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connect, not divide*



CO-EMEP – Improvement of cooperation for better energy management
and reduction of energy poverty in HU-HR cross-border area

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Analysis of existing regulations and strategic documents regarding energy, energy poverty and social welfare in Hungary

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1. Introduction

Although the term “energy poverty” is not a frequently used term in popular media, it does refer to one of the greatest societal challenges of our modern days. It is a truly Europe-wide problem: every tenth European citizen is unable to properly heat his/her home in the winter, every fifth one cannot afford using air-conditioning in the summer, and more than 80 million people live in damp or mouldy homes. Energy poverty is closely related to income levels: 52 million consumers are delayed or unable to pay their utility bills. But, as we will elaborate later, poverty and energy poverty are not the same! Even if the correlation is close: in Hungary ca. 10-20% of people below the minimal poverty level can be considered energy poor, whereas energy poverty applies only to 3% of those with acceptable income levels.

A number of definitions exist for energy poverty. From these we shall rely on the one developed by the European Committee (2016): “A household is considered energy poor if it is unable to pay for basic energy services (heating, cooling, lighting, mobility and electricity). That is, it cannot achieve a decent standard of living due to low income, high energy use and low energy efficiency.” Note that this definition also includes mobility – just like the one by the Covenant of Mayors. However, most other definitions only include building-related energy use.

Considering Europe’s great diversity in terms of climatic conditions, economy, society, building standards, heating and cooling methods etc., it is very difficult to coin a quantifiable criteria that applies equally to all countries. Therefore, Hungary’s Energy Club (a leading NGO for sustainable energy) has proposed the following specific definition for our country: “Those households can be considered to be energy poor where the following three criteria are met at the same time:

- the total annual household income is less than 60% of the median income of Hungarian households,
- the annual cost of energy required to heat the dwelling to 20 °C and to produce hot water is more than twice the median of the national average, i.e. energy spending is more than 34% of the total household income
- the energy rating of the building is worse than F.”

Although over the last ten years income levels and energy prices have changed, this definition can be still regarded valid in Hungary as of 2021. According to the latest survey of the Hungarian Statistical Office the average spending on electricity, gas, district heating and solid fuel is 18% of the average annual income. The median is at 15%, meaning that half of the households spend less than this on energy, while half spend more than this amount to cover energy costs.

According to these figures, 10-21% of Hungary's population can be regarded as energy poor. In a European comparison, if one applies the 2M (High Income Share) or the HEP (Hidden Energy Poverty) methodology, Hungary has 5 – 6.9% energy poverty levels, which is a quite good rating in an international comparison. The most problematic area is utility bill arrears, which concerns 16.2% of all households (2016 data). This is above the European average and only 5 countries surpass it.

The majority of Hungary's energy poor citizens live in detached family houses: about 75-80%. This is a very important figure, indicating the importance of targeted subsidies and other support towards residents living in a village or suburban setting.

Although it is not discussed under a specific heading, tackling energy poverty is included in Hungary's strategic documents such as the National Energy Strategy 2030 or the National Energy and Climate Plan. They make an attempt to adapt the European policy framework for Hungary, such as the European Commission's "Clean energy for Europe" package in 2010, or the "Clean planet for everyone" strategy in 2018.

In a local context the "Warmth of Home" Programme must be mentioned, which is a large-scale subsidy programme to facilitate the energy refurbishment of buildings of private households. Since 2014 altogether HUF 29 billion non-refundable financial aid (that is EUR 80 million) was disbursed to support energy-efficiency measures of private citizens. Although it is not a specific mechanism to tackle energy poverty and no specific data are available in this regard, a large part of the 130,000 beneficiary households can also be regarded as energy poor.

Besides this programme, the other main financial mechanism that helps improving energy-efficiency and reducing energy-poverty in private homes is an interest-free credit programme. It is managed on a project basis and the approved funds are disbursed by the National Development Bank. The required own co-funding is 10% and funds of EUR 1,400 to EUR 27,000 can be obtained. Although for many energy-poor families even these conditions are not adequate, by innovative financial solutions, such as engaging ESCO's, many families have managed to break out from the poverty cycle using these funds.

Energy poverty is a truly interdisciplinary subject, where social, technical, economic and environmental aspects have to be considered in an integral way. Energy poverty is not only about income levels and dwelling conditions, but it also relates to mental and physical health, social relations, personal and business development etc. In addition to those policy areas that primarily target energy poverty, related policy fields must also be reviewed. Therefore, in this document we give a broader review of policies and regulations for energy and social support.

Finally, let us mention the dilemma of prioritising social aid or focusing rather on energy-efficiency improvements. Currently Hungary employs both approaches. Due to political and social considerations household energy-prices are currently kept artificially low. While this has clear social and political benefits in the short term it also makes energy-efficiency measures less profitable and only conserves the current situation. According to certain theoretical calculations, if all opportunities were exploited to improve household energy-efficiency, the current ratio of energy-poor households could drop to as low as just a few percent. However, this would have massive financial implications, which is clearly above the currently available funds.

