



EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR ENERGY
Based on the questionnaire
of the Director-General

HUNGARY

MINISTRY OF NATIONAL DEVELOPMENT

Hungarian Energy Office

Energy Centre Public Benefit Company

QUESTIONNAIRE

CONCERNING THE REPORT IN ACCORDANCE WITH ARTICLES 6(3) AND 10(2) OF DIRECTIVE 2004/8/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL ON THE PROMOTION OF COGENERATION BASED ON A USEFUL HEAT DEMAND IN THE INTERNAL ENERGY MARKET AND AMENDING DIRECTIVE 92/42/EEC

1. Transposition/implementation of the legal text of Directive 2004/8/EC

Question 1: What is the level of transposition of the Directive in your country? What is the timeline for the remaining parts of the transposition of the Directive, if any?

Pursuant to Directive 2004/8/EC on the promotion of cogeneration based on a useful heat demand in the internal energy market, Hungary has set up a guarantee of origin system for electricity originating from high-efficiency combined heat and electricity production ('CHP') based on a useful heat demand. The introduction of guarantees of origin in Hungary is laid down in Section 12(1) of Electricity Act LXXXVI of 2007. Under Government Decree 389/2007 of 23 December 2007 the guarantee of origin is a document certifying the amount (in MWh) in a given calendar year of electricity generated by energy from renewable sources or waste and by cogeneration and, in the case of cogenerated electricity, complying with the conditions of Decree 110/2007 of the Minister for Economic Affairs and Transport of 23 December 2007 on the calculation method for determining the amount of high-efficiency cogenerated electricity and useful heat.

Question 2: What is the timeline for implementing measures based on the Commission Decision of 19.11.2008 establishing detailed guidelines? Please indicate how this has taken place (revision of a general energy law, a specific law, decree, regulation,...).

The Commission Decision of 19 November 2008 establishing detailed guidelines was introduced by the amendment to Decree 110/2007 of the Minister for Economic Affairs and Transport of 23 December 2007 on the calculation method for determining the amount of high-efficiency cogenerated electricity and useful heat. The amended Decree entered into force on 5 June 2011.

Question 3: To what extent do you consider your country to have already significantly implemented the Directive?

Hungary has fully transposed the Directive into national legislation.

Question 4: Is your country using the alternative calculation method according to Article 12(2)?

Hungary does not apply the alternative calculation method.

Question 5: Is there any need for your country to review in accordance with Article 13 the threshold values used for calculation of electricity from cogeneration and/or the threshold values used for calculation of efficiency of cogeneration production and primary energy savings?

The degree of technical progress would not justify doing so.

2. National potential to increase the share of high-efficiency cogeneration

Question 6: Can your country already show progress in high-efficiency cogeneration since the last report on national potential which can be ascribed to either EU or national legislation and support schemes?

Since the last report was only recently produced, and already at that stage more than 80% of heat originated from cogeneration and more than 60% from high-efficiency cogeneration, there is little scope for further progress. The economic crisis is also having a negative impact on any potential for growth.

Question 7: What is your evaluation of the progress towards increasing the share of high-efficiency cogeneration in your country? Your assessment should be based on the specific figures to be included in the attached spreadsheet (Excel file) designed to facilitate the submission of your data.

In 2000 high-efficiency cogenerated electricity accounted for 9% of total electricity generation. In 2004 the rate stood at 16%, in 2005 at 19% and in 2006 at 21%. After that, it hovered around the 20% mark. In 2009 the rate fell slightly, to 18%.

In 2000 high-efficiency cogenerated heat accounted for 29% of total heat production. In 2004 the rate stood at 44%, in 2005 at 55%, rising steadily to 66% by 2008. In 2009 it was down to 56%.

As regards fuels, natural gas accounted for a significant share of the total fuels used throughout the period under review. Natural gas represents more than 90% of electricity generation and since 2006 more than 80% of heat production. Since the middle of the decade there has been an increase first in biogas then in biomass use, although they still account for only a small share of the total.

In terms of sectors, by 2005 there had been a sharp increase in 'district heating', while 'non-district heating' saw a bigger increase in 2006 and 2007. The lowest increase was in the industrial sector. 2009 saw a slump in industrial and non-district heating, presumably due to the economic crisis.

As regards the technology, CCGT with heat recovery saw the biggest increase, though there was also a sharp rise in internal combustion engine use during the period under

review. Both technologies had peaked by 2004/2005. There was a stagnation followed by a decline in the use of gas turbines with heat recovery.

