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COMMISSION RECOMMENDATION

of 18.6.2019

on the draft integrated National Energy and Climate Plan of Hungary covering the period 2021-2030

{SWD(2019) 267 final}

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THE EUROPEAN COMMISSION,

Having regard to Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council[1], and in particular Article 9(2) thereof,

Whereas:

(1) Pursuant to Regulation (EU) 2018/1999, each Member State is required to submit to the Commission a draft of its integrated national energy and climate plan covering the period from 2021 to 2030 in accordance with Article 3(1) and Annex I of that Regulation. The first drafts of integrated national energy and climate plans had to be submitted by 31 December 2018.

(2) Hungary submitted its draft integrated national energy and climate plan on 31 January 2019. The submission of this draft plan represents the basis and first step of the iterative process between the Commission and Member States for the purpose of the finalisation of the integrated national energy and climate plans and their subsequent implementation.

(3) Pursuant to Regulation (EU) 2018/1999, the Commission is required to assess the draft integrated national energy and climate plans. The Commission made a comprehensive assessment of the Hungarian draft integrated national energy and climate plan, taking into consideration the relevant elements of Regulation (EU) 2018/1999. This assessment[2] is published alongside the present recommendation. The below recommendations are based on that assessment..

(4) In particular, the Commission’s recommendations may address (i) the level of ambition of objectives, targets and contributions with a view to collectively achieving the Energy Union objectives and, in particular, the Union's 2030 targets for renewable energy and energy efficiency as well as the level of electricity interconnectivity that the Member State aims for in 2030; (ii) policies and measures relating to Member State- and Union-level objectives and other policies and measures of potential cross-border relevance; (iii) any additional policies and measures that might be required in the integrated national energy and climate plans; (iv) interactions between and consistency of existing and planned policies and measures included in the integrated

[1] OJ L 328, 21.12.2018, p. 1.
[2] SWD(2019) 267.

national energy and climate plan within one dimension and among different dimensions of the Energy Union.

(5) In developing its recommendations, the Commission considered, on the one hand, the need to add up certain quantified planned contributions of all Member States in order to assess the ambition at Union level, and, on the other hand, the need to provide adequate time for the Member State concerned to take due consideration of the Commission's recommendations before finalising its integrated national energy and climate plan.

(6) The Commission's recommendations with regard to the Member States' renewable ambitions are based on a formula set out in Annex II of Regulation (EU) 2018/1999 which is based on objective criteria.

(7) With regard to energy efficiency, the Commission's recommendations are based on the assessment of the national level of ambition put forward in the draft integrated national energy and climate plan, compared to the collective level of efforts needed to reach the Union's targets, taking into account the information provided on specific national circumstances, where relevant. The final national contributions in the area of energy efficiency should reflect the cost-effective potential for energy savings and be supported with a robust long-term building renovation strategy and measures to implement the energy savings obligation stemming from Article 7 Directive 2012/27/EU of the European Parliament and of the Council[3]. Member States should also demonstrate that they have properly taken into account the energy efficiency first principle, by explaining notably how energy efficiency contributes to the cost-effective delivery of the national goals of a competitive low-carbon economy, security of energy supply and to address energy poverty.

(8) The Governance Regulation requires Member States to provide a general overview of the investment needed to achieve the objectives, targets and contributions set out in the integrated national energy and climate plan, as well as a general assessment on the sources of that investment. The national energy and climate plans should ensure the transparency and predictability of national policies and measures in order to ensure investment certainty.

(9) In parallel, as part of the 2018-2019 European Semester cycle, the Commission has put a strong focus on Member States' energy and climate related investment needs. This is reflected in the 2019 Country Report for Hungary[4] and in the Commission's recommendation for a Council Recommendation to Hungary[5], as part of the European Semester process. The Commission took into account the latest European Semester findings and recommendations in its assessment of the draft integrated national energy and climate plans. The Commission's recommendations are complementary to the latest country-specific recommendations issued in the context of the European Semester. Member States should also ensure that their integrated national energy and climate plans take into consideration the latest country-specific recommendations issued in the context of the European Semester.

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3 Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC (OJ L 315, 14.11.2012, p. 1).

4 SWD (2019) 1016 final.

5 COM (2019) 517 final of 5.6.2019.

(10) In addition, the Governance Regulation requires each Member State to take due account of any recommendations from the Commission to its draft integrated national energy and climate plan to be submitted by 31 December 2019 and, if the Member State concerned does not address a recommendation or a substantial part thereof, that Member State should provide and make public its reasons.

(11) Where applicable, Member States should report the same data in their integrated national energy and climate plans and updates in later years as they report to Eurostat or the European Environment Agency. The use of the same source and, where available, of European statistics, is also essential to calculate the baseline for modelling and projections. Using European statistics will allow for a better comparability of the data and the projections used in the integrated national energy and climate plans.

(12) All elements of Annex I of the Regulation (EU) 2018/1999 are to be included in the final integrated national energy and climate plan. In this context, the macroeconomic and, to the extent feasible, the health, environmental, employment and education, skills and social impacts of the planned policies and measures should be assessed. The public and other stakeholders are to be engaged in the preparation of the final integrated national energy and climate plan. These and other elements are described in detail in the staff working document published alongside this Recommendation[6].

(13) While some policy interactions are already reflected in the plan at the level of objectives, Hungary should further develop its assessment of interlinkages between policies and measures in the final plan and describe how it intends to address them. In particular, Hungary should further elaborate on the synergies between decarbonisation, the energy security and internal market dimensions with the energy efficiency first principle by explaining how energy efficiency contributes to the cost-effective delivery of the national goals of a competitive low-carbon economy. The interactions between renewables electricity generation and the promotion of electromobility and grid development are elements to be further developed in the final plan. Similarly, the link between the foreseen increase of biomass use in heating and cooling sector and accounted emissions and removals from land use, land use change and forestry, as well as sustainability requirements should be further detailed in the final plan. Lastly, the objectives under the research, innovation and competitiveness dimension need to underpin the efforts planned for the other Energy Union dimensions.

