

CLIMATE AMBITION BEYOND EMISSION NUMBERS

**Taking stock of progress by looking inside
countries and sectors**

HUNGARY

Fanni Nyíró and Tibor Schaffhauser

SEPTEMBER 2021

Copyright © 2021 IDDRI

The Institute for Sustainable Development and International Relations (IDDRI) encourages the reproduction and public communication of its copyright materials, with proper credit (bibliographical reference and/or corresponding URL), for personal, corporate or public policy research, or educational purposes. However, IDDRI's copyrighted materials are not for commercial use or dissemination (print or electronic). Unless expressly stated otherwise, the findings, interpretations and conclusions expressed in this document are those of the various authors and do not necessarily represent those of IDDRI's board.

Citation

Fanni Nyírő and Tibor Schaffhauser (2021). Climate ambition beyond emission numbers, Taking stock of progress by looking inside countries and sectors, Hungary. Deep Decarbonization Pathways (DDP) Initiative-IDDRI. Paris.

Contact

Henri Waisman, henri.waisman@iddri.org

The report is available online:

https://ddpinitiative.org/wp-content/pdf/DDP_AmbitionReport_HUN.pdf

Financial support from

The report "Climate Ambition Beyond Emission Numbers" is made possible thanks to an array of projects supporting in-country capacity on climate mitigation research across the targeted geographies. It is also financially supported by the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) as part of the "Climate Action After Paris" project (nr. 18_I_326) and the French government as part of the programme "investissements d'avenir" under the reference ANR-10- LABX-01.



Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

Production: IDDRI.

Editing: Marta Torres Gunfaus, Anna Pérez Català, Lola Vallejo, Henri Waisman.

Layout: Ivan Pharabod.

CLIMATE AMBITION BEYOND EMISSION NUMBERS

Taking stock of progress by looking inside countries and sectors

Fanni Nyírő and Tibor Schaffhauser, Green Policy Center

<i>How is this document relevant to the Global Stocktake?</i>	2
<i>Foreword</i>	4
Hungary: Climate Ambition	5
<i>On domestic discourse</i>	5
<i>National Governance</i>	6
<i>Actions and policies</i>	7

Disclaimer

The results presented in this report are outputs of the academic research conducted under the DDP BIICS project as per the contractual agreement. The academic work does not in any way represent our considered opinion for climate negotiations and also does not reflect the official policy or position of the Government of Hungary.

How is this document relevant to the Global Stocktake?

This document is part of a collective report that assesses the evolution of climate ambition in 26 countries and 3 hard-to-abate sectors through a granular and context-specific analysis of trends and progress of national and sectoral transformations.¹ This approach allows identifying what hinders and spurs action in countries and sectors, and understanding the conditions that can support enhanced ambition, which could be political, social, economic, governance.

These insights are directly relevant to four overarching functions of the Global Stocktake in support of its desired outcome, i.e. "to inform Parties in updating and enhancing, in a nationally determined manner, their actions and support in accordance with the provisions of the Paris Agreement, as well as enhancing international cooperation for climate action" (Article 14.3 of the Paris Agreement):

- Create the conditions for an open and constructive conversation on global cooperation (on e.g., technology, trade, finance, etc.), based on an in-depth understanding of the international enablers of enhanced country ambition.
- Organize a process for knowledge sharing and collective learning, based on concrete examples of actions already in place or being discussed, including best practices.
- Create space for open dialogues across different stakeholders to support better coordination of actions, based on a detailed understanding of the levers to be activated to enhance ambition in national and sectoral transitions
- Facilitate ownership by decision-makers of the climate challenge and the risks and opportunities of the low-emission and resilient transition, based on context-specific and granular analysis of barriers and enablers.

More specifically, the collective report in general – and this document in particular – can contribute to address some of the key guiding questions for the Global Stocktake², notably:

- What actions have been taken to increase the ability to adapt to the adverse impacts of climate change and foster the climate resilience of people, livelihoods, and ecosystem? To what extent have national adaptation plans and related efforts contributed to these actions (Decision 19/CMA.1, paragraph 36(c))?
- How adequate and effective are current adaptation efforts and support provided for adaptation (Article 7.14 (c) Paris Agreement)?

