Hungarian Renewable Energy Fact Sheet

Disclaimer: this fact sheet has not been adopted by the European Union, also does not reflect the opinion of independent consultant groups about the real status of the Hungarian agricultural renewable energy situation.

Policy Background A European energy policy must pursue the objective of a sustainable, competitive and secure supply of energy. If the EU continues on its present course, this key objective will not be attained. In January 2007, the European Commission adopted an energy policy for Europe. This was supported by several documents on different aspects of energy and included an action plan to meet the major energy challenges Europe faces. Each European citizen must be informed of these challenges and the role they should play in meeting them. Renewable energies help combat climate change while increasing security of supply.

Key Issues After a few years of little or no progress, major developments in 2004 brought the Hungarian RES-E target within reach. Geographical conditions in Hungary are favourable for RES development, especially biomass. Between 1997 and 2004, the average annual growth of biomass was 116% as of official statistic, however the statistical model which this growth number is based on is not confirmed, also controversial to other statistics. Whilst environmental conditions are the main barriers to further hydro power development, other RES such as solar, geothermal and wind energy are hampered by administrative constraints (e.g. the permit process). As regards the policy framework, promotional schemes are being used and refined, and subsidies are available under certain conditions for the development of RES.

Current national RES target The Hungarian Energy Saving and Energy Efficiency Improvement Action Programme expresses the country's determination to reach a share of renewable energy consumption of at least 6% by 2010. The target set for Hungary in the EU Directive is an RES-E share of 3.6% of gross electricity consumption. Nationally, the country aims at a **biofuel share of 0.6% in 2005** and 5.75% in 2010.

Progress towards meeting national targets Progress is being made towards the 3.6% RES-E target. Hungary's RES-E share amounted to **0.7% in 1997**, and 2.24% in 2004.

For biofuels, Hungary had a share of 0.07% in 2005, compared with the 0.6% that was originally foreseen.

Main supporting policies The following measures exist for the promotion of RES-E:

- A feed-in system is in place. It uses technology-specific tariffs since 2005, when Decree 78/2005 was adopted. These tariffs are guaranteed for the lifetime of the installation.
- A green certificate scheme was introduced with the Electricity Act (2001, as amended in 2005). This act gives the Government the right to define the start date of implementation. At that time, the feed-in tariffs will cease to exist. An amendment made in 2004 of the Act on Excise Tax specifies the amount of excise tax that can be reimbursed for biofuels. The total annual tax that may be refunded is subject to a cap; in 2005, 2% of the excise tax on fuels could be claimed, while the ceiling increases by 0.5% annually. Additional amendments of the Act in 2005 determine that the previously compulsory blending standards will be removed (from June 2007 for bioethanol and from January 2008 for biodiesel).

Key renewable energy statistics Electricity from RES: Solid biomass accounts for the largest share of RES-E in Hungary with 664 GWh, out of a total RES-E of 924 GWh in 2004. Besides this high penetration rate, biomass is also showing significant growth at an average annual rate of 116% (between 1997 and 2004, which official number is question marked). To a large degree, this can be attributed to co-firing projects (switching from coal fired units into gas and biomass fired units) The rest of the market is covered by hydro power, which resulted in a level of production of 205 GWh in 2004.