

REPORT

To the European Commission

pursuant to Article 7 of Directive 2012/27/EU of the European Parliament and of the Council on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC

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Hungary is committed to fully implementing the targets set out in Directive 2012/27/EU on energy efficiency ('the Directive'). We welcome any effort by which the European Union can help improve energy efficiency, which will help reduce greenhouse gas emissions in a cost-effective way and accelerate the spread of innovative technologies. Hungary supports all measures which improve the competitiveness both of Hungary and the European Union, boost economic growth and create high-quality jobs in sectors related to energy efficiency.

It is in our interest as a Member State to adopt political measures such as these and to develop objective and transparent obligation schemes which, taking into account the interests of obligated parties, achieve the EU and the Government's energy policy ambitions.

This report has been drawn up in line with the criteria laid down in point 4 of Annex V to and Article 7(10) of the Directive. There is considerable overlap between the criteria in point 4 of Annex V and Article 7(10), so this report deals with them together.

1. Designation and responsibilities of the competent obligated party, implementing public authority and participating or entrusted party referred to in Article 7 (point 4(a)-(b) of Annex V and Article 7(10)(b))

1.1. Designation of obligated parties, target sectors

Under Article 7(4) of the Directive, obligated parties must be designated on the basis of objective and non-discriminatory criteria amongst energy distributors and/or retail energy sales companies and may also include transport fuel distributors or transport fuel retailers.

Hungary is currently examining the degree to which this burden can be placed on individual operators on the single market in energy, namely energy distributors and retail energy sales companies, and is also considering which sectors it recommends involving in compliance with the obligation under Article 7. The examination will also ascertain the extent to which the objectives of national energy policy can be brought into line with the energy efficiency targets laid down in the Directive.

Once the examination is complete it will be possible to clearly specify, taking account of the criteria of objectivity and non-discrimination, which companies from among energy distributors and retails energy sales companies and which target groups in the energy sector could be designated as obligated parties.

1.2. Responsibilities of obligated parties

In the course of compliance with the obligation under Article 7, Hungary considered introducing an energy efficiency obligation scheme in accordance with Article 7(1) among the options for complying with the Directive. The way in which compliance with the obligation under Article 7 is ensured may change, depending on the government's decision. Legislation (both Acts and Decrees) transposing the Directive will cover the introduction and functioning of the scheme and the responsibilities and tasks of the obligated parties.

1.3. Implementing public authority

Hungary is still examining which authority will perform the tasks involved in operating and inspecting the obligation scheme.

Under current Hungarian law there are two bodies whose duties could include the functioning and inspection of the obligation scheme: the Hungarian Energy and Public Utility Regulatory Authority ('the Authority') and the minister responsible for energy policy.

Under Section 1 of Act XXII of 2013 on the Hungarian Energy and Public Utility Regulatory Authority, the Authority is an independent legislative body which is subject only to legislation and performs tasks relating to the provision of the state's electricity, natural gas and district heating and water utilities and draws up the pricing regime for waste management public services.

The Authority **issues** trade/distribution licences under **Act LXXXXVI of 2007 on electricity, Act XL of 2008 on natural gas supply and Act XVIII of 2005 on district heating**, and therefore has up-to-date information on licence holders. As the body responsible for energy statistics, the Authority also has data on licence holders and energy consumption.

Tasks relating to the promotion of energy efficiency fall within the remit of the minister responsible for energy policy under Section 89(1) of Government Decree No 212/2010 of 1 July 2010 on the duties and powers of certain ministers and of the state secretary for the Prime Minister's Office ('the Minister').

2. Determining the level of the energy saving target, expected savings to be achieved over the whole and intermediate periods and the energy savings to be achieved in a transparent manner (point 4(c) of Annex V and Article 7(10)(c))

2.1. Energy saving targets and energy savings to be achieved planned by Hungary between 2014 and 2020

According to the Directive, the basis for determining the obligation is the annual energy sales to final customers by volume averaged over the preceding three-year period.

In Hungary's case, **the energy saving target**, not including the transport sector, is **2 001 927 778 kWh/year**. If we include the transport sector, this figures rises to **2 748 358 333 kWh/year**, based on the following:

Obligation not including the transport sector				
Year	Energy volume in final energy [PJ]	Energy volume in final energy [kWh]	Targets (1.5%) [kWh]	Average targets (1.5%) [kWh]
2010	499	138 624 722 223	2079370833	2 001 927 778
2011	483	134 259 166 668	2013887500	
2012	459	127 501 666 668	1912525000	

Obligation including the transport sector				
Year	Energy volume in final energy [PJ]	Energy volume in final energy [kWh]	Targets (1.5%) [kWh]	Average targets (1.5%) [kWh]
2010	685	190 330 555 557	2854958333	2 748 358 333
2011	664	184 308 888 890	2764633333	
2012	630	175 032 222 224	2625483333	

Source: Hungarian Energy and Public Utility Regulatory Authority (calculated on the basis of EUROSTAT data)

The average final consumption in the base years expressed in kWh gives the energy quantity on the basis of which the obligation is determined. 1.5% of this not including the transport sector is 2 001 927 778 kWh, while including the transport sector it is 2 748 358 333 kWh.

2.2. Taking account of the requirement in the second subparagraph of Article 7(1) for calculating the energy amount used in transport (point 4(l) of Annex V).

Hungary is currently examining whether it wishes to avail itself of the possibility provided for in the second subparagraph of Article 7(1).

