

Assessment of country performance and opportunities from the Energy Union

Hungary is performing well on some elements of the five dimensions of the Energy Union. In the case of electricity, the country is well connected to its neighbours, already fulfilling its 2020 interconnection target. Hungary is participating in wholesale electricity market coupling initiatives providing good liquidity on electricity trading platforms as well as regional initiatives aiming at improving energy infrastructure. Hungary is on track to fulfil its 2020 non-ETS greenhouse gas emissions, energy efficiency and renewable energy targets. Hungary is above the EU average in terms of public support allocated to research and innovation in the field of energy and environment.

As regards other dimensions of the Energy Union, **Hungary faces several challenges**. In relation to natural gas, around 80% of the domestic consumption originates from imports, with a single external supplier, making the country vulnerable to supply disruptions. Also in the case of nuclear fuel the country is highly dependent on one external supplier. Following the entry into operation of the gas interconnector with Slovakia, providing access for competitive gas supply sources from Western Europe, bidirectional flows from Romania should also be implemented in order to provide access to alternative sources and suppliers. Retail electricity and gas prices are not fully cost reflective, consumer switching rates are very low in the regulated customer segment, with consumer satisfaction lower than the EU average. Hungary also faces challenges in energy efficiency and decarbonisation as its economy has higher energy and carbon intensities than the EU average and energy infrastructure modernisation is required. In terms of intensity of low-carbon technologies patents, Hungary is lagging behind the EU average and main worldwide partners.

Against this background, the **Energy Union Strategy can provide potential benefits** for Hungary:

- *Energy Security*: The Energy Union can help in reducing Hungary's dependency on a single external supplier both for natural gas and nuclear fuel. By developing infrastructure and reinforcing electricity and natural gas interconnections in the Central and Eastern European region the risk of supply disruptions can be reduced as soon as supply routes are diversified.
- *Internal energy market*: Diversifying supply sources and routes will not only reduce the risk of supply disruptions but will also enhance competition, having a beneficial impact on energy prices, and providing affordable energy for households and business customers.
- *Energy Efficiency*: The Energy Union will strengthen the targeted use of financial instruments for increased investments particularly in the buildings and transport sectors, e.g. through European Structural and Investment Funds, and funding from ETS auctioning revenues. Increased energy efficiency will not only help improve Hungary's energy security but can also ease the investment challenge related to energy infrastructure modernisation.
- *Research and Innovation*: The integrated research strategy as well as more targeted funding, an upgraded Strategic Energy Technology Plan and a strategic transport Research and Innovation agenda will support Hungary's progress in developing low-carbon technologies. Besides EU research funding programmes, the European Fund for Strategic Investments will facilitate investments in energy infrastructure, expansion of renewable generation and energy efficiency in Hungary.