The sharp growth witnessed during the period under review was the result of the introduction of a support system. The reasons for the slowdown and eventual stalling of this growth may be the possible withdrawal of the support system in the future and the limited nature of the heat market. If we consider total cogenerated heat production, both high efficiency and non-high efficiency, we can see that more than 80% of total heat demand is met from cogeneration. The economic crisis that began in 2008 has also had a negative impact on both investment and production.

3. Barriers to high-efficiency cogeneration

Question 8: Please give your views on the current barriers to high-efficiency cogeneration in your country:

- barriers in relation to administrative procedures (authorisation, coordination among competent authorities, streamlined simplified procedures, etc);*
- barriers in relation to electricity grid system and tariff issues (including specific measures for small-scale and micro cogeneration units);*
- other barriers (internalisation of external costs, energy prices, financial and technical barriers, etc.) in accordance with Articles 9 and 6 of the cogeneration Directive 2004/8/EC.*

Indicate the measures to overcome them.

The Hungarian Energy Office issues operating licences for the production of electricity and heat energy. Electricity producers must apply for a construction licence only where nominal capacity exceeds 50 MW.

District heating producers must apply for a construction permit if thermal capacity is 5 MW or more. The Hungarian Energy Office has harmonised procedures with its partner offices to ensure they are completed quickly and smoothly.

The procedure for small cogeneration plants (i.e. power plants with a nominal electrical capacity greater than 0.5 MW and lower than 50 MW) is much simpler, with the Hungarian Energy Office issuing licences for the construction of small power plants and electricity generation in a single procedure (simplified licensing procedure), in combined form.

The government introduced major simplifications to small cogeneration plants in 2011 by having the Hungarian Energy Office issue a simplified, single licence for small power plants and an operating licence for district heat producers in a single procedure and a single licence. The single licence for small power plants referred to above is not required for power plants with a capacity of less than 50 KVA (known as ‘micro power plants’), which can therefore be built really simply and quickly.

The fact that the Office refuses to issue licences only in the cases provided for in the legislation guarantees the non-discriminatory and objective operation of the licensing procedure.

4. Guarantees of origin and support schemes

Question 9: Article 5 of the Directive requires Member States to ensure that accurate and reliable guarantees of origin are issued according to objective, transparent and non-discriminatory criteria. Please indicate what is the situation concerning the implementation of this measure in your country (information on primary energy savings, type of registration system)?

In accordance with Section 8(1) of Government Decree 389/2007 of 23 December 2007, producers selling electricity must certify after the reference year by means of the guarantee of origin that the amount of electricity produced and sold by them during the reference year is in line with the requirements of the Decree and, in the case of cogeneration, Decree 110/2007 of the Minister for Economic Affairs and Transport of 23 December 2007. The amount of electricity sold in the mandatory off-take system may not exceed the amount of electricity certified for the year in Question by the guarantee of origin.

The authority entitled by law to issue guarantees of origin (the Hungarian Energy Office) is fully independent of market operators.

Question 10: Does your country have support schemes for cogeneration/CHP based on Directive 2004/8/EC (operational and/or investment aid)? What kind of support is provided (feed-in tariffs, certificates and quota, priority access to the grid,...)? Are they designed to provide stable long-term investment conditions? Which sectors will be targeted (agricultural and/or industrial and/or heating cogeneration)?

The statutory rules on the mandatory off-take system are contained in Electricity Act LXXXVI of 2007 ('the Electricity Act'). These provisions of the Electricity Act are governed by Act XXIX of 2011 amending energy-related Acts, which provides that producers of CHP using fossil fuels are not authorised to sell in the mandatory off-take system in accordance with Section 171(5a), (5f) and (5h) of the Electricity Act.

Question 11: How much money on a yearly basis has been provided in this way in the past years to the promotion of high-efficiency cogeneration in particular? And how much money is expected to be made available on a yearly basis to the promotion of high-efficiency cogeneration in the coming years?

According to the figures and calculations of the Hungarian Energy Office, the amount we spent promoting high-efficiency cogeneration (primarily to make district heating more affordable for households) rose steadily each year from HUF 8 billion in 2003 to around HUF 57 billion in 2010. Under current legislation, however, as mentioned in the previous point, cogenerators are excluded from the mandatory off-take system by Section 171(5a), (5f) and (5h) of the Electricity Act, which Section entered into force on 30 March 2011.