With these thoughts in mind in the following we first introduce the currently existing regulations and strategic documents for energy efficiency and energy poverty. In the second chapter we look at the regulations and strategic documents regarding social welfare. Then we conclude the document by looking at the main future challenges and provide some recommendations for advancing the topic further in Hungary.

2. Regulations and strategic documents regarding energy and energy poverty

In the case of Hungary, the most significant national documents in line with the EU's 2030 climate and energy policy goals and directions are the National Energy Strategy 2030, the Second National Climate Change Strategy and the National Energy and Climate Plan.

2.1. Basic principles of regulating the energy sector in Hungary

National Energy Strategy 2030

The National Energy Strategy ensures the long-term sustainability, security and economic competitiveness of the domestic energy supply. Serving primary national interests, guaranteeing the security of supply, taking into account the least cost principle and asserting environmental considerations, it enables Hungary to contribute to resolving global issues to an extent proportionate to its international weight and as far as its resources allow. In order to achieve our goals, the document lays down five crucial efforts:

- increasing energy savings and energy efficiency,
- increasing the share of renewable energies,
- integrating the Central European grid network and constructing the required cross-border capacities,
- maintaining the existing nuclear capacities,
- and utilising the domestic coal and lignite resources in an eco-friendly manner for power generation.

Although energy poverty is not discussed as a separate subject, it is mentioned in the document. The document foresees that by the mid-term (by 2030) energy poverty gradually diminishes as the country's GDP grows. However, it also recognises that the income gap is expected to grow further and energy poverty will keep on existing also on the long run.

Some of the above listed five items (especially energy-efficiency and increasing the share of renewables) do contribute to the reduction of energy-poverty. According to the document, the envisaged change of the energy structure should include:

- energy efficiency measures spanning the entire supply and consumption chain;
- increasing the share of low CO₂-intensive electricity generation based primarily on renewable sources of energy;
- promoting renewable and alternative methods of heat generation;
- increasing the share of low CO₂-emission modes of transport.

By achieving the above four objectives, Hungary could take a significant step toward the establishment of sustainable and safe energy systems, paying special attention to increasing the competitiveness of the economy.

Second National Climate Change Strategy

In developing the Second National Climate Change Strategy for the period 2018-2030, the goal was to create a national climate change strategy that sets objectives to address the long-term effects of climate change. This can be done in two ways.

In line with international efforts, we must reduce our greenhouse gas emissions and increase our carbon absorption capacity. These steps will contribute to an international cooperation regarding climate protection, which, if successfully implemented, will reduce long-term atmospheric concentrations of greenhouse gases, leading to a further reduction in the rate of global atmospheric temperature rise. In addition to reducing CO₂ emissions and increasing the absorption capacity, an objective assessment of the effects on the country's territory is also required. Adapting to the adverse effects of climate change is also our national interest, given that climate change is still a measurable process that continues further.

Renewable energy directive

Pursuant to the Renewable energy directive, the mandatory share of renewable energy sources should have reached 13 % in the gross final energy consumption by 2020, but Hungary has voluntarily increased this value to 14.65 % in the Renewable Energy Action Plan. During the current budgetary period of the EU, several operational programmes were launched in Hungary to support the environment, and climate and renewable energy sources, with a development budget of HUF 760 billion. The new Hungarian aid scheme for electricity generated from renewable energy sources (RESS) was launched in January 2017. The RESS is in conformity with national needs and with EU guidelines concerning State aid for the environment and energy in the 2014–2020 period.

According to Government Decision No. 1274/2018 (VI. 15.), the Hungarian **energy efficiency** target for 2020 is currently 1,009 PJ / year, which is 26.51 Mtoe / year. A number of measures have been introduced:

- “Warmth of Home” Programme, in the framework of which the energy installations of 130 000 households were modernised since 2014 with HUF 29 billion in aid;
- implementation of the network of energy engineers in 58 districts of 18 counties;
- mandatory employment of energy engineers prescribed for large companies, and introduction of tax advantages for corporate energy investments;
- improvement of energy efficiency at public institutions (renovation).

The Government of Hungary considers the guarantee of energy supply, and as such, the security of the supply of natural gas to be a top priority. Hungary operates an adequate gas infrastructure to satisfy the stagnant, moderately declining rate of natural gas consumption. As a result of regulatory changes and infrastructure investments implemented in the past decade, a diversified supply model has evolved on the basis of multiple sources of supply. As indication of the success of implemented gas market diversification efforts (including construction of the Slovakian-Hungarian, Hungarian-Croatian and Hungarian-Romanian interconnected pipelines), import diversification and the establishment of competition on the wholesale market has eliminated the competitive disadvantage of Hungarian gas consumers compared to Western European consumers since early 2014.