(14) The final integrated national energy and climate plan would benefit from presenting a comprehensive analysis on where the low-carbon technologies sector is currently positioned in the global market, highlighting areas of competitive strengths and potential challenges and pointing at measurable objectives for the future and policies and measures to achieve them, making appropriate links to enterprise and industrial policy. It could also benefit from a better interaction with the circular economy, emphasising its greenhouse gas emissions reduction potential.

6 SWD(2019) 267.

(15) The Commission's recommendations to Hungary are underpinned by the assessment of Hungary's draft integrated national energy and climate plan which is published alongside this Recommendation[7].

HEREBY RECOMMENDS HUNGARY TAKES ACTION TO:

1. Increase the level of ambition for 2030 to a renewable energy share of at least 23% as Hungary's contribution to the Union's 2030 target for renewable energy, as indicated by the formula in Annex II under Regulation (EU) 2018/1999. Include an indicative trajectory in the final integrated national energy and climate plan that reaches all the reference points pursuant to Article 4(a)(2) of Regulation (EU) 2018/1999 in accordance with that share, in view of the need to increase the level of efforts for reaching this target collectively. Put forward detailed and quantified policies and measures that are in line with the obligations laid down in Directive (EU) 2018/2001 of the European Parliament and of the Council[8], to enable a timely and cost-effective achievement of this contribution. Increase the level of ambition in the heating and cooling sector to meet the indicative target included in Article 23 of Directive (EU) 2018/2001, and put forward measures to meet the transport target set in its plan and in line with Article 25 of Directive (EU) 2018/2001. Provide additional details on the specific measures to ensure sustainability for biomass supply and use in the energy sector, given the important contribution of biomass across the Hungarian energy mix, especially in heating and cooling. Put in place measures to overcome administrative burden and measures on the enabling frameworks for renewable self-consumption and renewable energy communities, in line with Articles 21 and 22 of Directive (EU) 2018/2001.

2. Substantially increase the ambition towards reducing both final and primary energy consumption in 2030 in view of the need to increase the level of efforts to reach the Union's 2030 energy efficiency target. Propose more ambitious policies and measures that would deliver additional energy savings by 2030. In the final plan, make a clear distinction between the existing and additional policies and measures and provide a more comprehensive impact assessment of the planned initiatives and better estimate of the expected energy savings.

3. Specify the measures supporting the energy security objectives on diversification and reduction of energy dependency, including measures ensuring flexibility, and the strategy to ensure the long-term supply of nuclear materials and fuel, in particular in the perspective of the enlargement of its nuclear generation capacity.

4. Further detail forward-looking objectives and targets concerning market integration and put forward adequate policies and measures to achieve them. In addition, allow network operators to recover all their justified and efficiently incurred costs and give

[7] SWD(2019) 267.

[8] Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p. 82–209).

network operators access to effective legal review of regulatory decisions. Outline the strategy and timeline for progressing towards fully market based prices.

5. Further quantify the national objectives and funding targets in research, innovation and competitiveness, specifically related to the Energy Union, to be achieved between now and 2030, so that they are readily measurable and fit for purpose to support the implementation of targets in the other dimensions of the final integrated national energy and climate plan. Underpin such objectives with specific and adequate policies and measures, including those to be developed in cooperation with other Member States, such as the Strategic Energy Technology Plan.

6. Continue the consultation of neighbouring Member States and regional cooperation within the Central and South-Eastern Europe Energy Connectivity (CESEC) High Level Group and in the context of the Visegrad Group involving Czechia, Hungary, Poland and Slovakia. The focus of regional exchanges could be on further integration in the internal energy market, decarbonisation and renewables deployment as well as research, innovation and competitiveness taking into account common challenges and shared objectives. This includes assessing system adequacy, just transition issues and energy system changes required for accommodating higher shares of renewables and other foreseen developments, which could impact electricity interconnections and trading in the region.

7. Improve and extend its analysis of investment needs, which is currently provided for building efficiency, renewables and electromobility, to a general overview of investment needs to modernise its economy by achieving its energy and climate objectives. Provide a general assessment of the sources of that investment, including appropriate financing at national, regional and Union level. Consider also the cost-effective generation of transfers to other Member States under Regulation (EU) 2018/842 of the European Parliament and Council[9] as funding source.

8. List all energy subsidies, including in particular for fossil fuels, and actions undertaken as well as plans to phase them out.

9. Complement the analysis of the interactions with air quality and air emissions policy with more quantitative information, at least including the required information about the projected air pollutants emissions under the planned policies and measures.

10. Integrate just and fair transition aspects better, notably by providing more details on social, employment and skills impacts of planned objectives, and policies and measures. More specifically, the impact on the populations in the carbon-intensive or

[9] Regulation (EU) 2018/842 of the European Parliament and of the Council of 30 May 2018 on binding annual greenhouse gas emission reductions by Member States from 2021 to 2030 contributing to climate action to meet commitments under the Paris Agreement and amending Regulation (EU) No 525/2013 (OJ L 156, 19.6.2018, p. 26–42).

industrial regions should be addressed. Further develop the approach to addressing energy poverty issues, including by providing a dedicated assessment of energy poverty as required by the Regulation (EU) 2018/1999.

Done at Brussels, 18.6.2019

For the Commission
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Member of the Commission