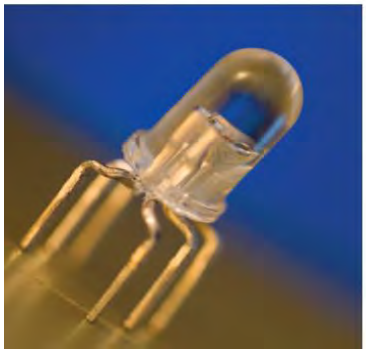

Assessment of climate change policies as part of the European Semester

Country Report Hungary

26 January 2015

A report submitted by ICF Consulting Limited
in association with

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Document Control

Document Title	Assessment of climate change policies as part of the European Semester: Country Report Hungary
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The report is building on the country reports and other documents prepared by Ecologic Institute and eclareon for the Directorate General for Climate Action (DG CLIMA) under Service Contract: 071201/2012/635684/SER/CLIMA.A.3.

Contents

1 Short Summary

Hungary's National Climate Change Strategy 2008-2025 focuses mainly on measures for reduction of greenhouse gases (mitigation), adaptation to the effects of climate change, and raising public awareness about climate change, but without defining quantitative mitigation targets other than the ESD target allowing Hungary to increase its GHG emission by 10% by 2020 compared to 2005 (see Chapter 2).

The Hungarian non-ETS target under the Effort Sharing Decision (ESD) is an increase of 10% compared to 2005. Between 2005 and 2013, the emissions were reduced by 15.9 % which is below the interim target. National projections indicate that the country will not only meet but exceed its 2020 target by a wide margin of about 26.5 percentage points with existing measures (WEM) and by even 31.4 percentage points with additional measures.

The key policy developments in 2014 refer to various subsidy programmes on increasing energy efficiency in the residential sector (see Chapter 4.2.2) as well as modernising the public transport sector and reducing railway tariffs for regional train connections (see Chapter 4.2.4).

2 Climate and energy policy priorities

Hungary has a climate change strategy in place. The National Climate Change Strategy 2008-2025 was adopted in 2008 and focuses mainly on three areas: reduction of greenhouse gases (mitigation), adaptation to the effects of climate change, and raising public awareness about climate change (NÉS, 2008). In 2013, the Ministry of National Development started the strategy's review and presented a draft version of the Second National Climate Change Strategy 2014-2025 in October 2013 for public consultation (greenfo.hu, 2013). The revision of Hungary's National Climate Change Strategy was necessary due to significantly altered economic conditions as well as a rapidly changing natural environment. However, a final version has not been published or adopted by the parliament yet. The strategy does not define new national quantitative mitigation targets, but refers to Hungary's commitments according to the EU Effort Sharing Decision (ESD) allowing Hungary to increase its GHG emission by 10% by 2020 compared to 2005. As part of the Second National Climate Change Strategy 2014-2025, the so-called Hungarian Decarbonisation Schedule has been integrated in order to concretise the potential of GHG emission reductions in various sectors. Studies examine key sectors (energy, transport, built environment, industry, agriculture, etc.) under various scenarios: with what costs and what benefits can Hungarian emissions be reduced radically and in line with the European decarbonisation process of reducing GHG emission by 40% until 2030 and by 80-95% until 2050 (NÉS, 2013.

Current policy priorities in climate and energy still emphasize the importance of nuclear power for Hungary's energy mix. After the parliamentary election in April 2014, Miklós Seszták was announced new Minister of National Development on 6 June 2014. The minister will continue to follow Hungary's energy political strategy according to the National Energy Strategy which was adopted in 2011 and the National Climate Change Strategy from 2008. As outlined in these documents, nuclear power continues to play a crucial role in securing Hungary's energy supply as well as energy independence, which the country faces due to imported fossil fuels including natural gas from Russia. The future energy mix will focus on nuclear power, coal-fired electricity and energy from renewable energy sources serving the objective to reduce Hungary's energy dependence (Ministry of National Development, 2014j). The four reactors of the Paks Nuclear Power Plant (NPP), the first and only operating nuclear power station in the country, account for over 40% of Hungary's electricity production. In January 2014, the Hungarian government concluded a contract with the Russian company Roszatom for extending Paks Nuclear Power Plant. The plant's generation capacity should be more than doubled by two new 1200MW-reactors. The new reactors are expected to start operating by 2030. The contract amounts to 10 billion EUR and is the most expensive project contracted by Hungary since its EU membership (NOL, 2014). On 6 February 2014, the Hungarian

Parliament approved the law on promulgating the agreement between Hungary and Russia on extending the Paks Nuclear Power Plant (hvg.hu, 2014).