National Energy and Climate Plan

At the end of November 2016, the European Commission published the so-called "Clean Energy for All Europeans" package, and called on the Member States to develop a National Energy and Climate Plan (NECP) in addition to several new climate and energy policy proposals, using a common methodology and creating a uniform content. According to the Commission, the NECP can be based on existing climate and energy strategies and action plans, but only if they are compatible with the EU's climate and energy policy goals up to 2030 and the greenhouse gas emission obligations arising from the Paris Agreement. Integrated planning involves the following dimensions of the Energy Union: decarbonisation, energy efficiency, energy security, internal energy market, research, innovation and competitiveness. The main objectives of the new Energy Strategy and the National Energy and Climate Plan are to strengthen energy sovereignty and energy security, to maintain the results of utility cost reductions, and to decarbonise energy production. The realisation of these goals is only possible through the combined use of nuclear and renewable energy. For countries poor in traditional energy sources, such as Hungary, energy sovereignty is a matter of prosperity, economy and national security.

The Climate Strategy of Zala County

Zala County Government has created the climate strategy of Zala county, and established the climate change platform, as well. The Association of Climate-Friendly Settlements has developed a methodological guide that has served as a basis for the development of regional and municipal climate strategies, and the Association provided it to county governments, thus data collection and data analysis based on a unified methodology were facilitated. After that, the Climate Strategy of Zala County was completed.

As a result of the increase in extreme climate events, the population of Zala county, its natural and semi-natural habitats, flora and fauna, as well as its built environment will face many

challenges in the coming decades. According to the climate strategy, the most important issues in Zala county are the following:

- increasing public health risks of summer heat waves;
- increase in the frequency of flash floods due to the increase in the number of high-intensity precipitation events
- vulnerability of drinking water supplies, especially in the case of water bodies based on shallow aquifers and coastal filtered wells;
- deterioration in agricultural production due to increasing drought and erosion;
- endangerment of forests as a result of the shift in forest climate classes and the emergence of new pests
- increase in the damage of buildings due to storms and heavy rainfall;
- loss of biodiversity, especially in the case of subalpine and wetlands;
- the vulnerability of outdoor recreation and tourism, especially bathing tourism along Lake Balaton.

For each identified problem area, the climate strategy sets out objectives and measures based on a detailed analysis of the situation.

2.2. Regulations and strategic documents regarding energy and energy poverty

The Ministry of Innovation and Technology (MIT) – called as such since May 2018 – is competent to carry out most tasks relating to the plan's implementation. The functions and authority of the minister responsible for innovation and technology cover the following fields: State infrastructure investments, mining, energy and climate policy, use of European Union funds, construction economy, economic development, sustainable development, waste management, industry, trade, transport, regional development and coordination of science policy. Within the scope of his responsibility for energy policy, the minister establishes strategic conditions for sustainable economic development, energy efficiency and energy management, and drafts legislation relating to climate policy. Within the scope of his responsibility for industry, the minister draws up decisions supporting the spread of electromobility in Hungary, carries out tasks concerning the allocation and settlement of European GHG emission allowances in relation to the emissions trading scheme of the European Union, the operation of the emissions trading scheme, and arranges for their execution. Additional institutions and actors involved in the implementation and monitoring of the plan:

- Research Institute of Agricultural Economics
- Ministry of Agriculture
- Ministry of Foreign Affairs and Trade
- Construction Quality Control Nonprofit Ltd. (ÉMI Nonprofit Ltd.)

- Mining and Geological Survey of Hungary
- Hungarian Energy and Public Utility Regulatory Authority
- Hungarian Hydrocarbon Stockpiling Association
- Centre for Energy Research of the Hungarian Academy of Sciences
- Hungarian Chamber of Engineers
- Prime Minister's Office (government offices)
- National Research, Development and Innovation Office
- The minister without portfolio in charge of National Assets
- Hungarian Atomic Energy Authority
- Hungarian Meteorological Service
- The minister without portfolio in charge of the design, construction and commissioning of the two new units at Paks Nuclear Power Plant
- Ministry of Finance

2.3. Specific regulations

Due to its relatively small size and Hungary's highly centralised governance structure, most of the regulations with an impact on energy poverty can be found on the national level. As outlined earlier, these feed into the European policy framework. The following table summarises the relevant national legislations.

