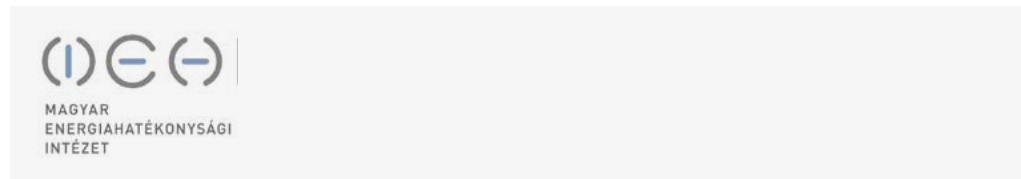


# RENOVATE2RECOVER:

## HOW TRANSFORMATIONAL ARE THE NATIONAL RECOVERY PLANS FOR BUILDINGS RENOVATION?

### NATIONAL PARTNER:



### COUNTRY:



### OVERVIEW:



Hungary's Country Profile is based on information provided by Renovate Europe's National Partner: the [Hungarian Energy Efficiency Institute \(MEHI\)](#). It focuses on the buildings elements of the Hungarian [National Recovery and Resilience Plan \(NRRP\)](#) submitted to the Commission in May 2021.

The Plan includes elements of building renovation across several components but unlike other plans it lacks a dedicated renovation component or targets. It can be strengthened by setting clear objectives and monitoring criteria for energy efficiency improvements as part of an integrated package, especially in the residential sector.

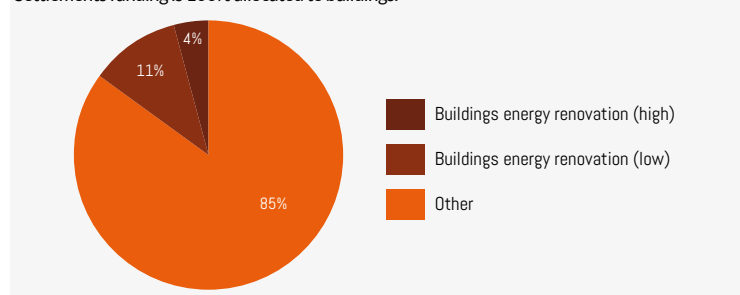


### BUILDINGS IN THE CONTEXT OF THE PLAN

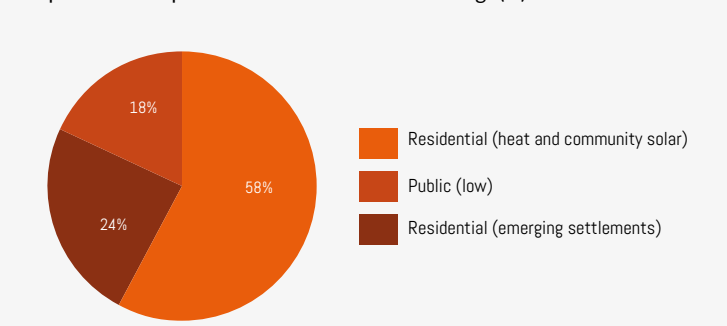


Hungary's final NRRP request was for approximately €7.2bn in grants and excluded the initially proposed use of loans. Unlike other plans, the NRRP has no designated energy renovation component or clearly set renovation targets. It includes building renovation elements across several components, including energy, education, workforce competitiveness, public health, demography and the 'Emerging Settlements' programme. The energy component includes a heat electrification and solar energy programme in the residential sector providing €444 m<sup>1</sup> for lower-income households. The Emerging Settlements component uses €184m to finance the construction of 600 social-rented homes and the renovation of 2,500 existing buildings to improve housing conditions. €32m is planned for community-owned solar projects, where revenue will be used for the improvement of housing conditions. Infrastructural development plans in the public sector cover university buildings (€179m), vocational institutions (€263m), day care nurseries (€111m). They include both renovation and new construction, but there is no further detail of the split between them. The share of funding allocated to infrastructural development in the public health sector cannot be clearly identified.

