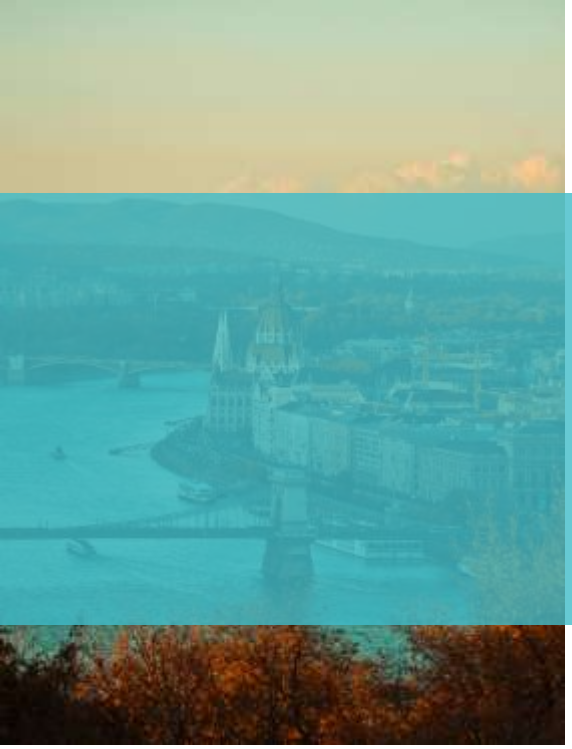

# Recovery and Resilience Facility Hungary

**Budget**

Hungary benefits from **€ 6,512 billion in grant support and €3.918 billion in loans** from the RRF.

## Structure

Overall, the very much simplified national Recovery plan[1] consists of **nine components, such as demographics, education, green policies, circular economy, and digitalization**. The seven Operational Programmes that implement Structural Funds are in a close line with these priorities.

Economically, the main focus will be on **improving the competitiveness of SMEs, the quality and accessibility of education, and innovation**. These, the plan says, are essential to put the country back on the path of economic growth.

Important consideration of the European Commission highlights that **without focusing EU subsidies on more comprehensive structural reforms instead of project-based investments, beneficial effects of the Recovery Plan will remain temporary.**

Overall, it seems like governmental strategies and stricter EU criteria are both pushing Hungary to use European subsidies with a different approach focusing on research, innovation & education instead of expensive infrastructural projects.

## Relevant parts

These components focus mainly on the RES to make the heating sector cleaner but they also have some renovation elements (change of windows without isolation and interventions to avoid severe housing quality problems such as leaking roofs and unsecure housing conditions).

[1] *https://www.palyazat.gov.hu/helyreallitasi-es-ellenallokepessegi-eszkoz-rrf?fbclid=IwAR006vMq36mIxmoW5mgFQXs3RYnUxjEM1V4RyLLv5duuRvddazBgRP4u1ZA*

- Social energy community under the settlements' component C (**€30 million**)

Small-scale solar power plants will be installed (until 2026) in small settlements in order to use renewable energy.

The action focuses on families with small children to ensure that they have at least one heated room in the household. Training on debt management, household management advice will be provided. As a further step, the Government plans to formulate a legislative framework for energy communities' proposals for legislation.

- Individual solar panels under the energy component F (**€319 million**)

PV and heat pump installation on 35 000 individual homes until 2024. **The target groups were households at a high risk of energy poverty** (with lower income than the national average, typically with low creditworthiness, and run-down households).

This intervention however does not contain measures for insulation and exchange of windows. Under the current PV tariff system summer energy production of PVs won't cover winter electricity need of homes. Roofs of these homes cannot accommodate sufficient PVs to cover such a high need of energy, and seasonal storage does not exist, while the tariff system is not ideal. This measure does not tackle either the high number of non-connected households to the central heating system.

**Renewable energy communities**

Spending plans would **support community-owned renewable energy projects**. This will increase the acceptance of renewables and trigger further private investments in a decentralised and renewables-based energy system.

This means that Regional Funds will subsidize renewable energy communities, making clean and local energy broadly available.[2]

Hungarian municipalities have pioneered self-consumption by providing clean and affordable energy to their own buildings via thousands of renewable energy projects supported by EU and state funds. Thousands of families have installed PV systems onto their own detached houses from 0% rate loans. But **there is still a huge potential for developing community energy in Hungary**.