Hungary's energy import dependence for gas decreased over the last years with 11% decline between 2006 and 2012. However, Hungary's energy import dependence is still among the highest in the European Union with natural gas and crude oil being imported solely from Russia. In addition, the share of natural gas in the country's energy mix is significantly above EU average. Thus, energy dependence on Russia rather deteriorated over the last years. Furthermore, Hungary's import dependence for electricity is also among the highest in the European Union (European Commission, 2014). The day-ahead market coupling of Hungary, Romania, Slovakia and the Czech Republic, the so-called 4M Market Coupling, which went live on 19 November 2014, is positive development regarding this matter. By interconnecting the participating electricity markets, cross-border capacity is allocated on a day-ahead basis (HEA, 2014b).

Additionally, the Hungarian government continues showing serious intentions to broaden and secure state control over the energy markets. In March 2014, Hungary's state-owned MVM (Hungarian Electricity Ltd.) stated its intention to buy a Hungarian gas distribution company owned by Germany based E.ON. MVM had already bought the local gas trading and storage units of E.ON AG. This was a strategic move towards controlling over 80% of Hungary's annual gas needs, which are mostly imported from Russia and now handled by MVM. The government argues that state ownership will secure supply and independence from Russia and will help avoid high prices (Reuters, 2014). Another step to be taken in this context is the government's plan to form a national utility provider in the form of a state-run non-profit company, which is supposed to be launched in March 2015. According to relevant Hungarian market players, this will be a major step in the process of strengthening the state's hold on the energy sector (BBJ, 2014).

Regulated energy prices continue to be an important element in Hungary's energy policy. Making energy prices in Hungary affordable is a key issue which the ministry continues to push forward. Minister Seszták has stressed that (besides households) the Hungarian industry also needs to benefit from affordable energy prices in order to increase economic growth and to maintain the economy's competitiveness (Ministry of National Development, 2014j). The "universal service systems" foresees regulated prices for the population and small consumers for electricity and natural gas. The Ministry of National Development determines the energy prices every year on the basis of the recommendations of the energy regulator, the Hungarian Energy Office (NFM Ordinance No. 4/2011). Final consumer prices for natural gas, electricity and district have been reduced in the course of 2014 by 6.5%, 5.7% and 3.3% respectively. Taking into consideration former price reductions for district heating from 2013, prices for district heating have been reduced by 22.63% since January 2013. In 2013, final consumer prices for energy were decreased twice adding up to a price reduction of 20% for electricity and natural gas. The Minister of State argues that the reduction of energy prices is necessary due to the disparity of household energy expenses compared to average income (HEA, 2014b). While improving households' situation, this policy is expected to have negative impact on the infrastructure investment of energy providers in Hungary, since revenue from the tariffs decreased drastically (ILO, 2014).

3 GHG trends and projections

Hungary reduced its total GHG emissions by 24% between 2005 and 2013. The share of GHG emissions not covered by the European Emission Trading Scheme (EU ETS) is around 68%, which is above the EU28 average (see Table 1).[1]

[1] The European Environment Agency has developed a complex methodology to measure progress on the Non-ETS/ESD targets of all EU Member States. This report uses the figures derived on this basis. A detailed explanation and the underlying absolute amounts are contained in Annexes 1-3 of the EEA report No 6/2014 "Trends and projections in Europe 2014. Tracking progress towards Europe's climate and energy targets for 2020" available at http://www.eea.europa.eu/publications/trends-and-projections-in-europe-2014/

Table 1 Key data on GHG emissions

		National data				*EU28*
		2005	**2011**	**2012**	**2013**	***2013***
Total GHG emissions	Mt CO_2eq	78.4	66.0	62.0	59.7	4 539
Non-ETS emissions	Share in total emissions	67%	66%	66%	68%	*58%*

Source: EEA 2014a; EEA 2014c

By 2020, Hungary can increase its emissions not covered by the EU ETS by 10% compared to 2005, according to the Effort Sharing Decision (ESD). The latest data for 2013 show that Hungary emitted 15.9 percentage points less than it was allowed under the annual allocation interim target under the ESD for the year 2013 (see figures in Table 2). National projections indicate that the country will not only meet but exceed its 2020 target by a wide margin of about 26.5 percentage points with existing measures (WEM) and by about 31.4 percentage points with additional measures (EEA 2014a).