Share of NRRP funding for buildings energy renovation (%). Buildings (low) assumes 25% of "infrastructure development" funding in the public sector is allocated to building measures, buildings (high) assumes 75% is allocated. In both cases it is assumed that residential and Emerging Settlements funding is 100% allocated to buildings.



Energy renovation by sub-sector, assuming 25% of "infrastructure development" in the public sector is allocated to buildings (%)



### National Challenges

In 2018, buildings were the largest contributor to final energy consumption (45% of the total) and CO<sub>2</sub> emissions from fuel combustion in Hungary (23%). At a strategic level, Hungary's National Energy and Climate Plan (NECP) prioritises the decarbonisation of energy production and energy security, with less focus and articulation of energy efficiency priorities. A [Study for the EC](#)<sup>2</sup> based on 2012-2016 data estimates that only 0.9% of renovations in the residential sector were medium depth and 0.1% deep renovations. Only 1.8% of those in the non-residential sector were medium, and 0.2% deep.

<sup>1</sup> Exchange rate H1 2021 average: HUF 1 = EUR 0.002795

<sup>2</sup> [Comprehensive study of building energy renovation activities and the uptake of nearly zero-energy buildings in the EU - Publications Office of the EU \(europa.eu\)](#)

## Renovation plan details

### CLARITY AND DEPTH OF AMBITION



Hungary's NRRP does not include a dedicated energy renovation or buildings component. The energy efficient renewal of public educational buildings, day nurseries, universities, vocational training, and health institutions' buildings is planned, but funding is not dedicated specifically for energy efficiency upgrades, and no energy performance criteria or indicators are attached in most cases. Where stated, targets in the public sector have limited ambition, including grant support for 94 public education buildings and the renovation of 40 health buildings. The only clear energy component for health buildings is the requirement for energy demand of new buildings to be 20% lower than nearly zero performance levels. Further details are expected as part of technical specifications for public procurement documents. University buildings are the only ones with a clearly stated target of 30-60% (medium depth renovation) primary energy savings. In the residential sector, grant support for heat electrification is planned to reach 11,600 households with below-average income. Further building construction and renovation is planned as part of the Emerging Settlements programme aimed at 300 disadvantaged areas. In this context, renovation is not limited to energy improvements.

### FINANCIAL LANDSCAPE AND PERSPECTIVE



The NRRP does not allocate specific funding for energy efficiency improvements. Existing (and newly developed, for the period 2021-2026) Operational Programmes provide some funding, including 'KEHOP plus' for the residential sector and 'TOP plus' for municipal buildings. A new energy efficiency obligation scheme for energy suppliers was introduced in 2021 as the main policy tool to promote and finance energy efficiency measures, but details of the scheme are still to be determined. Its budget is expected to come from KEHOP Plus, with elements of both non-refundable and refundable funding for obligated parties, but the details are yet to be defined. At present KEHOP plus provides refundable and non-repayable grants, while TOP provides non-refundable grants covering 100% of costs. Like the NRRP, KEHOP plus considers energy efficiency a part of renewable energy priorities, and does not have specific targets, which can risk promoting measures with shorter payback times over more comprehensive renovations. The NRRP and LTRS do not provide detail on expectations for drawing in private capital.

### MULTIPLE BENEFITS AND INTEGRATION



The Plan's heat electrification and solar photovoltaics sub-component is focused on lower-income households, with selection criteria also accounting for local air pollution. The 'Emerging Settlements' component foresees renovation of buildings as a social policy element targeting disadvantaged areas, in the context of extending basic social and public services. The NRRP supports heat decarbonisation through heat pumps and solar power, but without linking possible interventions to energy efficiency improvements, potentially creating energy poverty risks. The final NRRP no longer addresses the installation of smart meters, and no other clear measures linking digitalisation with energy renovation and buildings are considered.

### SUPPLY CHAIN AND PROJECT SUPPORT



Hungary's NRRP does not include any specific information on funding for technical assistance or project take-up support such as one stop shops. General support for vocational training and higher education is foreseen, although it is unclear whether it would extend to energy efficiency and construction industries.

