

**Response by the Hungarian Energy Association (MET) to the European Commission in relation to the questions and problems raised and described in the document titled “A 2030 framework for climate and energy policies” [Green Paper; COM(2013)169 final]**

The Hungarian Energy Association (Hungarian abbreviation: MET) is a politically and economically independent non-profit professional and societal organisation which was established on 5 April, 1991 with the aim of enhancing the professional standard of common talk and debates on energy matters facing the Hungarian society. To achieve this aim the Association – among other things – publishes the journal Magyar Energetika (Hungarian Energy), organises professional events and debates and keeps contact with Hungarian energy experts living abroad. Being a civil organisation, it is guarding its independence, while keeping up good professional relations with the heads and experts of important state administrative and business organisations. It is shaping its official opinion and positions professionally, bearing in mind the common good.

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Considering it very timely, the Association welcomes and appreciates the submission of the Green Paper for public debate, with special regard to the fact that the Paper, while analysing the situation in the process of realising the climate and energy policies set for the period up to 2020, presents not only the results achieved, but very clearly, unambiguously and objectively points out the mistakes and errors made and the deficiencies that delay the fulfilment of the objectives set. In addition, it is also brave enough to bring up the revision of objectives to be set for the period up to 2030 from the numerical data and content points of view, as practice has proven that it is not necessarily useful to set objectives that point in the same direction in terms of motivation, but require separate ways of implementation and exert considerable effect upon one another.

Due to the economic crisis that we have had since 2008 we have witnessed a number of changes that we could not expect previously. For example, such a change is the crisis of the EU ETS (Emissions Trading System) and the circumstance that the support systems used in the energy sector have different features in each member state and do not contribute to improving the energy sector's competitiveness in an optimum way.

We are of the opinion that it is very timely to make corrections to the objectives and to extend the time horizon until at least 2030. However, we feel that the motives related to the climate change and to the scientifically not yet proved global warming are overemphasised. We believe that a reduction in either the proportion or the quantity (calculated according to energy content) of the fossil energy sources (coal, oil and gas) can be an equally strong and a much more evident motivation owing to their limited reserves.

We agree with the view that the triple objective (reducing CO<sub>2</sub> emissions; increasing the share of renewable energies; and improving energy efficiency, i.e. energy saving) makes the energy policy environment extremely complicated and that the European Union has to direct these objectives towards implementation with the help of equally complicated legal regulations. With special regard to the fact that all the three elements listed above serve the desired objective, we think it is unnecessary to specify concrete, numerical and obligatory target values for each. As the Green Paper also sees it as a priority to integrate and unify the European energy market as fully as possible, we think it is more appropriate to set a single target value that could be achieved by the member states together, but through the sufficiently thorough consideration of their own individual characteristics, possibilities and sources and at the lowest cost at the Union level as a whole. This requires a sufficiently flexible mechanism that could be offered by a structurally renewed EU ETS.

The Association agrees that the reform of the EU ETS is very timely and it will be even more so if the EU decides to use it as a single or main tool for achieving its climate and energy policy objectives. Experiences obtained so far show that the unification of the rules of ETS was not only practical, but necessary, as well. By declaring the priority of auction the system can take a direction that will in itself ensure sufficient flexibility and guarantee for the member states and their facilities not only in terms of reducing the emissions, but also in respect of further developments (renewable energy, energy saving) leading to the same objective. At the same time maximum effort should be made to ensure that as a result of the structural renewal of the EU ETS the system would operate according to rules that

are possibly stable and can be calculated for long term, eliminating or at least dramatically reducing thereby the political risk and creating a suitable legal environment for the necessary investments.

In addition to a predetermined proportion of auction incomes, further financial sources from the European Union should be spent to an extent greater than previously on the support of such technological developments and the related training activities that would facilitate the design of commercially unripe, although promising technologies and equipment and make the next generation of professionals excellent experts in even new industrial fields (energy storage, intelligent networks, smart measurement), who would be able to achieve a high level of competitiveness in the years to come. Simultaneously with this process, the funding should be gradually reduced that had already been found to be distorting the competition and incentives within the European Union.

One of the basic conditions for establishing an integrated and unified (increasingly more unified and more integrated) energy market is the development of energy networks which, in addition to their obvious advantages (such as improving the safety of energy supply), will bring the possibilities of the member states with different levels of development closer to one another.

It should be understood that on a global scale the EU contributes to increasing the green-house gas level of the atmosphere to an almost negligible – and, as it seems – an ever decreasing extent. Should the Kyoto Protocol be not replaced in due time by a new international agreement that would specify obligatory emission target values to be achieved for hopefully all the countries of the world, the short-term competitiveness of the European Union will probably suffer in the meantime because of the limitations undertaken voluntarily. In spite of this, we believe that in the longer run decarbonisation really serves a true blue and will lead to success. However, a proper solution should be found to handle the problem of carbon leakage (emission replacement), during which the power industry should also be taken into account, especially in those member states, including Hungary, that are close to the borders of the European Union and to those of the EU ETS, as well. Although the electricity that can be imported from the east at a presently considerably lower price is useful for the economy of the countries concerned, it sometimes forces local power plants to become idle, and blocks developments serving also decarbonisation purposes, which, obviously, is a practice that is not sustainable in long term. During the generation of this electricity none of the EU's efforts aimed at reducing the CO<sub>2</sub> emission levels and the extent of air pollution are enforced, and at the same time the lag of the EU countries in the field of the innovation of power plant technologies will increase.

The phenomenon of carbon leakage is not new, which is more, it has in all probability contributed to the achievement of the emission reduction targets set. However, the phenomenon itself and the related process are not desirable and something should be done about them. Perhaps, as a next step (mentioned in brackets, just to attract attention) it would be practical to register, monitor the changing tendencies of and analyse the CO<sub>2</sub> emissions necessarily associated with the products and services imported by the member states, but not occurring in the EU, and, if necessary and possible, to take the appropriate actions and measures. Amongst the imported products an outstanding importance should be attributed to electricity.

After closing the consultation on 2 July, 2013, the Association (MET) will continue to pay attention to all the developments and depending on the courses they are taking it will do its best in shaping the framework system to make it as effective as possible.

The Association will publish this position in its professional journal and on its website, and forward it to the competent government agencies and send it as an information to professional fellow associations and also to the significant power companies concerned.

Budapest, 24 June, 2013

The Board of the Hungarian Energy Association (MET)