario.

There is no national target/commitment for RES heating and cooling (RES-H&C).

Progress towards the Targets

- The 3.6% RES-electricity target has already been met. Hungary's RES-electricity share amounted 2.24% in 2004, 4.6 in 2005, 3.7% in 2006, 4.3% in 2007.

¹ Directive 2007/71/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market. Currently in force, sets targets up to 2010.

² Directive 2003/30/EC on the promotion of the use of biofuels or other renewable fuels for transport currently in force, sets targets up to 2010, with indicative targets by 2005.

RES POLICY INSTRUMENTS

Support for RES Electricity

Feed in tariff

OLD REGULATION

The Hungarian RES-e Support mechanism is based on investment subsidy and on a feed-in-tariff. The old feed-in-tariff regulation was adopted by the Electricity Act in 2001 and by the ministerial decree (GKM 56/2002). The law did not define a time limit for the feed in tariff, the tariff being in principle guaranteed for the life time of the installation. However, the electricity Act gave the Government the right to define a start date for a green certificate system. At that time the feed in tariff would have ceased to exist.

Feed-in Tariff for 2001-2007

Resource	Technology	Support level [€cents/kWh]	Feed-in tariff or premium?
hydro	Small	9.4	feed-in tariff
wind	onshore	9.4	feed in
biomass	Solid	9.4	feed in
biomass	gasification (biogas)	9.4	feed-in tariff
PV		9.4	feed-in tariff
geothermal		9.4	feed-in tariff

*Feed-in-tariff is set by the Act : average tariff 12 UScent/kWh*k (k= last year inflation rate)*

NEW REGULATION - Feed-in-Tariff for 2008-onwards

A new legal framework was approved in 2007.

Some of the issues that the new legal framework contains are:

- Feed-in-tariffs for Renewables and Waste (only for the licensed period and amount).
- Certificates of origin for RES-electricity.
- Hungarian Energy Office sets the amount of RES-electricity that can be sold with a feed in tariff. Period and amount depend on the return period of the investment.
- Possibility of introducing green certificates in the future. The electricity Act gives the Government the right to define a start date for a green certificate system. At that time the feed in tariff will cease to exist.

Electricity feed-in tariffs from 1st January 2008 (without VAT), HUF/kWh

		From 1st January 2008			From 1st July 2008			
		Peak2	Valley2	Deep valley2	Peak2	Valley2	Deep valley2	
Produced from renewable energy sources	Solar	26,46	26,46	26,46	26,46	26,46	26,46	
	Based on resolution of Hungarian Energy Office (HEO) if it was adopted or the application was received before 01. 01. 2008. [except hydro power station units (PSU) >5 MW]	Wind	26,46	26,46	26,46	26,46	26,46	26,46
		Other than solar and wind	29,56	26,46	10,80	29,56	26,46	10,80
	Based on resolution of HEO adopted after 01. 01. 2008. (except hydro PSU >5 MW, other PSU > 50 MW)	Produced by PSU of 20 MW or less (except solar)	29,56	26,46	10,80	29,56	26,46	10,80
		Produced by PSU of >20 MW - max. 50 MW	23,56	21,17	8,63	23,56	21,17	8,63
		Produced by PSU comprising used equipment ³	18,39	11,77	11,77	18,39	11,77	11,77
	Produced by hydro PSU > 5 MW, other power unit >50 MW		18,39	11,77	11,77	18,39	11,77	11,77

Source: Hungarian Energy Office

Support for RES Heating and Cooling

Investment Subsidies

The Environment Protection and Infrastructure Operative Programme (EPIO) of Hungary's National Development Plan specified measures to promote renewable energy sources.

In 2006, the EPIO provided 280 million HUF in subsidies to three types of energy efficiency project: the modernisation of buildings and institutions, the development of district heating systems, and the promotion of cogeneration.

Since its beginning the program focused on:

- Installation of systems producing wood chips and pellets, baling equipment, and vegetable oil presses
- Promotion of investments in renewable energy (biomass, geothermal energy, solar collector, PV, wind power, hydro power)
- District heating systems using biomass or geothermal energy or waste deposit gases modernisation of buildings, district heating systems, application of cogeneration.

