# COMPANIES IN HUNGARY ARE AWARE OF THE CLIMATE GOALS AND ASSESS THEM REALISTICALLY

SZÁZADVÉG

SZÁZADVÉG ECONOMIC RESEARCH INSTITUTE

2021

**In 2019, the European Union adopted its Clean Energy for All Europeans package, which focuses on the decarbonisation of the energy sector. Companies will play a key role in achieving the Community's ambitious emission reduction targets, therefore it is in the interest of the Member States to learn about how economic actors relate to climate protection. In 2020, Szazadveg carried out a survey concerning the general attitudes and plans of Hungarian companies regarding climate awareness, carbon neutrality and energy efficiency.**

***Methodology**: For the survey, we conducted a telephone questionnaire in June 2020. The data collection took place in two separate target groups. On the one hand, we visited all "large emitting" companies covered by the ETS (Emission Trading System). Of these, 42 respondents were included in the final sample. On the other hand, we interviewed 1007 "low-emission" companies randomly selected from non-ETS companies. The sample of "small emitters" is representative of Hungary in terms of activity and number of employees.*

According to the directives from 2020 Hungary must become carbon-neutral by 2050. The country also plans to reduce its greenhouse gas emissions by at least 40 percent (compared to 1990) by 2030, based on the target set in its National Energy and Climate Plan (NEKT). Increasing the energy efficiency of companies and the decarbonisation of production processes are essential conditions for achieving these targets. For the government to develop the most effective policy measures possible, it is imperative to explore as intensely as possible the knowledge and attitudes of companies towards national climate policy aspirations. Based on the results of a large-sample company survey, this research report describes companies' climate attitudes, perceptions of past and planned investments, and drivers for decarbonisation.

## ‘Strict but effective’ – stated the companies about the state directives

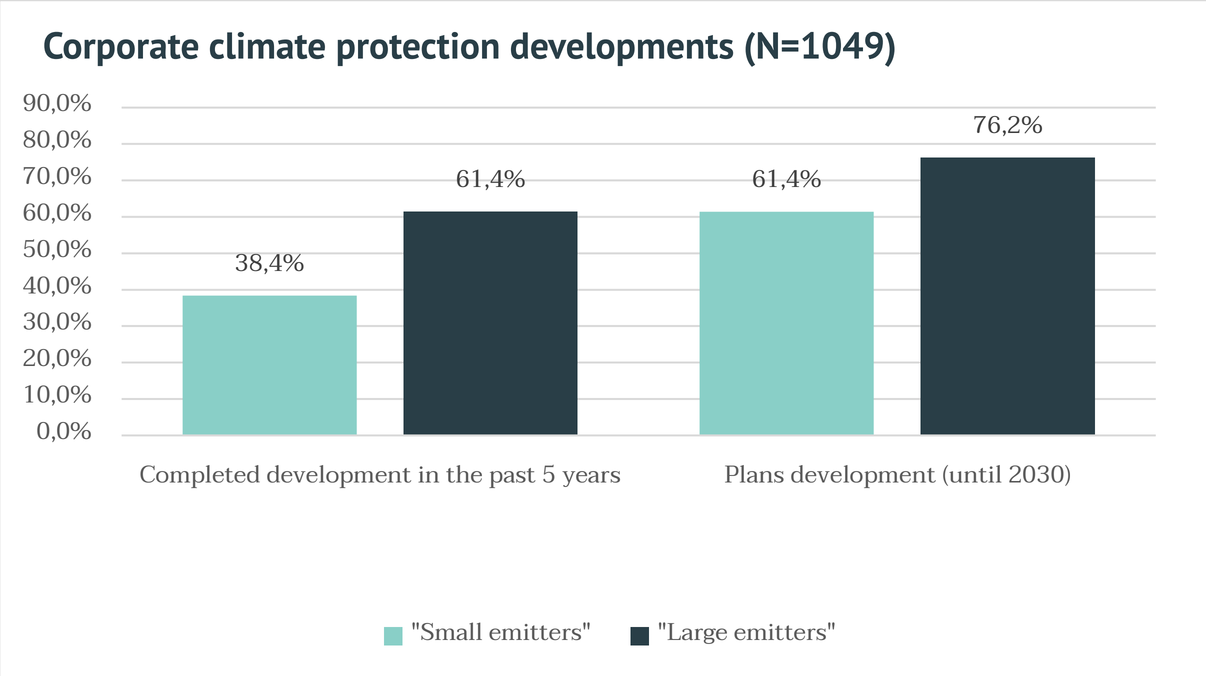
Two-thirds of the companies surveyed were aware of the national directives and generally had a positive attitude towards them. This number was even higher for companies with higher sales, more employees, and more energy use (more than 70 percent). In addition, these companies have already addressed a greater proportion of issues related to climate protection objectives (carbon neutrality, energy efficiency, renewables) in the implementation and planning of their investments, developments, and procurements than smaller players. Companies with higher sales and more employees (accounting for more than 60 percent of the sample) followed international news and articles about possible new policies and regulatory more frequently tasks. **Companies with higher sales and more employees saw the listed state guidelines as strict but also effective.**