Act LVII of 2015	on Energy Efficiency
Government Decree No. 122/2015. (V. 26.)	on the Implementation of the Energy Efficiency Act
TNM Decree No. 7/2006. (V. 24.)	on the Determination of the Energy Specifications of Buildings
Government Decision No. 1849/2014. (XII. 30.)	on Energy-efficient Procurement
Act LXXXVI of 2007	on Electricity
NFM Decree No. 25/2015. (V. 26.)	on informing energy consumers and market participants concerning energy efficiency
Act XVIII of 2005	on District Heating Services
Act XL of 2008	on Natural Gas Supply
Government Decree No. 189/1998. (XI. 23.)	on Central Heating and Hot Water Services
Government Decree No. 382/2007. (XII. 23.)	on the Procedures of the Authority Licensing Construction in the Electricity Sector

Government Decree No. 31/2014. (II. 12.)	on the Procedures of the Authorities Responsible for Licensing of Industrial Specific Constructions
Government Decree No. 210/2018. (XI. 20.)	on the Energy Labeling and Product Information of Products that Affect Energy Consumption
MEKH Decree No. 1/2014. (III. 4.)	on the Rate of the Administrative Service Fees of the Hungarian Energy and Public Utility Regulatory Authority and the Rules of Collection, Management, Registration and Refunding of the Administrative Service and Supervision Fees and Other Revenues
Government Decision No. 1601/2015. (IX.8.)	on Hungary's Third National Energy Efficiency Action Plan
Government Decision No. 1602/2015. (IX. 8.)	on Climate and Energy Awareness Raising Action Plan
OGY Decision No. 77/2011. (X. 14.)	on The National Energy Strategy
OGY Decision No. 23/2018. (X. 31.)	on the Second National Climate Change Strategy
	Hungary's National Energy and Climate Plan
to be prepared by the end of 2021	National Clean Development Strategy
OGY Decision No. 18/2013. (III. 28.)	on the National Framework Strategy on Sustainable Development
Government Decision No. 1073/2015. (II. 25.)	on the National Building Energy Performance Strategy
under preparation	Long-term Building Renovation Strategy

With respect to tackling energy poverty, local and regional (i.e. county-level) regulations have a very limited scope. The term "energy poverty" is not specifically mentioned in any of them, although a number of social measures do exist (e.g. provision of free fire wood for poor families).

2.4. Conclusions

In line with the European Union's goals and directives Hungary has three main strategies and action plans: the National Energy Strategy 2030, the Second National Climate Change Strategy and the National Energy and Climate Plan. These documents focus on increasing the security of supply, boosting economic competitiveness and decarbonising the economy. Since their adoption, already some tangible results have been achieved. National energy security has been increased by the installation of a number of new cross-border connections for both power and gas. The share of renewable energies has also grown rapidly and it even slightly surpassed the goals set towards the European Union.

In the upcoming 7-year budgetary framework a set of financial mechanisms aim to increase energy-efficiency and reduce energy poverty in Hungary. The "Warms of Home" programme has reached 130 000 households in the previous period and will be continued also in the upcoming period to provide non-refundable financial support to increase residential energy-efficiency. Interest-rate free loans will also be continued to be available to residents to provide financial support to larger-scale energy-efficiency measures.

Although most of the policy objectives fit well with the overall EU objectives, there are also differences that are specific to Hungary. One such aspect is that there is political consensus to maintain the ratio of nuclear power in the Hungarian energy mix also on the long run. In order to enable this and maintain the current share of ca. 30% in the domestic power production, the currently operating Paks nuclear power station will be decommissioned and replaced by a new one in the next decade. (Using 2x1200 MW fourth generation VVER reactors from Russia.) The preservation of nuclear power is justified by security of supply and by the CO₂ reduction objectives.

Another difference is the (dis)preference of certain renewable power sources. The country has an installed capacity of 329 MWp wind power stations. Together with average wind potentials, this generation capacity has proved to be a good power source over the past decade. However, due to landscape protection reasons currently no permissions are given out to install further wind parks. Instead, the focus is on increasing PV power generation. The country has excellent solar potentials and the installed capacity is growing rapidly: while there was practically insignificant generation capacity in 2011, by 2021 the installed capacity has grown to 1450 MWp and by 2030 it is expected to grow to 6645 MWp. (To compare, the new Paks nuclear power station will have a net power production capacity of 2x1200 MW.)

Geothermal energy is also a renewable power source with very promising outlook. Hungary has excellent geothermal potentials; in fact, it is among the five countries in the world with the

greatest potential. Deploying geothermal energy can directly contribute to the reduction of energy poverty by supplying an economically competitive, reliable and climate-friendly input of energy into the district heating grids. Currently a number of geothermal projects are in the planning or implementation phase. One of them is the Szeged Geothermal District Heating project, which is the largest geothermal project in continental Europe. When completed in 2023, it will cover up to half of the heat demand in the city-wide district heating network.

As a general conclusion it can be said that a number of national initiatives exist that contribute to the reduction of energy poverty in Hungary. However, in spite of European level progress since 2010, the term is not specifically used in relevant legislation and no specific measures exist that directly focus on reduction of energy poverty. This is clearly a policy gap. It is therefore very much recommended to embrace this topic in the next round of revisions of the current regulatory framework. As described earlier and later in this document, by tackling energy poverty the country can make progress in a number of areas simultaneously, be that climate protection, social improvement or economic objectives.