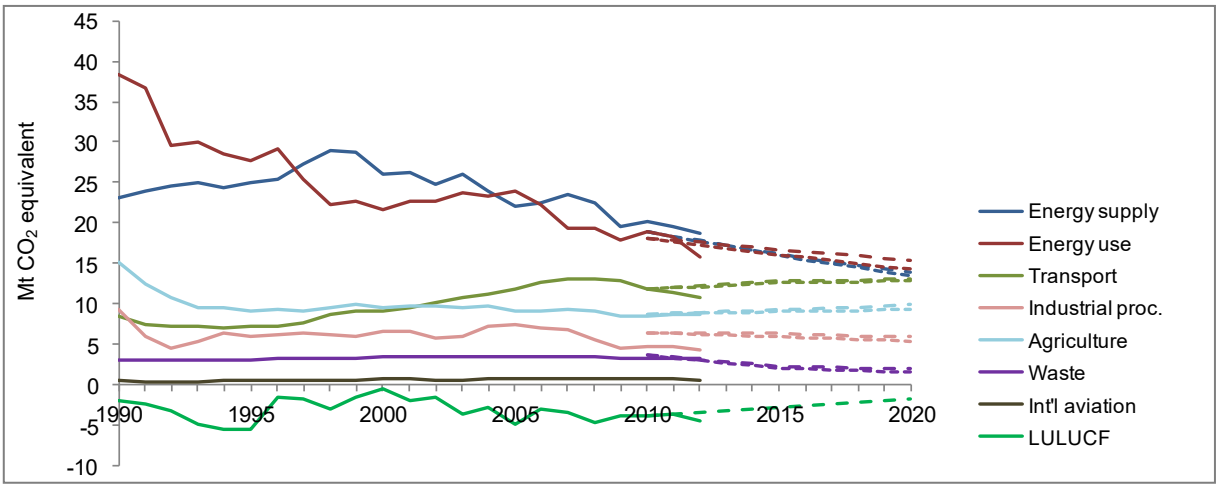
Table 2 Non-ETS emission targets, trend and projections

		Compared to base year
2013	ESD interim target	- 4.8%
	ESD emissions	- 20.7%
2020	ESD target	+ 10.0%
	ESD projections WEM	- 16.5%
	ESD projections WAM	- 21.4%

Source: EEA 2014a. Green indicates target met or exceeded, orange indicates a value below.

GHG emissions are mainly created by the energy industries, followed by direct fuel consumption (e.g. households for heat generation) and the transport sector (see figure below for historic and estimated emissions by sector). Projections indicate that by 2020 emissions from energy use and the energy industry will be reduced, while emissions from transport will increase.

Figure 1 GHG trends and projections by sector



Source: EEA 2014a. Actual data until 2012 and projections from 2010 onwards. Dashed lines indicate the WEM projection, dotted lines the WAM projection.

4 Policy development

This section covers significant developments made in key policy areas between January and December 2014. It does so through two different perspectives: 1) progress on the policies communicated under the National Reform Programme 2) developments in the identified national priority sectors and policy areas.

4.1 Key policies as outlined by the National Reform Programme

Member States prepare National Reform Programmes (NRPs) each April outlining the country's progress and the key policies and measures to achieve targets under the EU 2020 Strategy. These key policies and measures are summarised in the following table and their current status is provided.

Table 3 Key policies and measures as outlined by the NRP 2014

Subsidy programmes on energy efficiency and renewable energy sources	
Status in the NRP	Launch of the subsidy programmes in progress
Status as per Dec 2014	Launch of programmes expected for 2015. The respective subsidy guidelines had recently been put up for public debate and are currently under revision (Energiaklub, 2014).
Description of policy	Subsidy programmes on energy efficiency and renewable energy sources will be available under the Green Economy Financing Scheme (GEFS) and programmes under the European Union structural funds 2014-2020, such as the Environmental and Energy Efficiency Operational Programme (EEEOP) or the Economic Development and Innovation Operational Programme (NRP, 2014).

