



Liberalized electricity market probably delayed

Hungary is not likely to meet the EU's July 1 deadline for full liberalization of the electricity market, but probably nothing much will happen as a consequence, said Andrea Jádi Németh and Zoltán Kató of bpv | Jádi Németh Law Firm at an AmCham seminar held at April 12 in the Corinthia Hotel Aquincum.

The seminar dealt with the subject of the future of the oil, gas, and electricity markets in Europe and Hungary. Jádi Németh first gave a broad overview of the energy situation in the world before dealing with the question of the dependency of Hungary and the

EU on Russian energy deliveries. Then Kató painted a picture of EU regulation in the field of energy – in particular the two EU Electricity Market Directives (EMD) – and gave an overview of the process of liberalization of the electricity market in Hungary.

Part of the mentioned EU directives is that, as of July 1 this year, the household customers market for electricity has to be fully liberalized. But this is very unlikely to happen in Hungary, both speakers said. There is a government intention to replace the existing Electricity Act with new legislation reflecting further

liberalization, but not even a draft of a new law has been published yet.

“Still, it is not to be expected that the European Commission will give penalties to Hungary to begin with,” said Jádi Németh, “also not because Germany and France are not very eager to cooperate with these EU regulations, either.” So probably nothing much is going to happen, except for a series of warnings and new deadlines issued by the Commission, she said.

Over the years the Hungarian electricity market has, in fact, been partly liberalized. This started in

1994 with a legislative framework for privatizations in the sector. A new electricity act in 2001 then introduced the separation of activities and ownership of several players in the market (producer, distributor, trader, wholesaler, and retailer) and created a quite powerful market regulator. The market of non-household customers was liberalized from 1 July, 2004.

“At the moment the system is quite distorted, with a partly open market but a public utility structure also still in place,” said Kató. As long as there is this dual structure not all advantages of unbundling can come through, he added, referring to the hoped-for positive effects of liberalization: real competition, more efficiency, lower prices and the creation of a single European electricity market.

Whether these benefits will ever come true is a matter of debate. “In some countries it only produced blackouts, price rises and shortages,” said one of the participants, and from the ensuing remarks and laughter it was clear that a considerable part of the public agreed.



Andrea Jádi Németh



Zoltán Kató > Photos: Gábor Buda