Becoming a prosumer is a challenge for the majority of Hungarian homeowners, SMEs and municipalities, because of **unsuitable building conditions or lack of financial resources**. More and more groups of Hungarian citizens and municipalities have been getting together to set up their own community energy projects. In the past, their efforts were blocked by unfavourable legislation, failing to provide the enabling frameworks and putting significant burden on communities.[3]

[2] *Friends of the Earth Europe (2019).* Unleashing the power of community renewable energy, *Friends of the Earth Europe (2020).* Community energy in Hungary and the Czech Republic briefing

[3] *Friends of the Earth Hungary.* Közösségi energia

## More support in the Operational Programme

Renewable energy communities will be supported by the Hungarian Operational Programme (OP) 2021-2027[4] that implements the European Structural Funds for renewable energy. The Programme will provide financial support **for the installation of community-owned renewable energy projects**, and it will also lay the foundation of new communities, through **financing the cooperation of different local stakeholders**. This is a big improvement compared to the **National Recovery Plan, which mentions a smaller, social community PV system programme (component C) and the installation of panels on individual homes (component F).**

These support measures can thus contribute to the diffusion community energy in Hungary. A coherent and long-term financial support for Renewable Energy Communities may compensate for the administrative, legal, social, financial and technical challenges the first pioneers of energy communities are currently facing in Hungary.

**However, more efforts are still needed to improve the enabling framework for community energy. Only then the EU spending plans of Hungary fully release the potential of the citizens-lead clean energy transformation.**

Special remarks were made by Habitat for Humanity Hungary concerning the one-room heating programme with the installation of electric heating panels connected to a solar system, -which is currently running as a pilot project- that **the electricity generated by the solar system should not be used to operate the heating panels, as they are not efficient- especially without energy efficiency interventions.**

Instead, the **electricity generated by solar panels can provide a basic electricity supply** that covers at least a part of the energy needs of households (lighting, hot water production, computer, telephone operation).[5] The Hungarian Government does not seem to take these points into consideration, thus **the long-term positive impact of the programme will be missing.**

## Homes in 300 settlements will be build or renovated (€13,4 million)

Residential buildings are responsible for one-third of total energy consumption in Hungary. But despite great potential for energy savings in the sector, EU-funded programs will fall short of unleashing it.

Under the Cohesion funds' Environmental and Energy Efficiency Operational Program Plus (EEEOP +)[6], support to **improve building renovation is planned for about 32000 homes in 7 years, less than 1% of total flats** in Hungary. **Renovation of social housing is foreseen for only 300 settlements** in the National recovery plan.[7]

The 300 settlements program is a long-term development action launched by the Hungarian Government, to improve the situation of the most disadvantaged settlements of Hungary, with complex tools. The program is based on the tested "presence-based" social work principle of the Charity Hungarian Charity Service of the Order of Malta and is also implemented by them.[8]

---

[4] *Hungarian Environment and Energy Efficiency Operational Programme*
[5] *Helyreállítási és Ellenállóképességi Eszköz (RRF) - Véleményezés | Széchenyi Terv Plusz (gov.hu)*
[6] *Hungarian draft Environment and Energy Efficiency Operational Programme*
[7] *Hungarian draft Resilience and Recovery Plan*
[8] *Summary of the program can be found in English in this document (p.21)*

The two main types of locations are:

- villages in the most disadvantaged areas of Hungary (level-up settlements);
- flats in county seats.

**The component of the RRF**[9] financing this program aims to invest in the housing conditions of these settlements. The aim is **to build or renovate 2000 housing units and manage them in the frame of a Social Rental Agency** to help the housing mobility of local residents.

> By the end of 2024 the indicator to be fulfilled is 1000 social housing units (200 newly built, and 800 renovated), and until the year 2026 another 1000 social housing units have to be completed (another 200 newly built and 800 renovated).

**In terms of the renovations,** no deep energy-efficient retrofits are planned, but preliminary interventions to reduce risks related to substandard housing situations. The works will target the most sub-standard units.

### Determination of rent

Two factors determine the basic calculation of rent:

- aligning with the local paying practices and getting close to the 35,000 HUF rent target based on market research;
- amount per square metre necessary for operation and maintenance. 35,000 HUF/m2 (in case of a house of 65 m2 gives 540 HUF/m2 rent as a result). Thus, this is considered the minimal renting fee.