Pre-notification of the regulatory concept on the feed in tariff scheme (METÁR)	
Status in the NRP	In progress
Status as per Dec 2014	Still in progress (Energiaklub, 2014)
Description of policy	See Chapter 4.2.3

National Renewable Energy Action Plan	
Status in the NRP	Under review
Status as per Dec 2014	Still under review (HEA, 2014a)
Description of policy	The Plan outlines the financial and administrative instruments to promote the use of renewable energy sources. Its revision focuses on adapting the plan to technological developments in the sector, to the changing capacity of energy consumers, the interactions between the use of biomass and agricultural and rural development, the changing Hungarian and EU regulatory environment and the available EU funds for renewable energy sources in the financing period 2014-2020 (NRP, 2014).

National Strategy for E-Mobility	
Status in the NRP	Started in spring 2014

Status as per Dec 2014	Figure A1.1 Still under development (Ministry of National Development 2014a).
Description of policy	The strategy aims at fostering the spread of electric vehicles and at developing the necessary infrastructure. According to the Plan, the charging infrastructure should mainly be financed by EU funds and the income to the national budget from selling greenhouse gas emission quotas. In the context of the Jedlik Ányos Plan different measures for supporting the spread of e-mobility are discussed, e.g. introducing a green licence plate, exemption for e-cars to use the bus lane, free-of-charge parking spaces at charging points, and tax reductions for e-cars (Ministry of National Development 2014a).

National Building Energy Strategy	
Status in the NRP	Before finalisation and socialisation
Status as per Dec 2014	In progress; from 11 Sep 2014 to 11 Oct 2014, the National Building Energy Strategy and its environmental report have been under public consultation (Ministry of National Development 2014b).
Description of policy	See Chapter 4.2.2

4.2 National policy priorities

The below sub-sections provide updates on key existing and new policies in priority sectors and policy areas of relevance to the energy and climate targets under the Europe 2020 strategy[2]. Each sector or policy area contains information on the most important policy instruments in operation or development.

4.2.1 Environmental Taxation

In Hungary the implicit tax rate on energy is the sixth lowest in the EU with EUR 75 per ton of oil equivalent in 2012 (Eurostat, tsdcc360). However, the share of environmental tax revenues in overall tax revenue was 6.5% in 2012 and therefore above the EU average of 6.1% (Eurostat, ten00064). The same holds true for a comparison of environmental tax revenues with GDP, which amounted to 2.6% in 2012 (with the average at 2.4%) (Eurostat, ten00065).

In 2014, the Hungarian Government continued its policy of state regulated energy prices. The government aims at making energy prices more affordable for the general public and reducing energy poverty in the country. As of 1 April 2014, the Hungarian government reduced final consumer prices for natural gas by 6.5% compared to the gas prices set on 1 November 2013. Furthermore, as of 1 September 2014, electricity prices have been reduced by 5.7%. Prices of district heating were subject to a price reduction of 3.3%, starting on 1 October 2014. Furthermore, the 2013 reduction of the water and waste levy has been extended to welfare institutions and residents of social housing.

These reductions of final energy prices were passed by the Hungarian parliament on 6 February 2014 by Law XI./2014. Taking into consideration former price reductions for district heating from 2013, prices for district heating have been reduced by 22.63% since January 2013. In 2013, final consumer prices for energy were decreased twice adding up to a price reduction of 20% for electricity and natural gas (HEA, 2014b).

[2] The Consortium jointly with DG Clima identified these based on identified challenges in Country Profiles (EEA, 2014), share of sectors in total GHG emissions, and Country Specific Recommendations (2014). DG Clima has identified additional relevant issues to be reviewed for some or all Member States, including country specific energy challenges.

In Hungary, an environmental tax is in place regulated by Law No. LXXXV of 2011. The tax applies to environmental damaging products like accumulators, packaging and plastic bags, electronic equipment, fossil oil products, paper advertisement, and tires. The tax targets those persons or legal entities that introduce the listed products or use it for further processing on the national market. The tax is calculated on the basis of the product weight and differs according to the product. In October 2014, a legislative draft for reforming the environmental tax was published by the government. The amendments encompass the extension of the list of products subject to the tax, e.g. to washing powder and office paper. Furthermore, the tax level will be differentiated according to six categories of environmental damage caused by the respective products. The amendment of Law No. LXXXV./2011 enters into force on 1 January 2015 (Law No. LXXXV./2011).