¹ The full report « Climate ambition beyond emission numbers - Taking stock of progress by looking inside countries and sectors" can be found at: <https://www.iddri.org/en/publications-and-events/report/climate-ambition-beyond-emission-numbers-taking-stock-progress>

² Draft Guiding Questions for the Technical Assessment of GST1 (version 20th October 2021), available at: https://unfccc.int/sites/default/files/resource/Draft%20GST1_TA%20Guiding%20Questions.pdf

- What are the barriers and challenges, including finance, technology development and transfer and capacity-building gaps, faced by developing countries?
- What is the collective progress made towards achieving the long-term vision on the importance of fully realizing technology development and transfer in order to improve resilience to climate change and to reduce greenhouse gas emissions referred in Article 10.1 of the Paris Agreement? What is the state of cooperative action on technology development and transfer?
- What progress has been made on enhancing the capacity of developing country Parties to implement the Paris Agreement (Article 11.3 Paris Agreement)?
- To achieve the purpose and long-term goals of the Paris Agreement (mitigation, adaptation, and finance flows and means of implementation, as well as loss and damage, response measures), in the light of equity and the best available science, taking into account the contextual matters in the preambular paragraphs of the Paris Agreement:
 - What are the good practices, barriers and challenges for enhanced action?
 - What is needed to make finance flows consistent with a pathway towards low GHG emissions and climate-resilient development?
 - What are the needs of developing countries related to the ambitious implementation of the Paris Agreement?
 - What is needed to enhance national level action and support, as well as to enhance international cooperation for climate action, including in the short term?
 - What is the collective progress made by non-Party stakeholders, including indigenous peoples and local communities, to achieve the purpose and long-term goals of the Paris Agreement, and what are the impacts, good practices, potential opportunities, barriers and challenges (Decision 19/CMA.1, paras 36(g) and 37(i))?

Foreword

Henri Waisman, Marta Torres Gunfaus, Anna Perez Catala, IDDRI.

Country commitments as reflected in enhanced Nationally Determined Contributions submitted to the UNFCCC are insufficient to put the world on track to achieve the collective objective of the Paris Agreement to hold temperature increase below 2 °C or 1.5 °C above pre-industrial levels. Furthermore, concrete policies and actions adopted by countries on the ground are often not sufficient to achieve these NDC targets. These conclusions highlight the need to increase ambition and to provide convincing evidence to accelerate action in the immediate and short term to give effect to this ambition. Yet these assessments are not sufficient to effectively guide the progressive increase of ambition, as organized by the cyclical process of the Paris Agreement.

APPROACH

With this imperative in mind, this report adopts a different, complementary, perspective on climate ambition. It seeks to open the box of emission pathways, by considering multiple dimensions of the conditions that will make these pathways possible. These are technical, economic, political, social and governance considerations in need of attention to enable the required far-reaching and systemic transformation towards the long-term goal. On the one hand, the revision of emission targets needs to be directed by an assessment of how drivers of emissions should change to trigger transformation. On the other hand, converting emissions' targets into pertinent concrete implementation requires well-designed policy packages and investment plans that are also informed by a clear and detailed understanding of the starting point, priorities and interplays between the available levers of transformation.

This bottom-up assessment aims at contributing to the process of collective learning in support of the progressive increase of collective ambition, as inserted at the core of the Paris Agreement paradigm. Approaching climate ambition through the lens of underlying transformations calls for reflecting the heterogeneous nature and the multi-faceted aspects

of transitions in different sectors and countries. This forces a move away from a purely global perspective and adopts a more granular approach based on country and individual sector perspectives. Thus, the report explores trends and progress on these transformations, as locally observed over the past years, notably since the Paris Agreement. This 'backwards looking' approach can help identify where developments are going in the right direction, where they should be accelerated and where major tensions remain that should be addressed as a priority to avoid undermining the transition. The picture of the state of the ambition discussion, firmly embedded in the country and sectoral realities, can provide means for reflection and action within the international climate community, particularly to inform focus areas for advancing the collective ambition agenda.

