

Key Regulatory Aspects and Challenges of the Renewable Energy Development Projects in Hungary

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Energy markets alone cannot deliver the desired level of renewables in the European Union (EU), therefore public interventions at regional, national or local level is widely accepted and may take different forms. However, renewable energy developments became mature and more cost efficient in the recent years, which resulted in significantly decreased CAPEX costs.

The innovations of technologies allowed the EU to adopt a more straightforward guidance for EU countries when designing and reforming renewable energy support schemes. The framework states that (i) financial support schemes should be limited, while (ii) being enough flexible to respond to falling production costs. The EU emphasizes (iii) the importance of stable regulatory environment without retroactive changes and (iv) the cooperation mechanism between the Member States to keep costs lower for customers.

In Hungary, the goals of the previous EU renewable policies were even less achieved than EU average though the support scheme was the most market distorting and state aiding in effect. On the same time, serious market and environmental side-effects also occurred in parallel with the legislation: wind energy, biomass and co-generated electricity produced a number of issues resulting in growing country risk, court cases and even constitutional issues worth enumerating for progressive *de lege lata* conclusions.

Recent changes of the legislation had taken place to comply with the current European renewable energy framework (physical allocation, pricing, etc.). What is more, a new Hungarian support scheme (METÁR) is now proposed to correct national deficiencies whilst also incorporating the new EU guidance. METAR has not entered the legislation process yet but both based on the proposal and on previous experiences it is worth making some *de lege ferenda* observations aiming better understanding both the renewable market and the national particularities also taking into account changing EU requirements and methods.

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