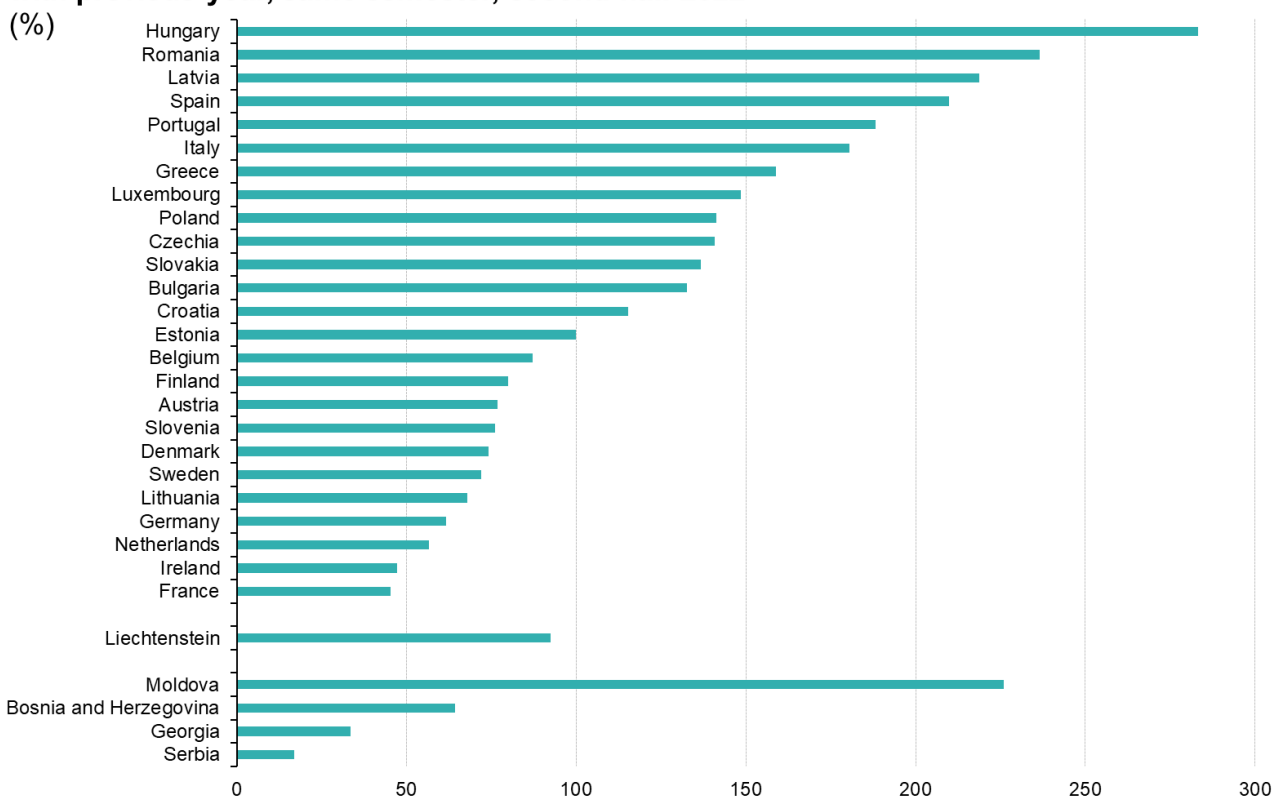


As the Russian invasion of Ukraine started, the European Union swiftly implemented a series of solidarity measures aimed at supporting Ukraine and its people with a range of actions, including the temporary protection for Ukrainian citizens, the delivery of humanitarian aid, the donation of weapons and ammunitions, and the initiation of the accession procedure.

In parallel with these efforts, the European Union also enforced several train of sanctions against Russia, its economy, as well as numerous businesses and individuals. These sanctions targeted the primary revenue sources of the Russian state, its energy sector, which included companies such as Gazprom, Novatek, Lukoil, Transneft, Bashneft, among others, but it was not without consequences for Europe.

The consequences of those retaliation measures impacted energy prices in the European Union. Between October 2021 and August 2022, gas prices in Europe grew by 231%, Russia's gas supplies covered 40% of European Union's needs in 2021. Russia also supplied about 27% of the 27-country bloc's oil imports, and 46% of its coal imports. Businesses, Individuals and administrative bodies payed substantially more for the same energy consumed.

Change in natural gas prices for non-household consumers compared with previous year, same semester, second half 2022