4.2.2 Energy Efficiency

Within the EU28, Hungary has the ninth most energy-intensive economy. Energy intensity declined by 14% from 2005 to 2012, which is similar to the EU average of 13% (Eurostat, tsdec360). Final energy consumption dropped by 19% from 2005 to 2012, with the reductions coming from all sectors (Eurostat, tsdpc320). Hungary's energy efficiency targets allow for a small increase in primary energy consumption and a nearly constant level in final energy consumption for 2020 compared to 2005. Since Hungary has made major reductions in both final and primary energy consumption, it is on track towards meeting its targets (EEA2014a).

Hungary's National Development Ministry and the Non-Profit Limited Liability Company for Quality Control and Innovation in Building (ÉMI) prepared a long-term national strategy for energy efficiency in buildings. From 11 Sep 2014 to 11 Oct 2014, the National Building Energy Strategy and its environmental report were open for public consultation (Ministry of National Development 2014b). The long-term strategy for energy efficiency in buildings aims at presenting a conceptual framework for upgrading Hungarian buildings to be more energy efficient, as well as for the constructing of new buildings. Having an overall concept in place allows for more effective incentive programmes in this area in the future, including further subsidies. According to the Ministry of Rural Development, in Hungary, energetic rehabilitation is advisable for approximately two million buildings (Ministry of National Development, 2014c). The National Building Energy Strategy's environmental report outlines in a qualitative way the strategy's impact on the environment. However, it is emphasized that the strategy does not primarily focus on decarbonisation of the Hungarian buildings' stock and the potential for reducing GHG emissions is not quantified. Even though a positive impact on job creation and the general economic development is expected due to the broad necessity of energetic refurbishment, neither the expected impact on job creation nor the expected economic benefit is quantified in the strategy. According to the National Building Energy Strategy, energy efficiency of Hungarian buildings including private and public buildings should increase by 40PJ until 2020. This corresponds to altogether 1,760 billion HUF (approx. 5.68 billion EUR on 21 January 2015) that will have to be invested until 2020 in energetic rehabilitation of Hungarian buildings (Ministry of National Development 2014d).

In addition, there are various subsidy programmes in place and planned aiming at increasing energy efficiency in the Hungarian energy sector and the building stock. One of these programmes is the subsidy programme on energetic refurbishment of buildings of local administrations in the convergence regions. It was launched on 28 July 2014 by the Ministry of National Development. Local administrations could apply for funding between 22 September and 1 October 2014. Renovation measures increasing the buildings energy efficiency regarding its heat and/or electricity demand can be combined with installing renewable energy sources. The minimum subsidy amount granted is 30 million HUF (approx. 94,226 EUR on 19 January 2015), the maximum subsidy amount is 150 million HUF (approx. 471,168 EUR on 19 January 2015). Eligible parties are local administrations. The programme's budget amounts to 5 billion HUF (approx. 15.71 million EUR on 19 January 2015) (Szechényi, 2014a).

Another subsidy programme was launched on 19 November 2014 by the Ministry of National Development. The subsidy programme for households renewing their old gas-fired boilers supports residential houses consisting of maximum four independent apartments. The programme's budget amounts to 1 billion HUF (approx. 3.14 million EUR on 19 January 2015). The subsidy will be granted for a maximum of 40% of the eligible costs, but may not exceed 650,000 HUF (approx. 2,041 EUR on

19 January 2015). The subsidy programme is maximum available until 31 January 2015 or until funds are exhausted. However, the application period can vary across the different regions when regional budgets are exhausted. The programme is commissioned under the Green Investment Programme by Émi Nonprofit Kft. and is financed by revenues from the auctioning of greenhouse gas emission quotas (Ministry of National Development, 2014e; Ministry of National Development, 2014f).

As regards the energy infrastructure, the Ministry of National Development announced in May 2014 that the Hungarian district heating sector will benefit from altogether 60 billion HUF (approx. 188.5 million EUR on 19 January 2015) in funding from 2014-2020. This sum will be allocated through subsidy programmes financed under the EU Structural and Cohesion Funds in the financing period 2014-2020. The respective programmes will mainly be administered by the Environmental and Energy Efficiency Operative Programmes (EEEOP). The funding will mainly focus on increasing the energy efficiency of the district heating system, including the interconnection of two district heating networks. Energy efficiency improvements for energy generation installations for district heating may also be funded under this programme (mno, 2014).