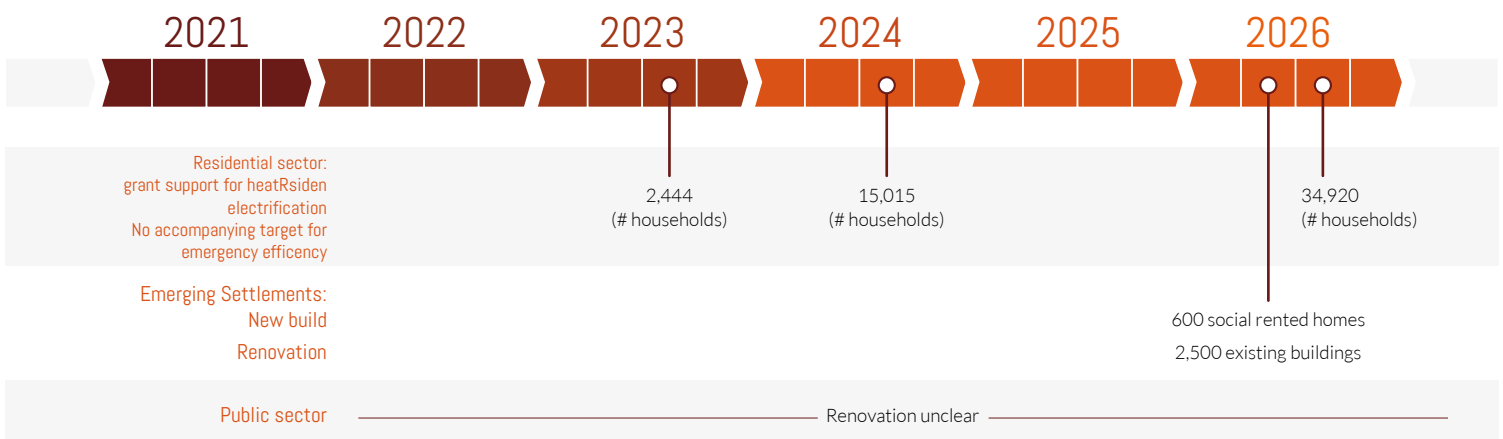
### IMPLEMENTATION FRAMEWORK



The Prime Minister's Office is responsible for the coordination of the Recovery Facility and Multiannual Financial Framework funding in Hungary. Due to the allocation of building measures as part of other NRRP components, no single ministry is responsible for their implementation, creating implementation risks. In most cases targets are specified for 2026, without interim milestones (except for day-care nurseries and the residential heat electrification component). The NRRP foresees using the existing monitoring and information database system to report progress on implementation.



## TRACKING/ TIMELINE TO 2026



## RECOMMENDATIONS FOR IMPROVEMENT DURING IMPLEMENTATION

Hungary's NRRP integrates activities on building infrastructures across several key strategic pillars but does not clearly draw out the extent to which these measures will support energy efficiency improvements across the building stock, which makes assessment of the Plan's impacts challenging. To ensure that the Plan contributes to Hungary's ability to scale up the rate of deep renovations to 2030, further steps should be taken:

- ▶ Set more ambitious and measurable dedicated targets for energy renovation, including deep renovation, to deliver energy consumption reduction and lower emissions
- ▶ Ensure energy efficiency and heat decarbonisation measures are coupled with the Plan, with a priority focus on renovating buildings first and reducing heat demand by applying the Energy Efficiency First Principle to avoid resource waste and potential high-cost impacts.
- ▶ Consider measures for upskilling existing energy professionals for deep renovation while increasing the overall number and support technical assistance to overcome behavioural barriers and information gaps.

## NOTE

The survey was complemented with a targeted desk-based review of Hungary's National Energy and Climate Plan to contextualise its NRRP.