STRUCTURE OF THE REPORT

This country report describes the recent evolutions of domestic discourses on climate ambition, national climate policy, national governance and concrete policies and actions with a significant effect on GHG emissions. The chapter highlights a selection of striking and structurally important elements to advance the transformation towards carbon neutrality from an in-country perspective.

This report is part of a full series of 26 country chapters and three sectoral chapters. The full report includes a "summary for decision-makers" to present 10 cross-cutting messages emerging from the country and sector analysis, as a guide to the selection of priorities for collective action in the post-COP26 period.

You will find the full report at: https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Rapport/DDP_beyond%20emissions%20report.pdf



CLIMATE AMBITION

ON DOMESTIC DISCOURSE

This chapter has been written thanks to the support of the International Climate Initiative (IKI) of the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

This short summary of Hungarian climate policy aims to give a brief overview on how the domestic climate action has shifted into a higher gear in the last couple of years, however its aim is not to provide a comprehensive overview, but to show the rise of ambition. The summary was compiled by the colleagues of the Hungarian think tank, [Green Policy Center](#); Fanni Nyírő and Tibor Schaffhauser.

Even though the perception of the seriousness of climate change is below the EU average in the country, the majority Hungarians consider it as a very serious problem. This general opinion is rather underestimated by politics, especially since the COVID-19 pandemic.

Climate change is among the most severe problems facing the world according to Hungarians, a Eurobarometer report¹ reveals. In 2021, 81% of them considered the issue as very serious (the EU average is 79%). However, it is not the most serious one – according to the report, only 8% of the Hungarian people believe that climate change is the most severe issue which is below the EU average (18%). Nonetheless, two thirds of the people stated to have recently taken action to fight climate change, and 96% of them agree with the EU becoming climate-neutral by 2050. Moreover, 71% of Hungarians believe that the government is not doing enough to tackle climate change, according to the report.

In 2019 before the COVID-19 pandemic, when people's take on the seriousness of climate change hit its peak across the EU, the issue was

¹ https://ec.europa.eu/clima/sites/default/files/support/docs/hu_climate_2021_en.pdf

considered as the second most severe in Hungary². Hungarian people were also affected by the IPCC special report of 1.5 degrees Celsius and consequently the wave of global movements. Young locals have created the Hungarian branches of Fridays for Future and Extinction Rebellion and alongside many smaller demonstrations they organised the largest Hungarian climate strike in the fall of 2019 where thousands have participated across the country³. Traditional NGOs have mobilised - and some reformed - themselves as well, which resulted in a more intense cooperation in the green civil sphere. As green issues became more important to Hungarian people, political parties started to reflect on climate change as well. While climate change became a priority among some opposition parties in 2019, the governing party's communication took some turns over the past few years on the issue. They made several statements on being sceptical about the green movements both on a domestic and international scale and at first vetoed the EU's 2050 carbon neutrality plans⁴ before adopting it at the end of 2019. However eventually both the Government's communication and actions have taken a turn and green issues are being taken more seriously than before. Meanwhile there is an urgent need for the inclusion and dialogue of stakeholders from different sectors in decision-making. The ever-growing gap between civil organisations and the government can eventually backfire on the efficiency of domestic climate action.

Despite all, fighting climate change does not play a significant role when it comes to voting. With the approach of the general elections in 2022, the issue is rarely mentioned by the parties, regardless of their ideology. However, citizens are only vaguely – if at all – informed on how the parties are willing to handle the problem, even though according to the above-mentioned Eurobarometer reports, they are concerned about it. Thus, including climate issues to the public discourse in a less simplified way would be crucial for the efficiency of the Government's climate action.

NATIONAL GOVERNANCE

Based on new policy documents, strategies and organisational structure, Hungary has elevated the topic of climate change which was also underlined through the adoption of a climate law adopting a 2050 climate neutrality target.