3. Regulations and strategic documents regarding social welfare

The system of social services is regulated by Act III of 1993 on Social Governance and Social Benefits. This act contains the main rules concerning the structure and operational rules of the social care system.

3.1. Social welfare system in Hungary

The law classifies services into two basic categories: basic social services and specialized services.

Basic social services:

Village and homestead caretaking

The purpose of the village and homestead caretaking service is to alleviate the disadvantages of small villages, to reduce the drawbacks resulting from the lack of institutions in peripheral settlements, to provide access to basic needs, public services and certain basic services, and to meet the needs both at individual and community level.

Providing food for those in need

Providing food - a hot meal once a day - as a basic social service must be provided by all municipalities for those in need. Meals can be either purchased or cooked in the municipality's kitchen, and people can consume their portions at the spot, take them away or ask to be delivered to their homes.

Home helping

All municipalities must provide home helping as a basic social service for socially deprived persons, who need help to maintain their independent living.

Home helping with a signalling system

Home helping with a signalling system is operated by the Directorate-General for Social Affairs and Child Protection for socially deprived persons, who need help to resolve crises while maintaining their independent living.

Family support

Family support is a service provided to persons and families in need of help due to social or mental health problems or other crises in order to prevent the causes leading to such

situations, to eliminate the crisis and to improve their basic life skills. Family support should include social, life and mental health counseling, the provision of access to cash and benefits in-kind and social services for people struggling with financial difficulties. Moreover, the organisation of access to social services, the organization of community development programs, and individual and group skills development, crisis management, and services to help families in difficult situations are all part of family support.

Community care

Community care means basic community care for psychiatric and addicted patients. It can be provided to support psychiatric or addicted patients in a residential setting to maintain independent living, further recovery and rehabilitation.

Support service

The support service is a social service for the care of people with disabilities.

Social work done in the streets

The task of a street social worker is to help homeless people living on the streets and in public areas.

Day care

Day care should be provided to those who need help to maintain their independent living.

Specialised services

If the persons in need cannot be cared within the framework of basic social services due to their age, state of health or social situation, they shall be cared in a form of specialized care according to their condition and situation.

The types of specialized forms of care are the following:

- institutions providing nursing and care
- rehabilitation institutions
- institutions providing temporary accommodation
- residential homes

Institutions providing nursing and care are used to accommodate and care for people who are not able to provide for themselves or only with continuous assistance. These institutions shall provide meals at least three times a day, mental health care, a specified level of health care, as well as housing for the persons, and if necessary, they provide clothes and other textiles.

Types of institutions providing nursing and care:

- retirement homes
- homes for psychiatric patients
- homes for the disabled
- homes for addicts
- shelters for homeless people

The purpose of rehabilitation institutions is to develop or restore the basic life skills of the residents of the institution. Types of rehabilitation institutions:

- Rehabilitation institution for psychiatric patients
- rehabilitation institution for the disabled
- rehabilitation institution for addicts
- rehabilitation institution for homeless people

Institutions providing temporary accommodation provide full benefits for a maximum period of one year. This institutional group includes:

- care homes for the elderly
- care homes for the disabled
- temporary homes for psychiatric patients
- temporary homes for addicts
- temporary accommodation for homeless people
- night shelters

Residential homes are institutions that accommodate 8-12, in exceptional cases 14 psychiatric patients, addicts or disabled, and provide care based on age, state of health and level of self-sufficiency.

In addition to social services, the system of basic child welfare services should also be mentioned. The system of child welfare services and benefits is regulated by Act XXXI of 1997 on the Protection of Children and Guardianship Administration. The legislation contains the basic rules for benefits, the forms of benefits and the operational requirements. The legislation classifies the child protection system into four main categories: cash and benefits in-kind, basic child welfare benefits, child protection services, and official measures. Basic child welfare services include child welfare services, day care for children, temporary childcare and the Safe Start Orphanage.

3.2. General multi-level regulations and strategic documents

The state ensures the social security of citizens by operating a system of social benefits in cash, in kind and personal care. The services providing personal care are mandatory forms of care in all settlements, others are tied to a certain settlement size.

The organization of services and benefits has undergone several changes since the change of regime:

The first paradigm shift was when the organization of care for the socially deprived was delegated from central state power to local governments during the period of regime change. Responsibility for providing care, performance of tasks and regulation have also become decentralized. Municipalities also gained a great deal of autonomy in the creation of social services, and in the design, payment and financing of cash benefits.

The second paradigm shift was when the problematic points of decentralization were already visible, and as a result, a process in the opposite direction began: during the Act III of 1993 on Social Administration and Social Benefits and its subsequent amendments, the system of benefits in cash had been already regulated and normative financing developed. The central state obliged local governments to provide more and more services and more and more services gained normative support, which covered the expenses to different extents.

The third paradigm shift was the process of renewing social benefits in 2010.

The child protection effects of the social processes following the change of regime could no longer be managed with the previous benefits and institutional system. Fundamental conceptual and institutional modernization has also been made urgent by European integration efforts.