## EXPLANATORY DOCUMENT TO ACCOMPANY COUNTRY PROFILES

READ THE FULL STUDY ON [WWW.RENOVATE-EUROPE.EU](http://WWW.RENOVATE-EUROPE.EU)

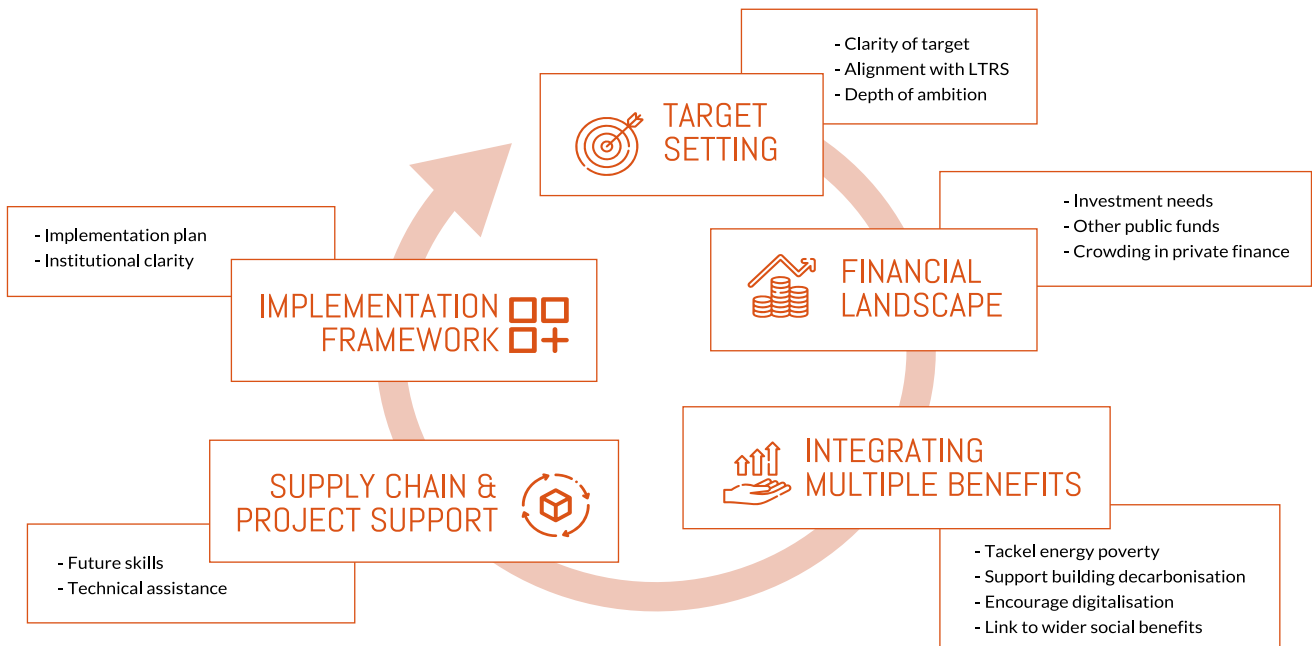
### ABOUT THIS STUDY

This Study assesses the buildings-related elements of the National Recovery and Resilience Plans (NRRPs) in 18 Member States<sup>1</sup>: Austria, Belgium, Bulgaria, Croatia, Czechia, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Poland, Romania, Slovakia, Slovenia and Spain<sup>2</sup>. The aim is to understand whether NRRPs position countries to achieve longer-term targets for more and deeper renovation, and whether NRRPs have the potential to be **'transformational'** on the path to achieving national goals set out in Long Term Renovation Strategies and EU goals set out in the Renovation Wave strategy.

The Country Profiles in this Study centre on the **investment measures** for energy renovation in the NRRPs. The aim is to identify where investments will flow, what types of energy renovation will be supported, and to offer guidance to support and improve the quality of investments to maximise their impact and scalability. The Study does not assess the reform measures included in NRRPs due to their uniqueness for individual countries.

### ASSESSMENT METHODOLOGY AND SCOREBOARD

The Study was developed by E3G, bringing its experience of working on the Green Recovery Tracker, and was delivered in close cooperation with Renovate Europe's National Partners and Campaign Office. In each Country Profile, the Plans are assessed against five overarching criteria, each comprising several sub-criteria (summarised below). The assessment is **qualitative**. Each Country Profile is accompanied by an annex that sets out, in more detail, the various programmes and reforms that each Member State includes in its NRRP with extracts drawn from the European Commission's assessment of the NRRPs and the European Council's Implementing Decision for each NRRP.



