

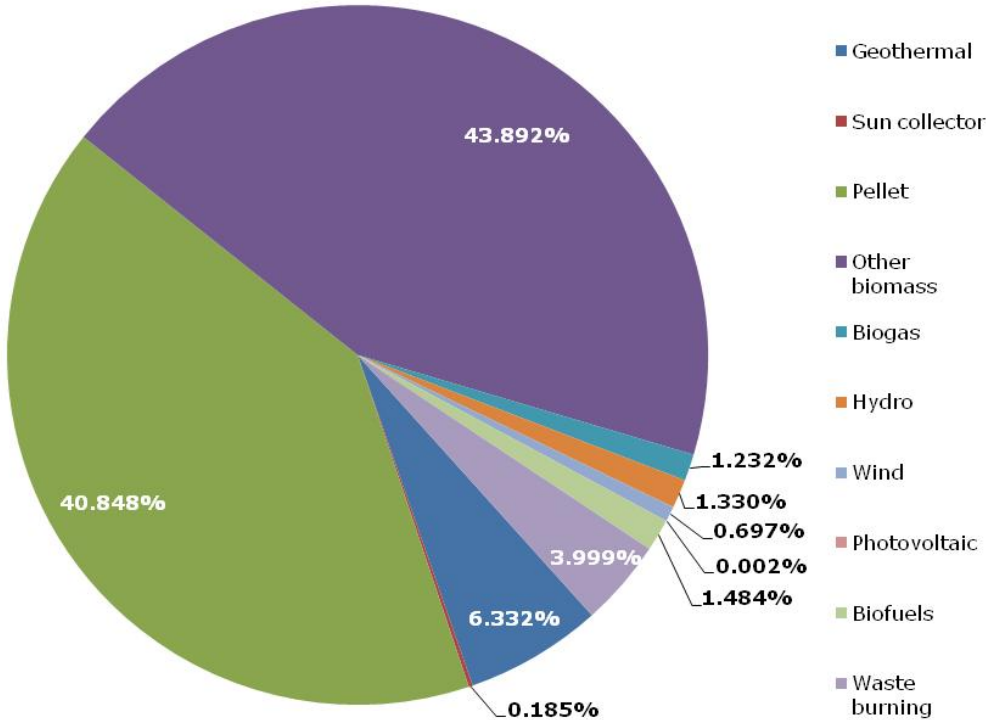
Invest in renewables – an emerging sector

The renewable energy sector is a priority sector of ITD Hungary. Understanding the sustainable nature, the high growth potential, and the dominance of green industries in the 21th century, ITD Hungary focuses on attracting investments in renewable based heat and power generation and also in related manufacturing activities.

Current situation

After joining the European Union (EU) renewable energy utilization started to grow intensively in Hungary. While before 2004 green electricity production reached only 0.5%, by Q1 2009 it grew to 4.3% while renewables (RES) in total primary energy supply (TPES) is around 5.1%. This represents a fivefold increase in electricity production compared to 2001. At present biomass represents almost 90% and geothermal 8.2% of renewable energy use. Hungary is rich in renewable energy sources. Currently pellets and other solid biomass are the most widely used resources in line with present renewable generation ratio.