In 1991, the National Assembly incorporated the UN Convention on the Rights of the Child into the Hungarian legal order (Act LXIV of 1991).

The above-mentioned trends have contributed to the adoption of the Child Protection Act. This finally happened on 22 April 1997. The Act XXXI of 1997 on the Protection of Children and the Administration of Guardianship entered into force on 1 November 1997. In addition to the definition of maintenance and operating tasks, the act also regulated the performance of methodological, information, training, research and international tasks. The National Institute for Family and Child Protection was established on the 1st of January 1998.

Following the act's enforcement, an organized structural transformation of institutions and benefits began, which ended in autumn 2003 with the first comprehensive amendment of the

Child Protection Act and its implementing regulations. About five years after the enforcement of the Child Protection Act, the institutional structure of child protection benefits was transformed into an organizational system in line with the model prescribed by the Act.

However, a few years later, a process began in which, due to economic difficulties different variations appeared in each county. These variations were different from the model prescribed in the Child Protection Act.

From about 2005, a wave of institutional centralization started in the counties. Child protection centers have been set up, covering the entire care system in each county.

As of January 1, 2012, social and child protection institutions were given to state ownership. The process continued by Act CXCI of 2012 on the take-over by the State of certain specialised social and child protection institutions providing specialist care and on the amendment of certain other acts. According to this Act, from 1 January 2013, the organization of temporary and long-term residential care for the disabled, psychiatric and addicted persons and the maintenance of institutions also became a state obligation.

From 1 January 2013, the tasks related to the maintenance and are exercised by the Directorate General for Social Affairs and Child Protection.

3.3. Specific regulations and other relevant documents

The following table collects those acts and regulations that regulate social welfare in Hungary.

Act CXXI of 2007	on the amendment of certain government regulations on social matters
Act III of 1993	on Social Governance and Social Benefits. The purpose of the act is to determine the forms and organization of certain social benefits provided by the state, the conditions of entitlement to social benefits, and the guarantees of their enforcement in order to create and maintain social security.
Government Decree No. 191/2008. (VII. 30.)	on the rules of financing supporting services and community social services

Government Decree No. 92/2008. (IV. 23.)	on the basic examination of disabled persons, the rehabilitation aptitude test and the review of the condition of persons cared for in social institutions
Government Decree No. 90/2008. (IV. 23.)	on requesting additional support from the appropriation for 2008 for public employment organized by the local government
Government Decree No. 340/2007. (XII. 15.)	on the detailed rules regarding the use of experts and expert bodies in proceedings concerning personal care
Government Decree No. 353/2006. (XII. 23.)	on the advance available to gas and district heating suppliers in 2007
Government Decree No. 63/2006. (III. 27.)	on the claims for and determination of social benefits in cash and in nature, as well as detailed rules on disbursement
Government Decree No. 62/2006. (III. 27.)	on the rules for accounting for certain social benefits in cash
Government Decree No. 11/2005. (I. 26.)	settlement of payment obligations arising from certain housing loans debt
Government Decree No. 29/1993. (II. 17.)	on the fees of social services providing personal care
SZMM Decree No. 9/2009. (IV. 11.)	on the amendment of certain ministerial decrees in the social field
SZMM Decree No. 36/2007. (XII. 22.)	on the detailed rules for the examination and justification of the need for care and social need based on state of health
ESzCsM Decree No. 81/2004. (IX. 18.)	on the training and examination requirements of certain social service providers
ESzCsM Decree No. 60/2004. (VII. 6.)	on rules for the institutional admission of psychiatric patients and restrictive measures applied during their care
SzCsM Decree No. 9/2000. (VIII. 4.)	on the further training and examination of personal care providers
SzCsM Decree No. 8/2000. (VIII.4.)	on the operating records of personal care providers

SzCsM Decree No. 1/2000 (I. 7.)	on the professional tasks of social institutions providing personal care and the conditions of their operation
SzCsM Decree No. 9/1999 (XI. 24.)	on the access to social benefits, in particular personal care
SzCsM Decree No. 4/1999 (VIII. 6.)	on the professional secrecy of the Ministry of Social and Family Affairs and the institutions and public administration bodies under its management
National Social Inclusion Strategy II.	The main objective of the NSIS II is to contribute to the fulfilment of the most important goals of the country: economic recovery, reducing poverty, and strengthening social security. The objectives of the strategy contribute to the strengthening of Hungary's social and economic competitiveness.

3.4. Energy-related social supports

In the case of social need, there are two types of benefits: benefits in cash and benefits in kind.