Based on preliminary market research the costs of operation and maintenance is approximately 670 HUF/m2, so some differentiations must be applied. The basis for differentiation must be an unbiased indicator.
The implementor selected the personal income tax base per capita, which is a composite indicator, one of the elements of the composite indicator defined by the Statistics Office for the selection of 300 municipalities. The deprived communities were clustered according to this indicator so that there were municipalities that were relatively better off. In this way, municipalities have been categorised according to their per capita personal income tax base. In FETE settlements three categories of rents will be formed:

- properties will be available for a rent of 540/600/800 HUF/m2, and
- HUF/ m2 in mobility settlements.

### Community renewable energy projects

Another investment relevant to housing is the **installation of community renewable energy** (RE) **projects (solar panels) to provide electrified heating solutions** (with prepayment meters and an amount of “free” electricity financed from the RE production) for families with children, at least in one room/house.

The 300 settlements are selected based on a complex index produced by the National Statistical Office ranging all settlements **based on socio-economic situation**.

[9] *The detailed description in Hungarian of the component can be found in the newest version of the RFF, recently published for public consultation.*

The new social rental units will aim to reduce serious risks related to substandard housing, also highlighted in the RRF document).

There is no detailed official program of the 300 settlements program itself so far, only the decree on the selection of the settlements[10] is published.

According to the opinion of Habitat for Humanity Hungary,[11] **the programme**-as it is known at the moment- **is not tackling the sustainable management of energy poverty in the most disadvantaged settlements**. Therefore, Habitat recommends specifically that the housing support financed from planned social solar power plants **specifically address energy poverty targets**.

Also, it recommends that, for coordinated planning, **the worst-performing building plans of the Long-Term Renovation Strategy be linked to interventions in catching-up settlements**. It is advisable to *'have forms of financing tailored to the financial situation of households in need (e.g. high rates of non-refundable support, pre-financing). Support for interventions for low-income families has a higher return than support for middle- and high-income families.'*

In the case of heating support, Habitat recommends the **use of efficient combustion equipment** (Eco-design compliant heaters, mass stoves), supplemented by other additional interventions such as setting up an agricultural waste briquetting plant and wood drying facilities. In the medium term, it is necessary to develop a heating plan from renewable energy sources adapted to local conditions, by providing community energy projects, renewable energy sources and efficient heating equipment. (e.g. sustainable and cleaner biomass, biogas projects, creation of mini district heating plants, etc.).

### Small pieces on renovation

There are interventions that include some renovation elements, but these are not complex energy-efficient retrofits. The Friend of the Earth Hungary's press release[12] also underlines this:
'The settlements program is tricky, as its renovation element does not necessarily mean energy-efficient renovations. It is more like **emergency interventions in really deteriorated houses and the building of new homes (plus, the installation of solar panels and heaters)**.

Another intervention increasing a **little bit of energy efficiency is under the green transition component, the (highly questionable) intervention of installing solar panels + electrified hears or heat pumps with the change of windows.'**

According to the official documents[13], the eligible cost under Investment 3: 'Support for residential solar systems and electrification of heating systems in combination with solar systems' is as follows:

- unit cost of small household-sized power plants based on a net market price analysis of HUF 410,000 / kW

[10] https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjfvZHj_f_vAhXB_CoKHW_YDAkQFjAAegQIAxAD&url=https%3A%2F%2Fmagyarkozlony.hu%2Fdokumentumok%2F9be87c3c76abd6feb974122c0d2fce8bcd2d5646%2Fletoltes&usg=AOvVaw0ZqPaCWatd14P7XWwjGVdn
[11] Helyreállítási és Ellenállóképességi Eszköz (RRF) - Véleményezés | Széchenyi Terv Plusz (gov.hu)
[12] https://mtvsz.hu/hirek/2021/04/hianyok-helyreallitasi-tervben
[13] Page 224, Helyreállítási és Ellenállóképességi Eszköz (RRF) | Széchenyi Terv Plusz (gov.hu)

- cost requirement per household calculated by heat pump system (solar panel + heat - pump based heating): net HUF 4,270,000
- in the case of a system based on heating panels, the total calculated cost demand per household (solar panel + heating based on heating panels): net HUF 2,545,000
- specific cost of cost-optimal replacement of doors and windows (U = 1.1 Wm²K) net HUF 65,040 / m²
- The total support framework provided by HEE is HUF 251.26 billion net
- Aid intensity: 100% of the net cost

According to Greenpeace, without deep energy efficiency measures, a great amount of money will be invested only to manage the inefficient buildings in a different way. **Notably, the 4-5 kW panels might not cover the energy needed for heating and would not allow for the electrification of domestic heating (and DHW production),** even for the planned "at least" 200,000 households.