Since there is no dedicated ministry of environment in Hungary, climate change topics within the national administration have received a higher recognition with the formation of the current government in 2018, when climate and energy policies were merged under one state secretariat within the newly formed Ministry for Innovation and Technology under the leadership of Mr Péter Kaderják, an internationally renowned energy expert. This was a long-expected step, since the Hungarian public has become more and more climate-conscious in the last couple of years as discussed earlier. This move has made better coordination possible among energy, climate, and transport topics. During the new set-up, several important strategic documents and policies have been adopted, such as the Second National Climate Change Strategy⁵, the new National Energy Strategy⁶ or the National Energy and Climate Plan (NECP)⁷. Later in the beginning of 2021 the portfolio of the state secretariat has been extended to cover the topic circular economy under the leadership of Mr Attila Steiner. In the meantime, a dedicated department for climate diplomacy has also been set up within the Ministry of Foreign Affairs and Trade (MFAT) to support international climate policy. The MFAT has also set out to organise the Planet Budapest 2021 Sustainability Expo and Summit⁸; a sustainable development event for the Visegrád Countries between November 29 and December 5, 2021. Climate change has been also a top priority for the head of state of Hungary, Mr János Áder, by organising a dedicated Directorate for Environmental Sustainability of the Office of the President and setting up the Blue Planet Foundation⁹. The Foundation's goals are to support environmental education, research, and green start-ups in the country.

² https://ec.europa.eu/clima/sites/clima/files/support/docs/report_2019_en.pdf

³ <https://hungarytoday.hu/climate-strike-budapest-draws-thousands/>

⁴ <https://www.forbes.com/sites/davekeating/2019/06/20/eu-decarbonization-plan-for-2050-collapses-after-polish-veto/?sh=31ffbc2030b2>

⁵ <https://mkogy.jogtar.hu/jogszabaly?docid=A18H0023.OGY>

⁶ <https://zoldbusz.hu/files/NE2030.pdf>

⁷ https://ec.europa.eu/energy/sites/ener/files/documents/hu_final_necp_main_en.pdf

⁸ <https://planetbudapest.hu/en>

⁹ <https://kbka.org/>

In order to also give legal recognition to the importance of the topic, on 3 June 2020, the Hungarian Parliament adopted Act XLIV of 2020 on Climate Protection¹⁰. This legislation stipulated at the legal level that Hungary would reach the state of climate neutrality by 2050. With this, Hungary was among the first countries in the world to set this important goal in legislation, making it mandatory for all Hungarian stakeholders. This climate neutrality target was already included in the Paris Agreement itself (although it uses a different terminology: it prescribes a balance between emissions and removals), however, it was not tied to a well-defined date. It was the IPCC who said basically that if we want to keep climate change under control, we need to achieve climate neutrality globally by 2050, at the latest. But we know that the global goal can only be a set of combined nation-state efforts. Fortunately, more and more countries have set themselves the goal of achieving this climate-neutral state by 2050 at the latest, including the largest emitters. However, this is still enshrined in law in only a relatively few places. Therefore, the significance of this move by Hungary is difficult to overestimate, however, as the saying goes: it is not the end but the beginning of an important process.

To support this process and provide policymakers with the reliable scientific data, the Hungarian Scientific Panel on Climate Change (HUPCC)¹¹ was founded in 2020. Prior to its official founding, two preparatory conferences were already co-organised with the government in 2018 and 2019. The HUPCC summarises the Hungarian implications of the latest knowledge and research on climate change in scientific evaluation reports, based on the nationalised model of the UN Intergovernmental Panel on Climate Change (IPCC). It facilitates the process of preparing reports by organising work meetings, workshops, conferences, other events, as well as collecting missing data and literature. To achieve its goals, the HUPCC co-operates with state agencies, decision-makers, environmental and professional organisations, and research institutions. The government has published two calls at the end of 2015¹² and in the beginning of 2018¹³ to support the

development of regional and local climate strategies and awareness raising projects. Since then, most of the regions and major cities have started to develop or already adopted local climate strategies in line with the Second National Climate Change Strategy. Budapest, the country's capital and also biggest city, has also recently adopted its Sustainable Energy and Climate Action Plan¹⁴, planning to cut its emissions by at least 40%, raise the use of renewables by 50% and grow the amount of green public spaces by 350 hectares by 2030.

