

Position statement by the National Economic and Social Council on the current energy crisis

The National Economic and Social Council considers it necessary to review the European Union's sanction policy in order to resolve the current international economic and budgetary crisis which primarily afflicts Europe. This is indispensable if the root causes of the energy crisis are to be addressed and inflation is to be harnessed. We also trust that Hungary's government will counter the negative domestic consequences of this year's European energy crisis with an effective package of measures, similarly to the management of the pandemic that started in 2020. For long-term adaptation and to lower Hungary's energy dependence on any single source, the country's energy procurements should be diversified, and a comprehensive scheme should be launched for nation-wide energy savings and a faster green transition, utilising all available funds from the European Union.

The Council's realistic predictions concerning energy security are the following:

We agree that the current energy market tensions could best be eliminated if the Russian-Ukrainian conflict ended with a peace treaty, or at least with a lasting ceasefire. This would put an end to the senseless bloodshed, as well as the attacks on Ukrainian settlements and infrastructure. It would also allow refugees to return to their homes, and energy-related sanctions could be phased out.

However, we are of the opinion that there is no real chance for that in view of the latest developments, i.e. four annexed Ukrainian regions, Russian military mobilisation, and attacks on Ukraine's energy infrastructure.

Furthermore, Russia is not expected to give up its gas supply limitations. In fact, the International Energy Agency does not rule out the total suspension of gas exports.

This situation has had a very adverse impact on Hungary's energy supply, and thus on the nation's economy and people's everyday lives. Inflation has surged to long-unseen levels due to the rising prices of energy and foodstuffs, two categories of staple goods. The Council wishes to highlight these adverse developments, and calls for the review and modification of the European Union's sanction policy the impacts of which affect citizens, families, businesses, municipalities and public institutions alike. People are riddled with insecurity. Satisfactory measures need to be defined to address this issue which affects the entire society.

However, the Council is of the opinion that gas supplies from Russia could not be restored to their previous levels even if the sanctions were eased significantly.

Importantly, the sanctions should be calibrated so that they do not considerably reduce the available quantity of crude oil and natural gas, and energy prices should not increase much. The sanctions must not be extended to the goods and services required for nuclear energy production (which the European Union deems sustainable), as that would prevent the long-term operation of existing nuclear power plants and the construction of new reactors (which is required for boosting sustainable nuclear energy production).

Even if sanction policies are reconsidered as proposed, it seems illusory to hope that the current gas and electricity prices would be immediately halved if the sanctions were to be lifted. One reason is that we are entering a new era of energy. Secondly, Russia has hinted at the possibility of increasing gas supplies to Europe if the sanctions were lifted, but without any specific promise or guarantee.

Consequently, we must assume that Russia's current 9% share in Europe's gas supplies, down from the previous 40%, is here to stay. This means that it is indispensable to find new supply sources (e.g. Azerbaijan, Kazakhstan or Romania) and construct various pipelines (e.g. between Norway and Poland, Bulgaria and Greece, as well as Spain and France).

Still, these new opportunities cannot currently make up for all of the decrease in Russian supplies. For that reason, market stability in the upcoming months will depend on winter weather and the success of energy saving efforts. Also, the high prices are expected to linger for the time being.

In conclusion, all efforts should be made to implement the European Council's agreement of 30 September on emergency measures aimed at lowering energy prices, and especially to transpose the Council Regulation on addressing high energy prices. Gross electricity consumption should be voluntarily decreased by 10% across the board, with a 5% mandatory reduction in peak periods, and energy usage should be rationalised.