Finally, **the Plan does not take into account the limits of the proposed system in the sense that energy is produced in summer while it is needed in winter.**

Missing elements in Component F:

- Introduction of the Energy efficiency obligation scheme:

Habitat for Humanity Hungary recommends that in addition to the energy savings provided, **it would be necessary to show how many energy-efficient renovations of residential buildings are carried out** through the energy efficiency obligation scheme, and how many of them are supported households. **So far, the targets, the resources allocated to them, as well as the timeframes are missing.**

- Leaving behind those in need

Households living in poorly performing housing are not targeted. They typically do not have savings; therefore, **a different support would be needed** (non-refundable, coupled with pre-financing and it may also be necessary to set up a guarantee fund). The support could be provided from the existing programmes and from a dedicated energy efficiency obligation scheme.

The supply of solar panels to the poorest households should primarily cover the basic need for electricity (hot water, operation of household appliances, lighting, communication equipment), however, in connection with the intervention outlined to electrify its heating, installing a smart meter, electric boiler, heat pump and solar panel in an otherwise poor and energy-poor property is technically difficult and requires a very significant investment. Without significant renovation, it is questionable whether it can be solved reasonably. It is recommended that **addressing basic energy efficiency and building structure problems be given priority over the incorporation of the most expensive technologies.**

So far, there is no plan of the Hungarian Government to obtain large-scale funding for the renovation of residential buildings outside the EQF. **The EU funds currently available could provide an irreversible opportunity to launch a wide-ranging population renovation program, with forms of support that allow low-income people to access renovations who have not been able to access previous resources.**

## Energy efficiency in the ESIF Operational Programmes

Structural Funds from the EEEOP is also likely to be used **exclusively for energy efficiency obligation schemes** (whether other forms of financing for households would be available remains unclear from the text). This is in contrast with the joint civil proposal, submitted by 45 NGOs in October 2020, calling for the introduction of non-refundable funding and the reduction of the VAT on housing renovations to 5%.[14]

**Non-refundable funding schemes for households are what is largely needed to boost the Hungarian renovation wave**. A recent study showed that there is public interest in the renovation of 1.4 million flats over the next five years, which would exceed 1.8 million if supported by non-repayable grants supporting 30-40% of the investment cost, coupled with repayable grants. Even if only half of them were to happen in the next five years, Hungary could save nearly 420 000 tonnes of CO2 and create around 100,000 new jobs.[15]

## RepowerEU

Hungary's plan includes 13 reforms and 16 investments to reduce its reliance on fossil fuels. The REPowerEU chapter (**in total €4.6 billion**) includes measures that will mainly modernise the electricity sector. Related reforms to the housing sector include **strengthening the role of energy communities and aggregators**, incentivising the uptake of electricity storage and **increasing the number of consumers to use smart meters**.[16]

Several measures aim **to boost the integration, production and more effective use of renewables**. For example, **supporting the deployment and use of renewables, such as solar energy, renewable hydrogen, geothermal and sustainable bio-methane**.

According to the European Commission's assessment, the REPowerEU chapter contributes to addressing energy poverty through reform and an **investment supporting the energy efficiency improvements of households**, with a specific focus on lower-income and energy-poor households (measures C10.R12 and C10.I13):

- C10.R12: Supporting potential beneficiaries' applications for EU-funded residential energy efficiency support schemes (page 234 of the Annex to the Commission proposal)
- C10.I3: Building green economy production capacities (page 252 of the Annex) and supporting energy efficiency of households (COFOG 04.3).[17]

[14] Hungarian Energy Efficiency Institute (2021), *Hungarian Renovation Wave (in Hungarian)*, Hungarian Energy Efficiency Institute (2021), *Hungarian Renovation Wave (summary in English)*

[15] Friends of the Earth Hungary (2021), *What would encourage residential energy efficiency renovations? Results of the MEHI population survey*

[16] *https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages/hungarys-recovery-and-resilience-plan_en*

[17] *https://commission.europa.eu/publications/commission-proposal-council-implementing-decision-amending-council-implementing-decision-15-december_en*


For more information, please contact
Edit Lakatos, Policy Officer
edit.lakatos@housingeurope.eu
HOUSING
EUROPE