The companies were as ambitious as the directives required them in terms of meeting the climate protection targets expected by 2030. The degree of ambition was examined in different areas. On average, more than 60 percent of respondents saw the solution in the transformation of production processes (technological developments) or the entire operation (infrastructure-based investments, integration of renewable energy sources). It was believed that meeting the carbon neutrality goals and guidelines goes beyond the company’s internal operations, but if the transformation was to begin, they would begin the change with their own processes.

## Technological development is the key to achieving climate protection goals

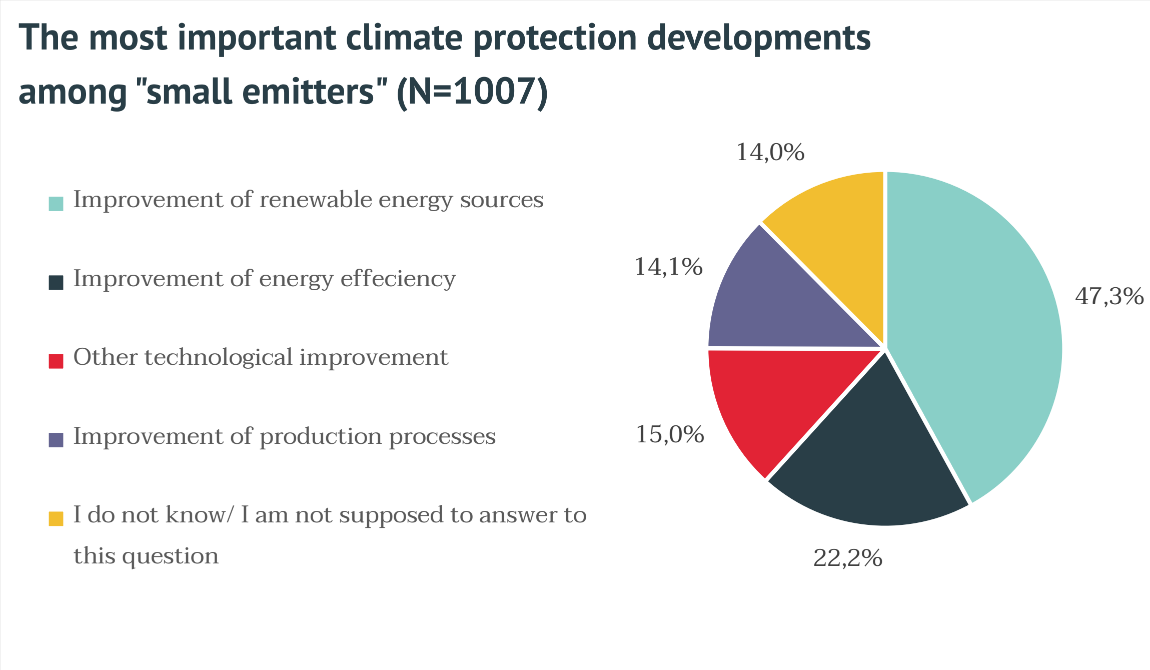
In the field of completed and planned climate protection developments, “large emitters” have been more active in recent years and will continue planning to make environmental investments in the future (see Figure). **Developments have been carried out and are planned mainly by firms with a higher number of employees, higher turnover, increased energy usage, and companies which are operating in the electricity sector (70**

**percent). Companies operating in the construction industry (69 percent) and other industrial sectors, as well as in the scientific sphere (65 percent), are planning developments, too.** In the case of "large emitters", actors in the agricultural and electricity sectors have stood out, but the construction industry also expects investments that are compatible with climate protection goals.




