



Hungary

Population ¹	9.781.127
Area (km ²) ¹	93.030
GDP per capita (USD) ¹	14.224,85
TPES (Mtoe) ²	25,21
Energy intensity (toe/10 ³ 2010 USD) ²	0,18
CO ₂ emissions - energy (MtCO ₂) ²	42,48

Sources:

1. The World Bank 2017

2. ©OECD/IEA 2017, www.iea.org/statistics

Hungary’s overall risk level against the assessed areas is **low**.

Among the three EIRA risk areas, *breach of State obligations* is lower compared to *discrimination between foreign and domestic investors* and *unpredictable policy and regulatory change*.

Hungary’s performance against EIRA’s four indicators is good. It has received a score of 82 on *rule of law*. *Regulatory environment and investment conditions* and *management of decision-making processes* are at 73 and 62 points, respectively. The indicator score for *foresight of policy and regulatory change* is 61.

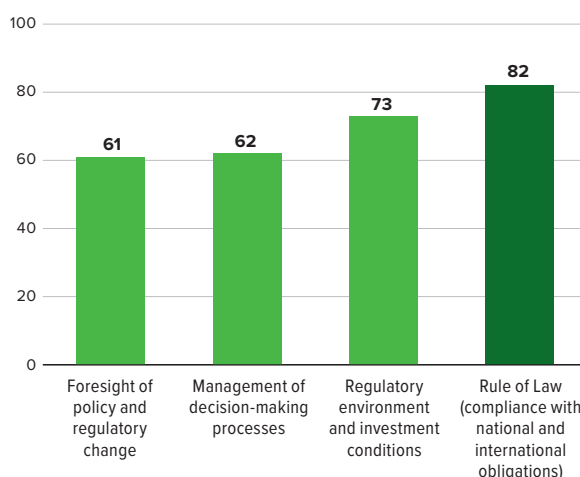
On a more detailed level, Hungary’s overall sub-indicator performance is good. The highest scoring sub-indicator is *respect for property rights* with 83 points, followed by *management and settlement of investor-State disputes* and *restrictions on FDI* at 80. On *transparency* the score is 74, while *communication of vision and policies* stands at 73. A good score of 67 has been obtained on *regulatory effectiveness*. *Institutional governance* and *robustness of policy goals and commitments* have each received a moderate score of 50.

While Hungary has the relevant policies and measures in place, there is potential for improvement. Attention should be given to strengthening the country’s institutional governance and the robustness of its policy goals and commitments.

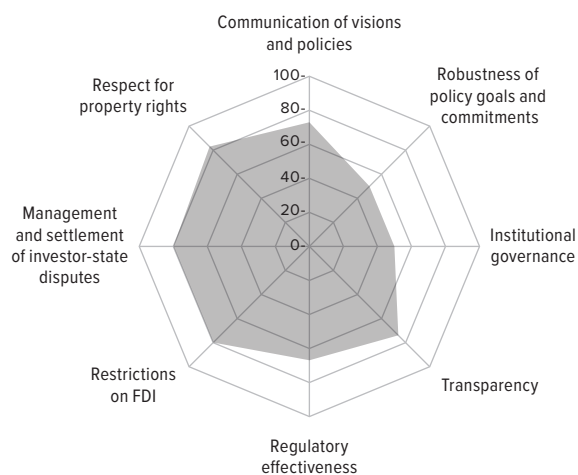
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The National Energy Strategy 2030 was published in 2012 to define the vision and energy priorities of the country.

Action plans for the implementation of the country's strategy are the National Renewable Energy Action Plan 2010-2020, the 2015 National Energy Efficiency Action Plan until 2020 and the Climate and Energy Awareness Raising Action Plan published in 2015.

As an EU Member State, Hungary ratified the Paris Agreement in 2016.

STRENGTHS

The Energy Strategy 2030 states the short- and medium-term targets for the energy sector and provides a timeline for their realisation. To give a long-term perspective, it includes a roadmap until 2050. The focus is on integrating energy efficiency measures throughout the supply and consumption chain, promoting renewables and increasing the share of low carbon intensive electricity generation. The strategy also takes into account horizontal issues, such as social and welfare conditions, environmental protection and rural development.

The National Energy Strategy 2030 mandates a biennial review. The purpose of this evaluation is to give the Government an opportunity to re-examine its long-term targets and modify them, if and when needed. The Ministry for Innovation and Technology is required to report the progress made in the priority areas to the Parliament.

AREAS OF IMPROVEMENT

Efforts should be made to close the gap between policy formulation and implementation. While the Government has set targets and put monitoring mechanisms in place, it needs to develop supporting action plans for its policies. This will help avoid a potential mismatch between the high-level objectives of the country and their realisation. Action plans can provide clarity on how policy objectives will be achieved and who will be responsible for them. They can demonstrate the Government's intent to translate the stated goals into reality and indicate its preparedness to accomplish them.

