

HUNGARY

CIRCULAR ECONOMY 2-PAGER, 2 JUNE 2021



POLICY LANDSCAPE

ENVIRONMENTAL POLICY GOALS

Hungary's environmental policies follow the EU's roadmaps and recommendations. The main driver of these policies is to investigate the root causes of climate change and tackle those issues. Hungary's **National Climate Action Plan** aims to achieve a reduction of GHG emission by at least 40% and a minimum 21% share of renewables in final energy consumption by 2030.

THE HUNGARIAN WASTE ACT

In 2020, the government announced the transformation of the Hungarian waste management into a state-controlled system. It means that local municipalities will not be responsible for local waste management issues anymore. A long-term concession will be given for waste collection services (including trading) and the operation of landfills. The waste utilization services will remain market-based but the concessionaire will have a supervisory role over the entire system. The concessionaire will be the link between waste producers and waste utilizers. It will manage municipal waste and all kinds of waste which has an environmental product fee.

GREEN NATIONAL CHAMPIONS PROGRAMME

The government initiated the Green National Champions qualification program to improve Hungary's results in the field of environmental performance and sustainability. The aim of the program is to support the development of micro, small and medium-sized manufacturing enterprises with high growth potential related to the green economy and industry, which facilitate technology change. Eligible companies receive financial support to develop and upgrade circular economy solutions. Repayable grant of between 55.000 EUR and 1.100.000 EUR awarded to the projects that meet the conditions.

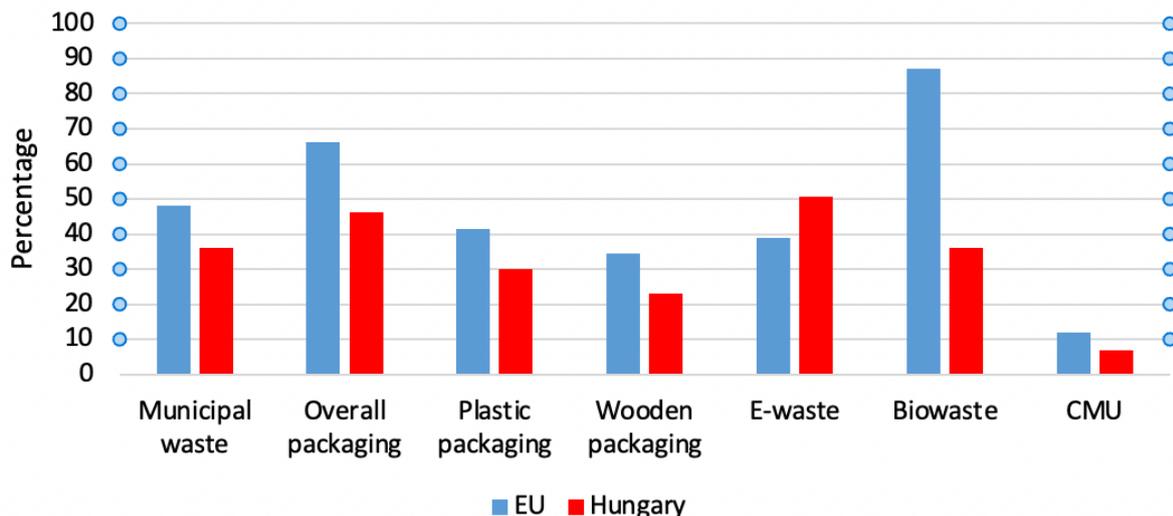
FACTS & FIGURES

ECONOMIC INDICATORS

- Population (2021): 9,639,165
- GDP per capita (+ranking in 2019): €13,630; 51st
- Purchasing power: €28,921
- Export from the NL (2020): €4.52 Billion
- Economic growth (2019): 4.6%
- Ease of doing business (2020): 52nd of 190
- Corruption perception Index: 44/100
- Unemployment rate (2020): 4.6%
- Currency: Hungarian Forint (EUR 1 = HUF 357.13)
- Time difference with NL: 0.00 hours

CE INDICATORS

- Innovation Index rank: 35th out of 131
- Recycling rate of municipal solid waste: 35.9%
- Circular material use rate: 6.8%



GRAPH: RECYCLING RATE OF MAJOR WASTE STREAMS AND CIRCULAR MATERIAL USE IN THE EU AND HUNGARY (2018)

CIRCULAR TRANSITION THROUGH ECONOMIC RECOVERY

The transition to a circular economy will be a main pillar of Hungary's Recovery and Resilience Plan with an estimated net budget of EUR 590 million available for two priority areas. EUR 343 million will be devoted to the improvement of the waste management infrastructure, including collection, transportation and sorting capacities. The other area will focus on the development of a smart, innovative and sustainable

industry, and the strengthening of the secondary raw material market with an investment of EUR 247 million. The improvement of chemical recycling will be a major theme under this area. The Hungarian government is preparing a Circular Economy Strategy to develop a comprehensive framework for the country's circular transition. The document will be published in 2022.