Forms of benefits in cash:

- Old-age pension
- Benefit for persons in active age
- Child home care fee
- Nursing fee
- Benefits for those pensioners who had cared for their children for at least 20 years
- Benefits for settlements

Forms of social benefits in kind:

- Public health care
- Entitlement to health care
- Public burial

Energy-related social supports (non-refundable supports):

1. “Warmth of Home” programme

Within the framework of the Warmth of Home programme, the Hungarian government supports the implementation of investments that aim to increase energy efficiency. Any natural person can apply for support under several sub-programs:

Sub-program for the replacement of gas-fired convector heaters: it is possible to replace old gas-fired convector heaters in houses and flats.

The extent of support: up to 60 %

Energy renovation of detached houses: In the course of this, any natural person could apply for the replacement of windows, thermal insulation of facades, and the replacement and renovation of technical building systems (eg. boilers, radiators). These replacements result in energy savings and an increase in the use of renewable energy (solar installations, solar energy systems, biomass boiler systems).

The extent of support: up to 55 %

Support for the modernization of heating systems: it means support for cost-effective investments in the modernization of heating systems, resulting in the reduction of CO₂ emissions – i.e. replacement of heat generation equipment(s) with a new condensing gas boiler; or replacement of heat generating equipment(s) with new gas convector(s).

The extent of support: up to 40 %

Replacement of large household appliances with the aim of saving energy: it includes the purchase of a new refrigerator or freezer, washing machine or washer-dryer at a reduced purchase price.

The extent of support: up to 50 % (in case of purchasing an A+ category household appliance: 25,000 HUF / household appliance; in case of A++ category: 40,000 HUF / household appliance; in case of A+++ category: 45,000 HUF / household appliance)

2. Financial support for gas supply for large families

From 1 January 2011, financial support for gas supply was provided to large families.

Families with three children are entitled to take gas at discount rates, but only if they receive family allowance and have a service contract with one of the universal service providers.

The extent of the support:

- Families with three children are entitled to take 61560 MJ gas per place and year, and families with four children can draw an additional 10250 MJ per children.
- The discount is determined in Forint, and its amount can vary according to each service provider's distribution area.

3. Utility cost reduction

Utility cost reduction means a 10 % reduction in the prices of natural gas, electricity, distance heating, water, and garbage collection charges (from 2013), which applies to all individuals. A further 11.1 % reduction was achieved in the prices of natural gas, electricity and distance heating, resulting in an overall saving of 20% in these service areas. In addition to the above,

the utility cost reduction has been extended to liquefied petroleum gases and to the services relating to chimney sweeping.

4. Fuel for social purposes

The cold weather causes difficulties for families and the elderly living in small settlements. That is why the Government launched the Social Fuel Program in 2011, which provides assistance to hundreds of thousands of families in need every year. The program aims to provide the most deprived families with temporary, additional support and to reduce the fuel costs of their households.

5. VAT reduction on new homes

After January 1, 2021, sales tax on newly built properties has decreased from 27% to 5%. The 5% VAT applies to all building permits issued until December 31, 2022. In this case, it will be possible to take advantage of this opportunity until the end of December 2026.

6. Family Home Creation Scheme

The Family Home Creation Scheme is a non-refundable government grant. The exact amount of the grant depends on the purpose of the grant, the total useful floor area of the flat or residential house and the number of children. The eligible grant varies between HUF 600,000 and HUF 10,000,000. The grant can be used for several housing purposes: to buy or build a new apartment, or to buy a used apartment or expand an existing one.

Energy-related social supports (refundable supports):

"Loan to increase the energy efficiency and renewable energy use of residential buildings"

Individuals, residential blocks, and housing associations can apply for the modernization of heating systems, insulation, replacement of doors and windows, and the installation of renewable energy sources, such as solar panels, heat pumps, or modern wood gasification installations. The amount of loan to be repaid varies between HUF 500,000 and 10 million for individuals, and HUF 250,000 - 7 million per flats for residential blocks and housing associations. The term of the loan can be up to 20 years.

Energy-related social supports (supports for operation):

H-tarifa ("Tariff H")

Tariff H was introduced to operate heat pumps and heating systems based on renewable energy sources, such as solar energy, at a reduced cost. This special tariff was established in

a regulation in 2010 and has been available within the framework of universal electricity supply ever since.

Since 16 April 2010, it has been possible to request cheaper electricity for residential use, more particularly for heating systems based on solar energy or other renewable energy sources. Tariff H is available throughout the country, but can only be used from October to April.

Small, household-size power plants

They are exempted from paying the system usage fee up to the amount of their annual production and use, and the electricity produced is taken over at full price.

A small, household-size power plant is an electricity generating installation:

- that is connected to a public low-voltage network or to a low-voltage private or connecting line network,
- where the rated capacity of the power plant does not exceed the amount of power available to the user,
- that has a maximum rated power capacity of 50 kVA.

3.5. Conclusions

Hungary has a relatively well-developed system to provide financial and in-kind support to those families whose financial conditions make it difficult for them to cover their utility bills or heat their homes to proper temperature. The majority of Hungary's energy poor (ca. 70%) live in a village or in a suburban setting. Therefore, a significant share of the regulations and social services focus to small villages. This is in line with other policy fields also, which recognise the adverse demographic trends in villages: migration to cities, aging of population, decreasing job and schooling opportunities.