Support for Biofuels

Tax exemption for Biofuels

From July 1, 2007, there has been a tax allowance of 8.3 HUF/l for 4.4% biofuel blended into petrol. From January 1, 2008, the same allowance will apply to diesel oil. From July 1, 2007, and January 1, 2008, respectively, fuels sold by MOL Rt³, will contain 4.4% bio-ethanol and biodiesel.

- Excise tax: 103.5 HUF/l for petrol, 85 HUF/l for diesel.
- Sales of biofuels in Hungary receive a tax benefit. To avoid a tax gap, sales of petroleum fuel that doesn't contain biofuel will carry a tax penalty.
- For producers: the quantity produced is free from excise tax until 2010 if the whole quantity is blended in Hungary, transported from a Hungarian tax depot to a foreign tax depot, or sold to a registered distributor.
- For distributors: excise tax can be reclaimed if biodiesel is blended up to 5%

³ MOL Hungarian Oil and Gas company

Quota Obligations

Resource	Quota in % (per year)	Year
Biofuels	5.75% (energy)	2010

Support to all RES

Investments Subsidies

The Operative Programme for Environment and Energy (KEOP) for the period: 2007-2013, and financed by EU Funds, will promote incentives to RES technologies:

2 main fields for Energy: Energy savings and Renewables

- For Renewable Energies (RES-E and heat generation): 305 million USD: Supported projects: biomass, biogas, geothermal, small scale wind turbines
- For Biofuels: 53 million USD : Supported projects: biofuel factories middle- and large scale capacities

The National Energy-Saving Programme (NEP) also promotes the use of renewable energy sources through subsidies, which may be combined with soft loans allocated by the Energy Saving Credit Programme 2008. The maximum subsidy possibly granted amounts to 25% of the investment costs or 1,000,000 forint per flat.

The Energy Saving Credit Programme 2008 subsidises the use of renewable energy sources through low-interest loans and may also grant loans on top of subsidies allocated under the NEP-2008. The subsidies awarded by the NEP programme and the low-interest loans may be used jointly or independently. Applicants may decide which option to take; however, they need to comply with the respective application conditions. Contracts on loans granted under the programme may be concluded until 31st December 2010. The following amounts of loan are granted:

- Loan combined with subsidy. Loan of up to 75% of project costs, up to 3,000,000 forint per flat.
- Loan without subsidy. Loan of up to 100% of project costs, up to 4,000,000 forint per flat.

The loan has a duration of four to 20 years starting on the date of the conclusion of the contract. An initial interest-only period of up to three years is granted. The interest rate amounts to:

- Natural persons: twelve-month EURIBOR + up to 2.5 percentage points p.a.
- Other applicants: three-month EURIBOR + up to 2.5 percentage points p.a. (Annex NEP-2008).

The total budget available for soft loans under the Energy Saving Credit Programme "For a Successful Hungary" amounts to 16 million forint and is allocated through the NEP-2008 call for applications.

Sources:

European Commission Factsheets by Country

http://ec.europa.eu/energy/energy_policy/facts_en.htm

Member States Reports in the framework of the Directive 2001/77/EC on renewable electricity

http://ec.europa.eu/energy/res/legislation/electricity_member_states_en.htm

Member States Reports in the framework of the Directive 2003/30/EC on biofuels

http://ec.europa.eu/energy/res/legislation/biofuels_members_states_en.htm

Energy Centre Hungary

<http://www.energycentre.hu/>

Hungarian Energy office. Ministry Energy and Transport

<http://www.eh.gov.hu>

EurObserv'er Barometer

<http://www.energies-renouvelables.org/observ-er/sig/eufores/sig.asp>

[Legal sources on renewable energy](#)

<http://res-legal.eu/>



In the framework of the EU co-funded project: RES 2020: Monitoring and Evaluation of the RES Directives implementation in EU27 and policy recommendations to 2020



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