SELECTED PRIORITY AREAS

AUTOMOTIVE BATTERY MARKET

The automotive industry is the backbone of the Hungarian economy and the current trends show that the country will play a key role in the emerging EU (and global) battery market. Within the CEE region, preparations for the production of EVs are progressing at the fastest pace in Hungary. Significant electric powertrain-focused developments have been announced by foreign companies that are preparing to invest over EUR 4 billion in the coming years. Due to the current trends of e-mobility uptake and the EU's strengthening battery collection regulations, the battery industry has significant potential for recycling and reuse. In Hungary, only a few players have competencies for battery component recycling, and several companies export their battery waste for recycling. The same lack of competences apply to services for EV battery reuse. That creates significant opportunities for new businesses, OEMs, utilities and specialized start-ups.

BUILDINGS & INFRASTRUCTURE

The construction industry is a major contributor to the economic growth of Hungary. It showed a continuous increase in the previous years and is expected to grow further. A high percentage of the Hungarian residential buildings are in poor condition and more than one third of the population (1.42 million homes) plans renovation within the next five years. The demand for sustainable building practices is rising but it is still surpassed by the booming of the sector. Constructions are responsible for one third of the total amount of waste generation in Hungary which makes it the most waste intensive industry of the economy. Despite the country's high recovery rate in

construction waste, most of the reused materials end up in backfilling. There is room for improvement to develop new recycling technologies to produce construction materials with higher sales value.

REPORTS

- [Hungarian national energy and climate plan](#)
- [Business in circulation – The situation of the CE in Hungary.](#)
- [Closing the loop study by PwC Hungary.](#)
- [Business opportunities in Hungary.](#)

WASTE MANAGEMENT & RECYCLING

Hungary's interpretation of the circular economy is very much focused on waste management and recycling. The relevant performance indicators of the country are lagging behind the EU average that creates an upward potential in utilizing secondary raw materials. The ban on single-use and other plastic products opens possibilities for circular packaging. The Hungarian Association of Mineral Water, Juice and Soft Drinks set a goal to have 30% recycled content in PET bottles until 2025 and 50% until 2030. Although, there are PET recycling companies on the market, only few of them are able to produce suitable quality for the food industry. New capacities are expected to be built in the following one to three years to satisfy the demand of the market. The upcoming centralization of the waste management market also creates room for a more focused cooperation on technology transfer.

BIO-WASTE UTILIZATION

From a production point of view, agriculture is one of the most significant sectors of the Hungarian economy. The amount of organic waste generation is significant and the agriculture-based biogas power generation capacity has shown steady growth since Hungary part of the EU. Yet, the utilization rate for energy production is quite low compared to the Netherlands. The local market offers opportunity to exploit the potential of biogas production's broader value chain (e.g. "green" energy production, organic manure production and feedstock or bioplastics). There is also room for the non-energy utilization of bio-waste by producing substitutes to single-use plastic products or biodegradable packaging for the FMCG sector.

RELEVANT NETWORKS

CE THINK TANKS & RESEARCH INSTITUTES

- [Hungarian Circular Economy Platform](#)
- [Hungarian Lean & Green Platform](#)
- [Hungary Green Building Council](#)
- [Hungarian Association of Environmental Enterprises](#)
- [Hungarian Waste Management Federation](#)
- [Bay Zoltán Applied Research – Circular Economy Initiative](#)
- [IFKA Public Company for Industrial Development](#)
- [National Council for Sustainable Development](#)
- [Research Institute of Organic Agriculture](#)
- [V4SDG – Visegrad for Sustainability](#)

BUSINESS NETWORKS

- [Business Council for Sustainable Development in Hungary.](#)
- [Pannon Pro Innovations](#)
- [Netherlands-Hungarian Chamber of Commerce](#)

RELEVANT LINKS & EMBASSIES

- [Doing Business in Hungary.](#)
- [Hungarian Investment Promotion Agency](#)
- [The Embassy of the Kingdom of The Netherlands in Budapest](#)
- [Embassy of Hungary in The Hague](#)