2.3. Distribution of the energy saving obligation within the time period concerned

The drafting of the final concept in connection with compliance with Article 7 is still in progress. Hungary is still examining how the energy saving rate to be reached each year will be distributed within the obligation period (see points 2.5 and 3 of this report).

2.4. Data supply in determining energy savings

Data on energy consumption in the population and the public sector can be found in the Authority's energy statistics.

According to Annex 12 to Government Decree No 288/2009 of 15 December 2009 on the collection and transfer of data under the National Statistical Data Collection Scheme, data is

gathered by the Authority in line with Regulation (EC) No 1099/2008 of the European Parliament and of the Council on energy statistics and its amendments.

2.5. Application of exemptions under Article 7(2), compliance with the 25% limit laid down in Article 7(3)

The sales, by volume, of energy sold referred to in Article 7(2)(b) by companies falling within the scope of Directive 2003/87/EC is currently being determined. When calculating the energy saving target established in point 2.1, Hungary did not take into account the concession provided for in Article 7(2).

The calculated energy saving target could change if the concessions under Article 7(2) are applied, taking account, obviously, of the restrictions laid down in Article 7(3).

3. Designation and duration of the obligation period and intermediate periods (point 4(d) of Annex V, Article 7(10)(a))

Hungary plans to set the obligation period at *between 2014 and 2020*. Furthermore, the energy saving rate could grow at a steady, linear rate within the obligation period.

Hungary intends to set two main periods within the obligation period: an interim period from 2014-2017 and a final period from 2018-2020.

4. Eligible measure categories (point 4(e) of Annex V)

The eligible measure categories are currently being determined. We will be in a position to report on concrete and planned measures at a later stage, once the final concept has been developed.

5. Method for calculating the expected energy saving (point 4(f) of Annex V and Article 7(10)(e))

5.1. Application of point 1 of Annex V

Hungary intends to express the energy savings to be achieved under its policy measures in final energy consumption by applying the conversion factors laid down in Annex IV.

Hungary considers the provisions of point 1(a) and (b) of Annex V to the Directive as authoritative.

Consequently, it is reasonable to apply *ex-ante* and *ex-post* methods for calculating the effects of Article 7(1) of the Directive and the various policy measures.

"(a) deemed savings, by reference to the results of previous independently monitored energy improvements in similar installations. The generic approach is termed 'ex-ante';"

"(b) metered savings, whereby the savings from the installation of a measure, or package of measures, is determined by recording the actual reduction in energy use, taking due account

of factors such as additionality, occupancy, production levels and the weather which may affect consumption. The generic approach is termed 'ex-post';"

5.2. Application of point 2 of Annex V

The activities of the obligated party "must be demonstrably material" (point 2(c) of Annex V)

At all times, the planned concept bears in mind that the activities and approval of the obligated parties will be demonstrably material in terms of the energy savings achieved. The obligation to carry out investments in energy efficiency will be laid down in law and will require a decision of the national assembly and the government. It will not be possible to comply with the energy savings required under the Directive without introducing an obligation scheme.

Ban on dual accounting of energy saving measures (point 2(d) of Annex V)

The establishment and functioning of a wide-ranging and transparent inventory scheme and its centralised supervision will guarantee that dual accounting of energy saving measures is not possible.

This is also safeguarded by the requirement for obligated parties to submit an annual report and by the statutory powers of inspection given to Hungarian authorities.

Position regarding point 2(a), (b), (f) and (g) of Annex V

Points (a)(i) and (b) are not relevant for Hungary.

Hungary has taken account of the principles laid down in point (a)(ii), (f) and (g).

6. Lifetimes of measures (point 4(g) of Annex V, and point 2(e) of Annex V)

When determining the lifetime of the measures at hand, it is necessary to work on the basis of the energy savings measured or calculated in accordance with point 1 of Annex V. The lifetimes of measures is established by calculating the savings achieved between the completion of the measure and the end of the obligation period. Hungary is examining the possibility of introducing alternative methods in accordance with point (e) of Annex V.

Hungary will describe the methodology for calculating the lifetimes of measures in detail in the National Energy Efficiency Action Plan to be submitted by 30 April 2014.

7. Addressing climatic variations (point 4(h) of Annex V)

Hungary does not intend to off-set climatic variations.

8. Audit, monitoring and verification protocols and how their independence from obligated, participating or entrusted parties is ensured, as well as audit protocols (point 4(j) and (k) of Annex V) Article 7 (10)(h) and (i)

Hungary intends to devise a transparent audit scheme. As part of this scheme it will be necessary to ensure the far-reaching powers of inspection of the implementing public authority. (A description of the powers of inspection of the implementing public authority is included in point 1.3 of this report.)

The implementing authority will be authorised to inspect the obligated party on the basis of the report submitted and within the scope of authority laid down in law. It will also monitor compliance by the obligated parties with energy saving obligations and compliance rates.

The penalties which can be applied for failure to comply with these obligations are currently being established and finalised.

9. Quality standards (point 4(i) of Annex V, and point 2(g) of Annex V)

The measures for achieving energy savings have to be in line with current technical, security and environmental [protection] regulations, the relevant European directives and standards and the corresponding Hungarian decrees and standards.

10. Information on the publication of data on the annual trend in energy savings, publication of a report (Article 7(10)(j) and (g))

Hungary will ensure the transparency and publication of the prescribed data on the rates of energy saving. Work to develop a plan for this is currently ongoing.