Those measures, which focus on alleviating energy poverty can be broadly grouped into two large groups. One is a more traditional social support, where the aim is to provide immediate financial and in-kind support. Although these public services temporarily do relieve poverty, they do not represent a long-term solution. As the concerned (poor) families typically live in buildings with outdated energy-performance, the core problem is not solved. Therefore, a second group of social support is also very important, which focuses on improving the energy-efficiency performance of buildings and appliances, therefore reducing energy poverty.

The most important national programme to support citizens in energy rehabilitation is the "Warms of home" programme. Currently it has four main funding categories, which has proved

to be very popular programme among the population. The provision of interest-rate free bank loans for energy refurbishment is also very popular, although in that case the main target audience is more the middle class than the energy poor.

Energy poor households can directly benefit from state support through financial aid for heating costs. These include an across-the-board 10% price reduction on all utility bills. There is also a direct gas price support to large families as well as a social fuel programme for those in most need. All these social services are administered and financed centrally, with support given by small municipalities in the case of social fuel programme. (I.e. compiling list of families in need and delivering free fire wood).

In an ideal case, once an energy poor family can break out from energy poverty due to energy-efficiency improvements, the path must be continued. In other words, their strengthened financial capabilities should enable them to implement further energy-efficiency measures or even become energy producers. Currently, the majority of state financial instruments facilitate this step. These include interest rate free loans for energy-efficiency measures, providing preferential feed-in tariffs for installing home-size PV units or a preferential tariff to run heat pumps and heating systems based on renewable energy sources.

4. Future challenges and recommendations

According to European think tanks and advocacy networks such as the EU Energy Poverty Observatory, Hungary's Energy Club or the European Energy Network, one of the most effective ways to eradicate energy poverty at European level is to invest in energy efficiency and to have a well-functioning and competitive single market that offers its products at low prices. Clearly, by investing into energy-efficiency one can harvest multiple benefits, be that climate protection, social welfare, security of energy supply, reduction of energy-dependents and imports, improvement of trade balance and so on. One cannot overemphasize the importance of energy efficiency, and dealing with energy poverty further strengthens this point. Further observations include that limiting excessive energy costs cannot be left to competition and market self-regulation alone, but requires the active control by Member States and by local actors. Measures are also needed to prevent or offset the potential negative consequences of energy efficiency renovations. (For example, increased rents after energy refurbishing.) Since the reduction of energy poverty targets citizens, financial and technical measures have to be complemented by public communications. It is important to provide free and independent energy advice to the population. The key message should involve changing behaviour (i.e. promoting energy-conscious behaviour) and preventing negative consequences (e.g. higher rent or more intense energy-use). It is also necessary to support the more active participation of poorer households in energy production – such as through subsidized PV installation schemes.

In the Hungarian context, in the upcoming period it is necessary to use as much of the EU funding as possible for a comprehensive renewal of the housing stock taking energy poverty into account. This is important so that the dwellings of the poorest tenants and owners could also be energetically modernised. Making an improvement in this aspect would directly decrease energy poverty while it could also contribute to the achievement of climate-related objectives nationally as well as in Zala county.

According to model calculations of Hungary's Energy Club, simply by external thermal insulation and window replacement most of the energy poor households could escape energy poverty through energy cost savings. However, research also shows that there are significant financial and financing obstacles in the way of energy efficiency investments in households. 75-85% of Hungarian households do not have savings, and almost 80% of households planning to invest in energy cannot afford the risk of borrowing loans from banks. It therefore seems necessary for the state to continue to be a player in tackling this problem.

Earlier discussions in this document have touched on the point that decision-makers have two options: either to continuously support households to pay for their energy costs, or to help

households reduce their energy costs by improving energy efficiency. Unfortunately, the state and local governments still spend more funds on aid-type subsidies than on investments that result in energy savings. However, the latter solution also has an economic stimulus effect, as it creates jobs and provides significant tax revenues. Based on international best practice an excellent instrument to accelerate the rate of energy refurbishment could be the use of so-called revolving funds. A revolving fund could achieve a snow-ball effect, and the state could also regain part of its investment.

Finally, Hungary's Energy Club recommends the following four measures to accelerate the reduction of energy poverty in Hungary:

1. Set up of a detailed research database based on data from the Hungarian Statistical Office. After analyzing the data define the limit of energy poverty in cooperation with the social apparatus responsible for social affairs and energy.
2. Conduct a theoretical study of the macroeconomic effects of different types and intensities of support programs.
3. Launch a pilot project in a certain number and type of buildings to investigate and monitor how much energy costs households can actually save by making the building envelope more energy efficient.
4. Develop investment support programs to reduce energy poverty and overhaul the housing maintenance system.

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