*Source: Szazadveg: Reaching carbon neutrality and related corporate expectations, opinions*

From their own point of view, companies considered the use of renewable energy sources to be the most important tool for achieving climate protection goals (see figure below). It is also important to improve energy efficiency (in the case of "large emitters", the order and proportions are reversed). Further infrastructure and technology investments are expected, especially for companies operating in the industrial sector.



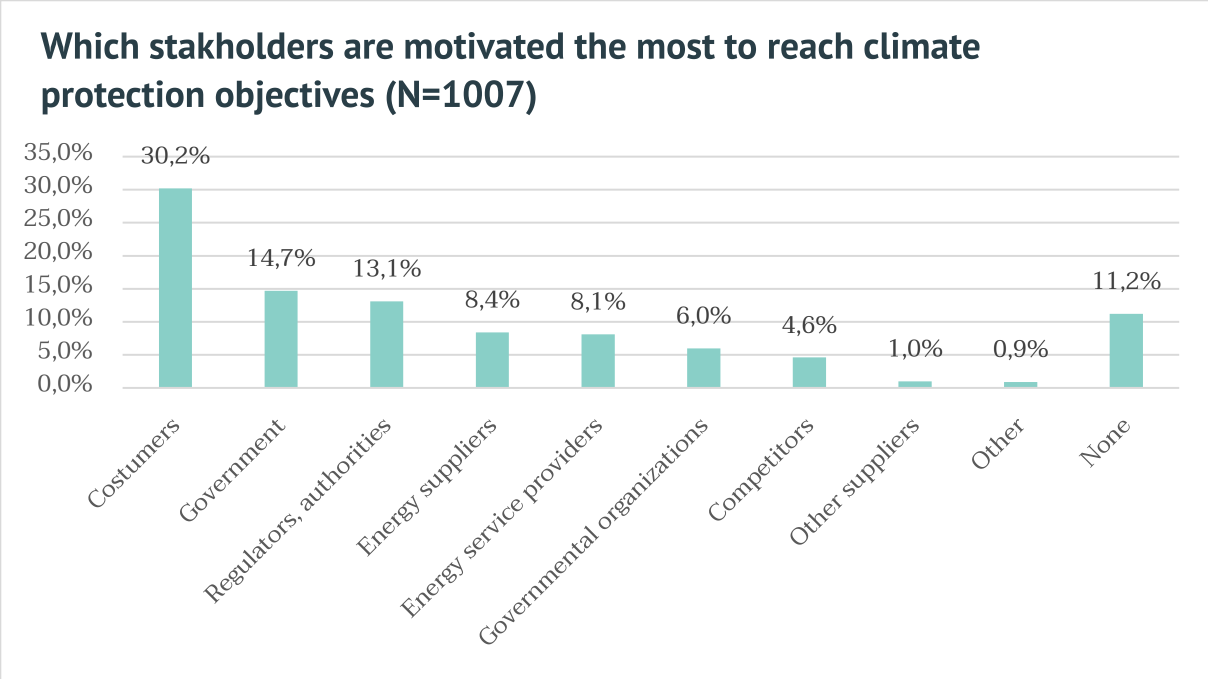

*Source: Szazadveg: Reaching carbon neutrality and related corporate expectations, opinions*