Ratio of renewable energy resources

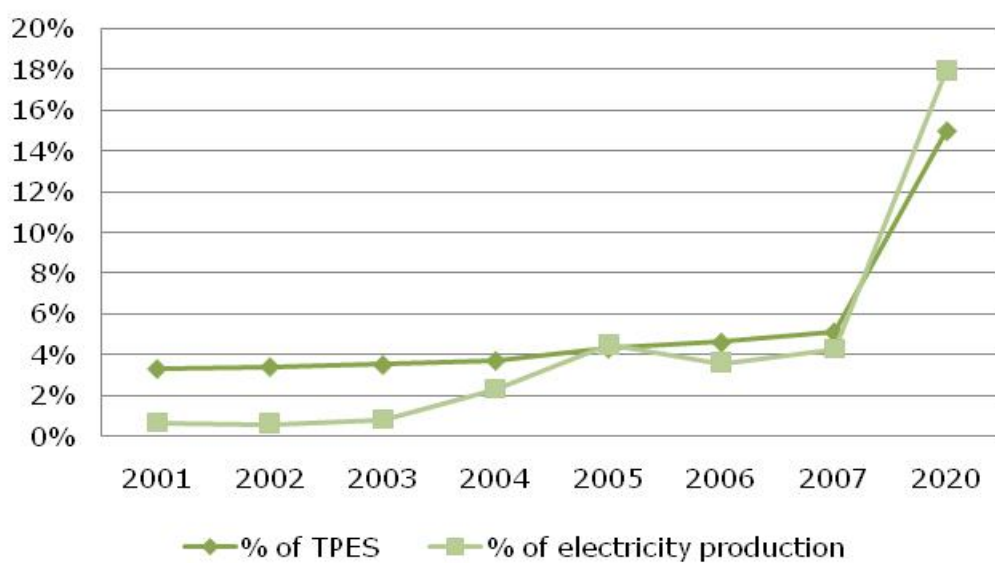


Source: Energy Centre, 2008.

Strategic targets

In 2008 the government approved the Renewable Energy Strategy for 2007-2020. According to the strategy there will be an increase of RES production to 15% by 2020. The strategy prefers decentralized energy production, cogeneration of heat and power and the establishment of small power stations utilizing renewable sources locally. The strategy forecasts substantial amount of new investments by 2020, in the field of biomass, wind, solar and geothermal energy. Electricity generation from RES will grow faster than heat generation.

Growing share of renewable energy production



Source: Energy Centre, 2008.

Targets: Renewable Energy

	2008	2020
Share of RES in energy mix	4.5%	15.0%
Electricity production of RES	1630 GWh	9470 GWh
Heat production of RES	36 PJ	87 PJ

Financial Incentives

In order to meet the EU guidelines concerning RES, the subsidy scheme is based on 3 pillars:

1. Feed-in-tariff system
2. EU funds for RES
3. National Energy Program

1. Feed-in-tariff system

Hungary has introduced a sustainable (non-central-budget-based) feed-in-tariff scheme which is guaranteed until 2020.

The system was modified in favor of smaller plants and those providing remote heating in 2008. Rates are to be adjusted yearly in line with inflation rate.

Feed-in tariffs, Q1 2009

EUR	PV	Plants smaller than 20 MW (excl: photovoltaic)	Plants of 20 -50 MW (excl.: photovoltaic and wind)	Plants of 20-50 MW/ Wind	Plants larger than 50 MW*	Plants using waste
Peak rate	0.092	0.1	0.075	0.1	0.058	0.092
Off-peak rate/1	0.092	0.092	0.075	0.092	0.034	0.067
Off-peak rate/2	0.092	0.033	0.033	0.033	0.034	0.033

Please note, that above rates are regulated in HUF. We calculated with EURHUF 300.

2. EU funds for RES

In addition to the feed-in-tariff system, significant resources (EUR 280 million) are earmarked for supporting investments in the renewable energy sector under the National Development Plan that distributes EU Structural Funds.

KEOP 2009/4.4.0 Heat and/or electricity

Production from renewable sources

- Supported activities: usage of biomass, biogas, geothermal energy, solar energy, water energy, wind energy; and combinations. Biomass only eligible with connected heat and electricity projects
- Eligible costs: preparation, project management costs, services, tangible, intangible assets
- Amount of subsidy: HUF 1-1000 million, 10-60% of eligible costs
- Application: as from 20 March 2009

KEOP 2009/4.2.0 Local heat and

cooling supply from renewable sources

- Supported activities: usage of solar energy, usage and processing of biomass, production of biogas, usage of geothermal energy, installation of heat pump systems, (re)setting up of community heat supply systems
- Eligible costs: preparation, project management costs, services, tangible, intangible assets
- Amount of subsidy: HUF 1-1000 million, 10-60% of eligible costs
- Application: as from 20 March 2009

3. NEP (National Energy Saving Plan)

The government subsidizes clean energy usage and energy efficiency for households with small grants.

Contacts:

If you wish to learn more or have inquires about the renewable energy sector (manufacturing or RES generation) in Hungary, please contact our dedicated experts as follows:

Solar, wind, geothermal:

Ms. Ágnes GERGELY
senior consultant
ITD - Investment Promotion Directorate
H-1061 Budapest, Andrásy út 12.
t: +36 1 473 8206
f: +36 1 472 8180
e: agnes.gergely@itd.hu

Biomass, biogas, biofuels, geothermal:

Ms. Brigitta KAPA
consultant
ITD - Investment Promotion Directorate
H-1061 Budapest, Andrásy út 12.
t: +36-1-473-8222
f: +36-1-472-8180
e: brigitta.kapa@itd.hu