The monitoring process should be made independent for an accurate representation of the implementation status. The evaluation must be conducted on a regular basis. Progress should be measured not only on the targets for specific objectives but also in the broader context of the energy sector and the economy.

Management of decision-making processes

QUICK FACTS

The newly created Ministry for Innovation and Technology has been tasked with formulating and monitoring policies in the energy sector.

The Hungarian Investment Promotion Agency (HIPA) offers one-stop shop management consultancy services to potential investors in some sectors.

Act no. CXXXI of 2010 on Social Participation in Preparing Laws mandates stakeholder engagement on bills and draft governmental and ministerial decrees.

STRENGTHS

The Hungarian Parliament has the general legislative power and is entitled to regulate all issues, including those related to energy. The Government is currently restructuring its internal setup to streamline and better handle policy-making processes related to energy and environmental issues. Though there are various ministries and public entities involved in framing investment policies, decisions are coordinated and discussed before adoption.

The right to access information of public interest is defined in the law. All enacted laws are publicly available and drafts are accessible on the website of the Parliament. The online portal for national legislation is user-friendly and provides guidance on which laws are in force, have been repealed or are likely to change. Consultation with interested parties is undertaken by the Government on proposed laws, regulations and policies.

AREAS OF IMPROVEMENT

A one-stop shop may be established to simplify administrative procedures for different projects, including in the energy sector. Its scope of work should include assisting with all types of projects, facilitating local business and strengthening horizontal and vertical cooperation between public entities. Presently, the HIPA provides consultancy services for selected sectors and in the case of specific high-priority projects the Government appoints on a discretionary basis a coordinator to accelerate implementation.

Though stakeholder engagement is stipulated in the law, efforts must be made to implement these stipulations in practice. For instance, adjustments to laws and policies should be notified to the public well in advance so they can give careful consideration to the proposed changes and provide constructive feedback.

Regulatory environment and investment conditions

QUICK FACTS

The Hungarian Energy and Public Utility Regulatory Authority (HEA) is entrusted with licensing, supervision, price regulation and network tariff-setting in the electricity, natural gas and district heating sub-sectors.

The Hungarian Atomic Energy Agency (HAEA) is the institution dealing with nuclear energy. It is supervised by the Ministry of Innovation and Technology.

Act no. XXIV of 1988 on the Investments of Foreigners in Hungary was adopted to attract and protect foreign investment in the country.

STRENGTHS

The HEA is a statutory body. Its functions and composition are stated in the law. It has functional independence and the right to frame its internal organisational rules. In terms of the budget, the HEA covers the expenses related to its operation through its revenues. It is required to submit an annual report on its activities to the Parliament.

The legislative framework supports foreign investment. The Act on the Investments by Foreigners in Hungary grants *fair and equitable treatment* to foreign investors. FDI is encouraged in all activities. Special emphasis is on increasing private investment in clean energy technologies. For this purpose, the Government is granting tax incentives to renewable and energy efficiency projects.

AREAS OF IMPROVEMENT

The HEA can have a greater impact if it is granted more freedom in the allocation and spending of its revenues. This, however, will only be possible once the governance of the HEA is improved. Accountability and public confidence in the regulatory framework can be increased by making the organisation and management more transparent. For instance, the selection procedure of the HEA's President and Vice-Presidents may be publicised and limits established on the number of re-appointments for the Vice-Presidents.

Due to the limited availability of laws and regulations in different languages, investors may need to rely on unofficial translations of the documents. This may lead to ambiguity regarding the country's regulatory structure, financial arrangements and operations. Official translations of the governing laws, subsidiary legislation and regulations should be made available in foreign languages to provide greater clarity.

Rule of law

QUICK FACTS

Hungary ratified the Energy Charter Treaty in 1998.

Hungary ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1987.

Provisions against the expropriation of immovable property are stated in Act no. CXXIII of 2007 on Expropriation.

STRENGTHS

In recent years, Hungary has promulgated new legislation to strengthen and modernise its international dispute settlement rules. For instance, Act no. XXVIII of 2017 on Private International Law has restructured and streamlined the provisions applicable to disputes with a foreign element, as well as issues of recognising and enforcing foreign judgements. Access to arbitration has also been given an impetus through Act no. LX of 2017 on Arbitration. The new Act is based on the UNCITRAL Model Law.

Hungary has a dedicated law protecting real estate against expropriation. There are defined grounds on which the Government may expropriate property, such as for reasons of national defence, energy supply or the development of large-scale greenfield projects. Time limits exist for the payment of compensation in such cases. Intellectual property rights are protected under the national laws. The National Intellectual Property Council assists the patent office in drafting comprehensive regulations and action plans for safeguarding intellectual property.

AREAS OF IMPROVEMENT

A time frame should be set for the delivery of judgements by domestic courts. At present, Act no. CXXX of 2016 on the Code of Civil Procedure contains deadlines for various stages of a hearing, such as the first date of hearing and for filing an appeal. However, without a defined time limit for a final judgement, processes in the first instance alone can take years and lead to undue delay and high cost.