Companies in the agriculture and electricity sectors have planned to install the largest share of renewable energy capacities (more than 80 percent). **Solar panels were both the most popular existing (25 percent of companies) and planned (61 percent) assets in terms of investment.** Two-thirds of economic operators surveyed plan to install a renewable energy source, within five to ten years. As the sales and energy use of the surveyed companies increased, the proportion of companies that did not have renewable energy capacities gradually decreased. “Large emitters” saw the use of biomass as most favourable opportunity. Although the improvement of energy efficiency was not considered the most important area by the companies surveyed, almost everyone (93 percent) considers it necessary to improve this area to achieve climate protection goals. **For “large emitters”, improving production processes is a priority in improving energy efficiency. For “small emitters”, modernising buildings is the primary solution.** According to more than 70 percent of the respondents, the modernization of heating systems is the primary element to be developed in the case of building modernization, followed by the replacement of insulation and doors and windows. Two-thirds of the companies surveyed say that the most necessary element for the development of production is the modernization of production equipment. This is especially true for large industrial players, especially energy-intensive companies. Further developments focused mainly on improving lighting and machine replacements. A large portion of the "small emitters" (88 percent) did not **employ a dedicated energy-expert, however, the same proportion of "large emitters" did indeed employ such experts.**

One-fifth of the companies surveyed had electric cars, with nearly 30 percent planning to replace their fleet with electric propulsion ones over the next 15 years. 5.4 percent of "large emitters" had electric cars, compared to 24 percent of "small emitters". **Electric cars were owned more likely by companies employing 50-249 people with a turnover of less than HUF 3 billion and using more energy. These companies mainly operate in the construction and electricity sectors (about 40-40 percent).** At present, electric cars are popular with companies with higher sales and more employees, but in the future, small and medium-sized enterprises are planning such investments to a greater extent.

## Companies expect pressure from customers as well

About 60 percent of the companies' customers are mostly retail consumers, but so far it seemed that there wasn't enough pressure from these customers to change their activities. In the future, however, they are mostly expected to increase expectations that encourage the pursuit of corporate carbon neutrality. From a motivational point of view, one of the strongest incentives to achieve climate protection goals is if customers exert "green" expectations. In addition, the operators responsible for regulation (government, authority, other regulators) can well incentivise the achievement of climate protection goals. For the time being, the companies surveyed feel less pressure from general corporate suppliers.




*Source: Szazadveg: Reaching carbon neutrality and related corporate expectations, opinions*

In both groups, more than 40 percent of the companies surveyed saw regulators as the biggest barrier (complicated procedures, high expectations, infrastructural deficiencies) in meeting the targets. **A smaller company is more cautious about the actors in its immediate environment (customers, competitors), a larger one is more cautious about the complex business environment (regulators, service providers, public bodies).**

Respondents expect state and EU subsidies, programs, and tenders the most in terms of financing their energy efficiency developments. Among the activities to be encouraged, the respondents supported the exchange of assets and the refurbishment of real estate, while among the incentives, the introduction of tax benefits was supported by the respondents. **Most industries found the program to support the replacement of old energy-wasting devices effective.** Respondents were similarly positive about state support for the refurbishment of non-energy efficient properties, which was considered by more than 80 percent to be a well-executed program. To a slightly lesser extent (75 percent), but for the most part, respondents also considered it effective to provide tax incentives to support the modernization of non-energy efficient companies.

## Summary

Based on our surveys, it can be concluded that the **companies are generally familiar with the public carbon neutrality aspirations and goals** but smaller companies are less so than large ones. The companies also broadly support and agree with the government's regulatory efforts but consider it important to use the right incentives. Typically, companies expect financial support. Focused programs have also emerged as possible motivating elements, which may be aimed at further training or asset replacement. These motivating factors are considered important mainly because it is believed that development promoting climate protection will lead to a significant increase in costs.

From the results, it seems that the wide range and extent of incentives also determine the ambition of economic operators regarding the issue. "Large emitters" have been more active in climate protection developments in recent years and are expected to remain so in the future. In particular, larger operators were the ones who have made and are planning further improvements. The companies surveyed saw the solution in the development of renewable energy sources and energy efficiency investments in terms of achieving climate neutrality goals. The assessment of these areas depended on whether we were talking about a "small" or "large" company, and sometimes also on their scope or size (in terms of employment, sales, and energy use), as typically "large emitters" companies, electricity and construction companies, and larger "low-emitters" are more open to the issue of climate neutrality. The most popular renewable energy sources are solar panels and solar collectors among companies. They also support asset replacement and property refurbishment, as well as further infrastructure and technology investments, mainly in the field of industry, with which the companies surveyed can increase their contribution to meeting carbon neutrality targets.