4.2.3 Renewable Energy

The share of renewables in gross final energy consumption was 9.6% in 2012, which is above the indicative 2012 target of 6.0% set out by the Renewable Energy Directive (RED). The average annual growth rate was 8.3% between 2005 and 2012. A similar annual growth rate of 8.8% is still needed between 2013 and 2020 to reach the 2020 target of 13% (EEA 2014a). The share of renewable electricity generation in final electricity consumption increased by two fifths from 4.4% to 6.1% between 2005 and 2012, while the share of renewable heating more than doubled from 6.0% to 13.6% (Eurostat, SHARES 2014).

The primary renewable energy support measure in Hungary is a feed-in tariff for renewably generated electricity. All renewable technologies are eligible. Biomass currently accounts for the largest share, ahead of wind and solar. The current tariffs for 2015 were published in December 2014. A unique aspect of Hungary's feed in programme is that the tariffs vary by time of day and day of the week depending on demand. The rate is higher for renewable power supplied during peak hours. This system helps to make generators sensitive to electricity demand and provides a market incentive to optimize power generation.

The current feed-in tariff scheme is supposed to be reformed by the METÁR scheme. Under the METÁR scheme tariffs would be differentiated according to the benchmark costs of different technologies and their installed capacity. Furthermore, tariffs would be granted for 15 years. Even though reforms were announced already in 2011, there have been no reforms of the feed-in tariff system to this date. Suggestions for reforming the system have been made by the Hungarian Energy and Public Utility Regulatory Authority and transmitted to the Secretary of State for Climate and Energy Policy. The Secretary of State has submitted a proposal for reforming the feed-in tariff system to the European Commission for pre-notification, but it is unclear, if it is the proposal made by the Hungarian Energy and Public Utility Regulatory Authority (Keep on Track, 2014; Energiaklub 2014).

Aside from the feed-in tariff scheme, renewable energy sources are promoted by a range of other subsidy programmes. Between 21 and 30 August 2014, calls for projects could be submitted for the subsidy programme for promoting PV installations. The programme promotes the use of PV installations with an installed capacity of up to 50kVA connected to the grid. The installations may be used fully or partly for self-consumption. 100% of the eligible costs can be subsidized by this programme. The minimum subsidy amount for winning projects is 20 million HUF (approx. 62,845 EUR on 19 January 2015) and the maximum subsidy amount is 50 million HUF (approx.157,103 EUR on 19 January 2015). Eligible parties are local administrations and non-profit organizations. The budget of the programme amounts to 5 billion HUF (approx. 15.71 million EUR on 19 January 2015) (Szechényi, 2014b).

Furthermore, in March 2014, funds of the subsidy programmes on the utilisation of renewable energy sources in buildings of ecclesiastic legal entities for the Central Hungarian region and for the Hungarian Convergence Regions have been raised from 500 million HUF (approx. 1.57 million EUR on 19 January 2015) to 1.7 billion HUF (approx. 5.34 million EUR on 19 January 2015) and from 2 billion HUF (approx. 6.28 million EUR on 19 January 2015) to 8.4 billion HUF (approx. 26.39 million

EUR on 19 January 2015) respectively. The programmes are administered by the National Development Agency and address the energetic refurbishment combined with the utilisation of renewable energy installations for heating purposes in existing buildings owned by ecclesiastic legal entities. The amount of available funds for both programmes has been increased due to the strong demand for the subsidy programmes (Szechényi, 2014c; Szechényi, 2014d).

4.2.4 Transport

GHG emissions as well as energy consumption from transport have increased between1990 and 2012 but show a slight downward trend since 2005. However, the proportion of transport emissions in Hungary's total emissions has increased to 17%. Average emissions for newly registered cars are very high in Hungary with a level of 134.4 CO_2/km. This value is the tenth highest in the EU and decreased by 14% between 2005 and 2013, at a rate lower than the EU average (Eurostat, tsdtr450). Fuel taxation in Hungary is below the EU average. While the road fuel excise duties on diesel are close to the EU average, the excise duties on petrol are the ninth lowest among EU MS (EEA 2014b).

In Hungary no CO_2-based tax applies. The ownership tax for passenger and company cars depends on the engine capacity and the number of years since the production year (ACEA 2014, 2012).