1 Note: summary data here excludes Greece as the study is not complete yet

2 Renovate Europe has National Partners in 17 of these Member States, and cooperated on a separate basis with Mur Manteau and Renovons initiative in France. Renovate Europe's 18<sup>th</sup> National Partner (in the Netherlands) was unable to participate in this Study as the Dutch NRRP has not yet been published.

## SCORING METHODOLOGY

For each of the five criteria, the NRRPs are provided with an aggregate score. The aggregate score is based on the sum of points of individual sub-criteria. The points were allocated as follows: 1 point - not addressed; 2 points – needs improvement; 3 points – strong; 4 points - transformational. The aggregated score is reflected in the ‘play button’ infographic for each of the criteria at the top of the country profiles. Those are summarised below.

Normalised* points range	Score	“Play button” Infographic
2.5 – 4.0	“Not addressed”	
4.1 – 6.3	“Needs improvement”	
6.4 – 8.5	“Strong”	
8.6 – 10	“Transformational”	

\* The five criteria have a different set of sub-criteria, and as a result have different minimum and maximum points. The scores have been normalised to a base of 10 points. This still leaves some variation within the ranges, so comparison between criteria and countries should be treated with caution.

## A UNIQUE OPPORTUNITY TO GET RENOVATION ON TRACK

National Recovery and Resilience Plans (NRRPs) present a unique opportunity to accelerate the delivery of deep renovation across the EU. The analysis of the NRRPs in this Study demonstrates that significant renovation activity is planned and will be made possible through the successive disbursements of the Recovery Funding. But these renovations must be done properly, and the money must be spent well. This unprecedented additional injection of public funds must set the EU building stock firmly on the path to achieving its Renovation Wave goals to 2030 and meeting the 2050 climate targets.

For NRRPs to be transformational towards achieving these goals, two key aspects need to be strengthened:

- 1. Ensure funding delivers a step change towards realising deep (or staged deep) renovations, going well beyond the 30% minimum energy saving recommendation set by the European Commission.**
- 2. Invest in the right enabling framework, including leverage of private finance, to create sustainable renovation markets that will grow beyond 2026**

## UNDERPINNING A STRONG FIT-FOR-55 PACKAGE FOR BUILDINGS

This Study demonstrates significant interest in investing in building renovation, which can contribute to a strong outcome for the **Fit-for-55 legislative proposals**, all of which would enter into force while NRRP funding is being invested. The strength of the overall package is critical for delivering on renovation, with individual elements playing pivotal roles. For example, the introduction of mandatory **Minimum Energy Performance Standards (MEPS)** under the EPBD would send a strong signal to the whole renovation value chain, from institutional investors to building users.

Done right, NRRP investment can ease agreement on, and the implementation of, a more ambitious legislative package for buildings – a virtuous cycle between ambition and deliverability that can drive the creation, investment in, and sustained growth of renovation markets across the EU. To unlock this, it will be critical to establish a positive feedback loop between EU institutions (in supporting effective deployment of NRRP funds) and Member States (in backing a strong legislative outcome from Fit-for-55 negotiations) that delivers a significantly improved building stock for citizens. Informed by the assessment below, Renovate Europe and its National Partners will work to support this outcome.

# RENOVATE<sup>2</sup> RECOVER

## NINE RECOMMENDATIONS TO MEMBER STATES TO MAKE THEIR RECOVERY PLANS TRANSFORMATIVE

### AMBITION

1. Prioritise deep renovations and scalability in the design and implementation of schemes
2. Accompany each funded building project with a Renovation Roadmap to 2050

3. Improve scheme longevity and impact by crowding in private finance

### FINANCING

### MULTIPLE BENEFITS

4. Integrate renovation with heat decarbonisation and apply Energy Efficiency First Principle consistently
5. Embed renovation alongside wider political and socio-economic priorities

6. Strengthen Technical Assistance at regional and local levels
7. Fund further One-Stop-Shops and information centres to support customers, exchange best practice
8. Upskill the workforce through reliable accreditation systems

### SUPPORT

### IMPLEMENTATION

9. Engage in better monitoring and aggregation of data to measure impact