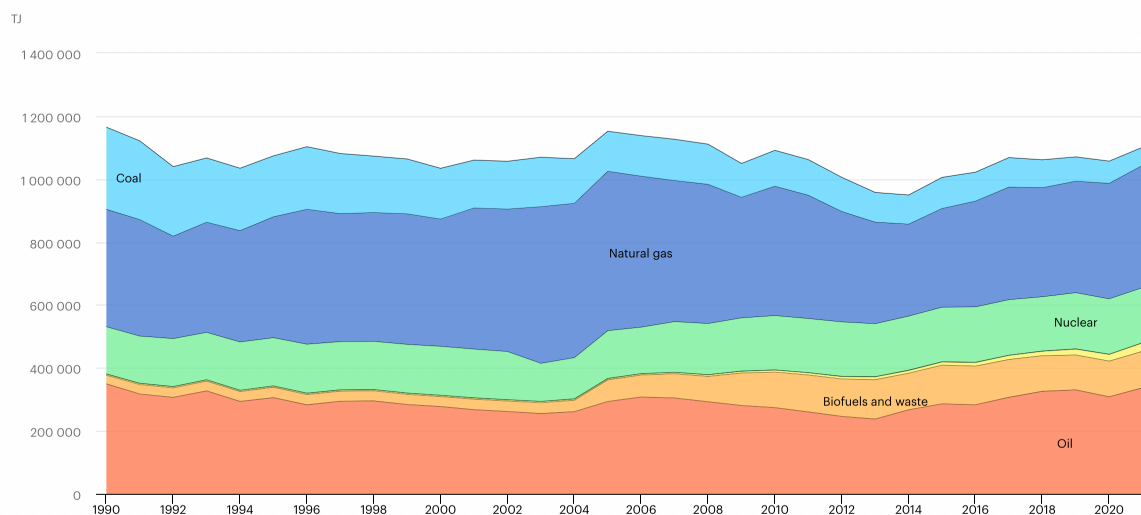
In Hungary according to OECD country note : « The country imported around 90% of its oil and natural gas, much of it from Russia. Electricity generation comes mostly from nuclear (49.3%) and coal (8.5%), with natural gas contributing to nearly a quarter of the total electricity generated in Hungary in 2018. In the same year, the country also imported around one third of its electricity supply, with the Slovak Republic, Ukraine and Austria among its biggest suppliers. »

Despite minimal growth in natural gas demand in Hungary over the past decade, natural gas continues to play a vital role in the country's energy landscape. It is expected to maintain a substantial share of the energy mix well into 2030 and beyond, especially with the planned closure of the Mátra lignite-fired plant, which will be replaced by a 500 MW gas-fired plant alongside a solar array and other smaller generation units. Hungary, given its limited domestic production capacity, heavily relies on imports.

Furthermore, since 2021, Hungary has gained the capability to import liquefied natural gas (LNG) shipments through the Krk LNG terminal in neighboring Croatia, and it is poised to increase its import capacity through the TurkStream pipeline via Serbia in the near future.

Hungary has committed to tackle climate change through its National Climate Change Strategies. Its parliament adopted the first National Climate Change Strategy in 2008 and in 2018 the parliament approved the revised NCCS 2 for 2018-2030 with the three pillars of Hungary's climate policy: the National Decarbonisation Roadmap for Mitigation; the National Adaptation Strategy; and the Climate Change Awareness-Raising Action Plan.

Total energy supply (TES) by source, Hungary 1990-2021



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The December 2022 report from the European Commission on the general gas supply in the EU finds that overall the EU gas market has been able to make up for the 70 billion cubic metre (bcm) drop in Russian pipeline gas imports in 2022 by increasing LNG supplies (+50bcm), securing alternative pipeline supplies, and reducing overall gas consumption (corresponding to -58bcm). The EU also managed to reach gas storage levels of 90% by 18 August, 2023, well ahead of the legal deadline of 1 November 2023.

Jean Monet, one of the founder of the Union said in substance that people accept change only when they are face with necessity, and they only recognize necessity when a crisis is upon them. Now that the worst of this energy crisis is behind us, the EU commission is seizing the opportunity to accelerate the transition toward renewable energies, working on two main objectives :

1. End dependency on Russian fossil fuels
2. Reach Net Zero CO2 emissions by 2050

To better support renewable energy projects, and encourage a greater uptake of renewable energy sources across the EU, the European Commission has established a new EU financing mechanism of the Clean Energy for All Europeans package.

The European Commission has given its approval for a Hungarian initiative amounting to €1.1 billion (equivalent to approximately HUF 436 billion). This initiative is designed to provide support for the development of electricity storage facilities, aiming to facilitate the shift towards a net-zero economy. The Commission's decision to endorse this scheme falls under the State aid Temporary Crisis and Transition Framework, which was introduced on March 9, 2023, with the specific objective of aiding initiatives in sectors critical for expediting the transition to a greener economy and reducing reliance on fossil fuels.

To quote Attila Steiner, Hungary State Secretary for Energy and Climate policy :



“Hungary has a strong commitment to renewables. As the next step, the government's priority is to upgrade the national grid to be capable of integrating the rapidly growing electric capacity generated by weather-dependent energy sources. However, to guarantee supply security and reach our ambitions climate goals, it is imperative to maintain or even increase our reliable and emission-free nuclear capacity as well.”

Hungary has enormous opportunities ahead, with substantial potential in hydrogen production for industrial applications. By persistently investing in the enhancement of its solar photovoltaic, geothermal, and wind energy capabilities, Hungary can progressively diminish its dependency on natural gas and get rid of coal, for both heating and electricity generation. Hungary is already equipped with the necessary technologies to drive forward its transition towards a cleaner and more resilient energy system. This transformative effort could not only bolsters Hungary's energy security but it can also contributes to enhancing regional energy stability.

Hungarian local officials must play a pivotal role in advancing the energy transition towards renewables. Leveraging EU funds, they can initiate sustainable projects, such as solar installations, heat pump or many other energy-efficient infrastructure. Stimulating local entrepreneurs to foster innovations and job creation within the renewable energy sector, stimulating economic growth and raising the attraction of their cities. Determination in promoting green policies, including incentives for clean energy adoption and sustainable transportation, must fuel the changes in the community. Engaging in public awareness campaigns and building partnerships with educational institutions to further educates citizens from early ages to the consequences of climate change and its remedies.

Through effective and ambitious projects, local officials can drive Hungary and Europe towards a better future.