In order to get a handle on this sector's emission trajectory, the Hungarian Government adopted the National Transport Strategy on 28 August 2014, which was developed by Hungary's Coordination Center for Transport Development. The strategy sets long-term goals for the years 2020, 2030, and 2050 with an action plan for 2014-2020 (inforadio.hu, 2014).

Another focus of the Hungarian policy in the transport sector is to make public transport more attractive – also on the less comfortable and modern regional train connections. To this end, in February 2014, the national railway company MÁV-START Zrt. reduced the railway prices on additional 15 regional train connections. Together with the price reductions for 15 other regional train connections of June 2013, train rides will be 25% cheaper on altogether 30 regional train connections. On the main railway lines, modernisation measures are ongoing, e.g. by MÁV-START Zrt. purchasing 42 new electrified trains (MÁV-START, 2014). Modernisation of public transport is also a focus in and around Budapest. As of April 2014, altogether 167 new, modern buses worth 11 billion HUF (approx. 35.5 million EUR) are utilized in the capital and on the routes connecting the suburban areas. In this way, the very high average age of the capital's bus fleet was successfully reduced. The environmental impact of the bus fleet could be considerably diminished by replacing a large share of the fleet of 20-23 year old buses (Ministry of National Development, 2014g). In addition, the Transportation Corporation MÁV-START ordered 21 new electricity-driven trams. The first trams will already be operational by 2015 improving the comfort in public transportation in Budapest's suburbs. By the beginning of 2017, all trams are supposed to be operational. The trams are financed by EU funds via the Transport Operational Programme and the Transport Development Operational Programme (Ministry of National Development, 2014h).

Improvement of public transport is also funded by a subsidy programme on purchasing compressed natural gas (CNG) buses. On 29 September 2014, the Ministry of National Development extended the application period for this subsidy programme until 31 December 2014. Various applicants had approached the ministry asking for an extension of the application period due to the very time consuming tendering procedure. The subsidy programme was initially available from 28 March to 28 September 2014. The programme's budget amounts to 1.6 billion HUF (approx. 5.03 million EUR on 19 January 2015) and covers 30% of the investment costs. However, the subsidy amount may not exceed 21 million HUF (approx.65,973 EUR on 19 January 2015) for normal buses and 28 million HUF (approx. 87,956 EUR on 19 January 2015) for articulated buses (Ministry of National Development, 2014i).

5 Policy progress against Country Specific Recommendations (CSRs) issued 2013

The EU Commission provides Country Specific Recommendations (CSRs) for each MS for consideration and endorsement by the European Council. The recommendations are designed to address the major challenges in relation to the targets of the EU 2020 Strategy. In the following table, the CSRs relevant for climate change and energy are listed, and their progress towards their implementation is assessed.

Existing CSRs	Progress
Review the impact of energy price regulation on incentives to invest and on competition in the electricity and gas markets	The ongoing reduction of final energy consumer prices in combination with the currently low oil prices undermine the financial incentives to switch to renewable energy installations, especially as regards households (Keep on Track, 2014).
Take further steps to ensure the autonomy of the national regulator in establishing network tariffs and conditions	No significant progress could be identified in this regard. Instead, the Hungarian government maintains its attempts to broaden state control over the energy markets, e.g. by buying utility companies, in order to help avoiding high energy prices (see Chapter 2).
Take measures to increase energy efficiency in particular in the residential sector.	Increasing energy efficiency in the residential sector is addressed by various subsidy programmes such as the subsidy programme on renewal of household heating installations (see Chapter 4.2.2) and the subsidy programme for purchasing highly energy efficient household appliances. As of 14 November 2014, all private persons with residency in Hungary are eligible to apply for a grant. The energy consumption of new appliances has to be reduced by a minimum of 10% or CO_2 emissions have to be reduced by at least 20kg/year (Ministry of National Development, 2014e; Ministry of National Development, 2014k).
Further increase the sustainability of the transport system, inter alia by reducing operating costs and reviewing the tariff system of state owned enterprises in the transport sector.	Railway tariffs for 15 regional railway connections have been reduced in 2014 (see Chapter 4.2.4). Furthermore, renewal of the vehicle fleet in the railway sector and in the Budapest public transport, including bus and tram services, has been ongoing in 2014 (see Chapter 4.2.4).

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