ACTIONS AND POLICIES

Increased political recognition of climate change has led to more ambitious domestic climate and energy targets, policies, and actions in Hungary.

As discussed in the previous sections, the Hungarian Government has started to gear up its environment and climate policies in the last couple of years. Its new flagship policy document on climate and nature protection is the Climate and Environment Action Plan (CEAP)¹⁵ adopted in 2020. The CEAP has actions organised under 8 thematic groups: elimination of illegal waste disposal sites; banning the distribution of single-use plastics; protection of rivers; supporting green technologies and entrepreneurship; afforestation; commissioning 6,000 megawatts solar capacity by 2030; support the wider availability and use of affordable electric mobility; introduction of Green Government Bonds. The current domestic actions and communication of the Government are mostly guided by this CEAP. The following section will highlight some of these actions and accompanying policies.

The Hungarian NECP currently states an at least 40% GHG emissions cut by 2030, an increase of the share of renewable energy sources to at least 21% within gross final energy consumption and that the country's final energy consumption does not exceed the value of 2005 in 2030. In comparison to these objectives proposed in the country's NECP, the CEAP introduced later, goes

¹⁰ <https://mkogy.jogtar.hu/jogszabaly?docid=A2000044.TV>

¹¹ <https://hupcc.hu/hungarian-scientific-panel-on-climate-change/>

¹² <https://www.palyazat.gov.hu/doc/4532#>

¹³ <https://www.palyazat.gov.hu/kehop-121-helyi-klmstratgik-kidolgozsa-valamint-a-klmatudatossgot-erst-szemlletformls-1#>

¹⁴ https://budapest.hu/Documents/klimastrategia/BP_kl%C3%AD-mastrat%C3%A9gia_SECAP.pdf

¹⁵ https://2015-2019.kormany.hu/download/5/07/c1000/Climate%20and%20environmental%20protection%20action%20plan_EN.pdf

beyond in several aspects, therefore a rise in domestic ambition can be clearly seen. One of the most important changes is that while the conversion of the Mátra Power Plant (MPP) and Hungary's coal exit was foreseen in the NECP for 2030, the new target is to phase out the use of coal already by 2025. Hungary has already started a LIFE Integrated Project¹⁶ not only to phase-out of the lignite-fired units of the MPP and to retire its open-pit lignite mines, but to support the low-carbon transition of the single largest coal region in Hungary. The headline decarbonization goal of the Government and its CEAP is to make 90% of energy generated in Hungary carbon-neutral by 2030. To reach this goal, there is an increased support for solar power generation capacity, available both for large-scale and household-level power plants. The draft recovery and resilience plan submitted by Hungary also placed high emphasis on supporting penetration of renewable energy in households, however at the moment of the writing of this summary, the plan is still not adopted. Nonetheless the CEAP aims to incentivise the commissioning of 3,000 megawatts solar power generating capacity by 2022, and at least 6,000 megawatts by 2030.

In line with the decarbonization of the power sector, the Government is also heavily supporting electric mobility through purchase support programmes for electric cars, bicycles and green buses. The framework of the support for future mobility is described in the latest National Electromobility Strategy¹⁷. Besides purchase support, Hungary provides tax and other incentives (like free parking, use of bus lanes, etc.) for electric vehicles. Besides private transport, the Government is also supporting the greening of public transport through its Green Bus Programme¹⁸, with the objective that the new buses in all settlements with a population of over 25,000 must be electric from 2022. By 2030 every second bus in Hungary has to be environmentally friendly and to make this possible, the Government has set aside HUF 36 billion for the programme's 10-year timeframe.

To further support decarbonization and increase the security of supply, Hungary has just recently adopted its National Hydrogen Strategy¹⁹. Its main goal

is to produce large volumes of low-carbon and decentralised carbon-free hydrogen in the amount of 36,000 t / year by 2030. The first large scale hydrogen project in Hungary worth HUF 2.9 billion has also been launched in 2020²⁰.

To finance all these actions and to green the financial sector itself, the Hungarian Government has issued its first green bonds, where due to the increased interest of investors, the country could sell 50% more bonds than originally planned²¹. In parallel, the Hungarian National Bank has also announced its Green Programme in 2019²², which was followed by other policies and actions, such as a preferential green capital requirement treatment for housing loans²³, an assessment of the financing of the Hungarian renewable energy sector²⁴ or the introduction of its Green Monetary Policy Toolkit Strategy²⁵. In the meantime, Hungary has also become active in international climate finance by setting up its international development agency, the Western Balkans Green Center which has already supported 24 different climate and environment projects in the Western Balkans regions in the worth of around EUR 2,2 million²⁶ since its funding in 2019.

As discussed above, the Hungarian recovery and resilience plan at the moment of the writing of this summary is not yet adopted, since the European Commission has asked for some amendments on the plan. It is indeed important that the Hungarian Government gets the plan right, since it could mean a once in a lifetime opportunity for climate action meanwhile it could also contribute to close the gap between Hungary and its western counterparts. A green and innovative plan accompanied by inclusive policymaking where stakeholders, experts, industry and the civil sector is involved throughout the process, could help Hungary going further or faster in terms of climate action.

¹⁶ https://webgate.ec.europa.eu/life/publicWebsite/index.cfm?fuse-action=search.dspPage&n_proj_id=7886

¹⁷ https://www.jovomobilitasa.hu/upload/editor/Strategiak/Hazai_elektromobilitasi_strategia.pdf

¹⁸ <https://magyarkozlony.hu/dokumentumok/471a-27274da48580d77782f7f15a184728f261d3/letoltes>

¹⁹ <https://cdn.kormany.hu/uploads/document/a/a2/a2b/a2b2b7ed5179b17694659b8f050ba9648e75a0bf.pdf>

²⁰ <https://hungarianinsider.com/hungarys-first-hydrogen-project-enters-an-important-stage-7395/>

²¹ <https://www.bloomberg.com/news/articles/2021-04-22/longest-sovereign-green-bond-anyone-hungary-is-seeking-buyers>

²² <https://www.mnb.hu/letoltes/mnb-green-program-en.pdf>

²³ <https://www.mnb.hu/letoltes/notice-preferential-green-capital-requirement.pdf>

²⁴ <https://mnb.hu/letoltes/20210121-financing-the-hungarian-renewable-energy-sector.pdf>

²⁵ <https://www.mnb.hu/en/pressroom/press-releases/press-releases-2021/the-magyar-nemzeti-bank-announces-the-green-monetary-policy-toolkit-strategy>

²⁶ <https://www.wbgc.hu/en/projects>

DDP

The DDP is an initiative of the Institute for Sustainable Development and International Relations (IDDRI). It aims to demonstrate how countries can transform their economies by 2050 to achieve global net zero emissions and national development priorities, consistently with the Paris Agreement.. The DDP initiative is a collaboration of leading research teams currently covering 36 countries. It originated as the Deep Decarbonization Pathways Project (DDPP), which analysed the deep decarbonization of energy systems in 16 countries prior to COP21 (deepdecarbonization.org). Analyses are carried out at the national scale, by national research teams. These analyses adopt a long-term time horizon to 2050 to reveal the necessary short-term conditions and actions to reach carbon neutrality in national contexts. They help governments and non-state actors make choices and contribute to in-country expertise and international scientific knowledge. The aim is to help governments and non-state actors make choices that put economies and societies on track to reach a carbon neutral world by the second half of the century. Finally, national research teams openly share their methods, modelling tools, data and the results of their analyses to share knowledge between partners in a very collaborative manner and to facilitate engagement with sectoral experts and decision-makers.

www.ddpinitiative.org

IDDRI

The Institute for Sustainable Development and International Relations (IDDRI) is an independent, not-for-profit policy research institute based in Paris. Its objective is to identify the conditions and propose tools to put sustainable development at the heart of international relations and public and private policies. IDDRI is also a multi-stakeholder dialogue platform and supports stakeholders in global governance debates on the major issues of common interest, such as actions to mitigate climate change, protect biodiversity, strengthen food security, and to manage urbanisation. The institute also participates in work to build development trajectories that are compatible with national priorities and the sustainable development goals.

www.iddri.org