

# DEVELOPMENT OF THE ENVIRONMENTAL SUBSIDIZATION IN THE EU AND HUNGARY\*

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## Abstract

*The recent study deals with the subsidy issues of environmental policy through the analyses of the problems of regulation in the EU and Hungary. Among economic regulators subsidies have got to the focus of literature analyses only recent days. From the perspective of subsidies the author is primarily concerned with direct subsidies but the broad range of indirect subsidies (tax allowances, tax exemptions) are also sketchily dealt with. The fundamental target of environmental policy is to decrease environmentally harmful activities and to subsidize environmentally effective activities. In order to reach this target the policy of the EU has a significant role, as the Hungarian domestic subsidy scheme is based on EU subsidies almost absolutely from the aspect of sources. The study gets to the conclusion, through the display of different subsidy forms, that no efficient environmental policy can be achieved without a properly regulated subsidy policy.*

**Keywords:** *environmental subsidy, financial subsidy, environmental policy, EU subsidy, budgetary policy, protection of environment.*

## 1. Introduction

Economics among other economic regulators dealt with the issue of environmental taxation a long time ago but subsidies just get in to the focus of analysis recently. An important principle of economics and environmental politics states that the polluter should pay<sup>1</sup> for the harm caused thus achieving social-economic optimum. In terms of economics a twofold problem emerges concerning the subsidies. It is the failure of the regulation if the polluting activity receives subsidies but also if such activities which produce positive externalities are not supported by the state with enough subsidies. So the basic aim of the environmental policy is the stopping of environmentally harmful subsidies and the providing of environmentally useful subsidies<sup>2</sup>. Particularly the environmentally harmful subsidies raise more problems in order to enforce an effective state subsidies policy from the aspect of achieving the aims of environmental policy<sup>3</sup>.

There are various forms of direct financial subsidies but the forms of indirect subsidies are almost inexhaustible. Such as the partial regulation, the insufficient control, tax exemptions,

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<sup>1</sup> About the principle, see Csilla CSÁK: Thoughts about the problems of the enforcement of the "polluter pays" principle, *European Integration Studies*, 2011/1, p. 27-35.

<sup>2</sup> Károly KISS: *Zöld gazdaságpolitika*, BKÁÉ, Budapest, 2005. p. 171-172.

<sup>3</sup> Károly KISS: *Tiltandó támogatások – környezetvédelmi szempontból káros támogatások a magyar gazdaságban*, L'Harmattan, Budapest, 2006. p. 13-17. The author approaches the environmentally harmful subsidies from the side of activity, in other words subsidies given to environmentally harmful activities are counted as environmentally harmful subsidies. About the EU's environmental policy, see CSÁK: *Environment Policy*. In: Zoltán ANGYAL (Ed.): *Public Policies of the European*, Editura Universitatii "Petru Maior", Târgu-Mureş, 2008. p. 143-147.

tax allowances, the undervalued usage of natural resources. The harmonization of the European Union took significant steps in this issue.

Therefore subsidy issues can be interpreted in an international, EU and national level.

The Hungarian subsidy system has a strong link with the European Union's subsidy system, because the European Union handles the issue of environmental protection with high priority and the subsidy programs available to Hungary grew considerably in number. Consequently the subsidies and improvements financed purely from Hungarian sources significantly decreased in number. The significance of environmental policy is more and more increasing compared to other EU policies and the rest of the EU policies are taking into consideration the environmental effects. The community's environmental policy fundamentally influences the environmental policy of certain Member States moreover numerous environment-related measures will not materialize without the Community's environmental regulation<sup>4</sup>.

## 2. The subsidy scheme of the European Union

The EU regulation<sup>5</sup> defines the concept of subsidy<sup>6</sup>. Those direct financial contributions are rated as subsidies that are allocated from the state's budget without valuable consideration (*quid pro quo*) and finances the functioning of such organizations which aim to help the achievement of the purposes of the European Union's certain policies or to serve a general European interest or to help the achievement of objectives of certain policies<sup>7</sup> of the European Union<sup>8</sup>. Jurisprudence uses broad construction to define the concept of subsidy since all economically esteemed benefits are listed under this conceptual range. Besides the direct subsidies the following are listed hereamong others: the usage of infrastructure with favorable conditions, loans provided with preferential conditions, lower taxes and tax reliefs<sup>9</sup>.

Subsidies can take 4 financial forms<sup>10</sup>:

- refund of specified proportion of the actually incurred, accountable expenses;
- lump sum, which covers the expenses of the enforcement of the measures or the expenses vital to the functioning;
- lump sum financing, which covers previously determined certain types of expenses;
- combined financing (combinations or connections of the previously mentioned forms).

<sup>4</sup> Ákos KENGYEL: *Az Európai Unió közös politikái*, Akadémiai Kiadó, Budapest, 2010. p. 306.

<sup>5</sup> About the EU's environmental law see Stuart BELL – Donald MCGILLIVRAY: *Environmental law*. Oxford University Press, New York, 2008, p. 170-221; Nancy K. KUBASEK – Gary S. SILVERMAN: *Environmental Law*. Pearson Prentice Hall, Upper Saddle River, 2008, p. 439-440.

<sup>6</sup> Zoltán NAGY: *A közpénzügyi támogatási jogviszony a közjogi és magánjogi szabályozás metszetében*, Publicationes Universitatis Miskolciensis, Sectio Juridica et Politica, Tomus XXX/2. (2012.) p. 342 cf. Zoltán NAGY: *Adó - és társadalompolitikai szabályozás hatékonysága a környezetvédelem területén*. Pázmány Law Working Papers, 2012/9 p. 1-9.

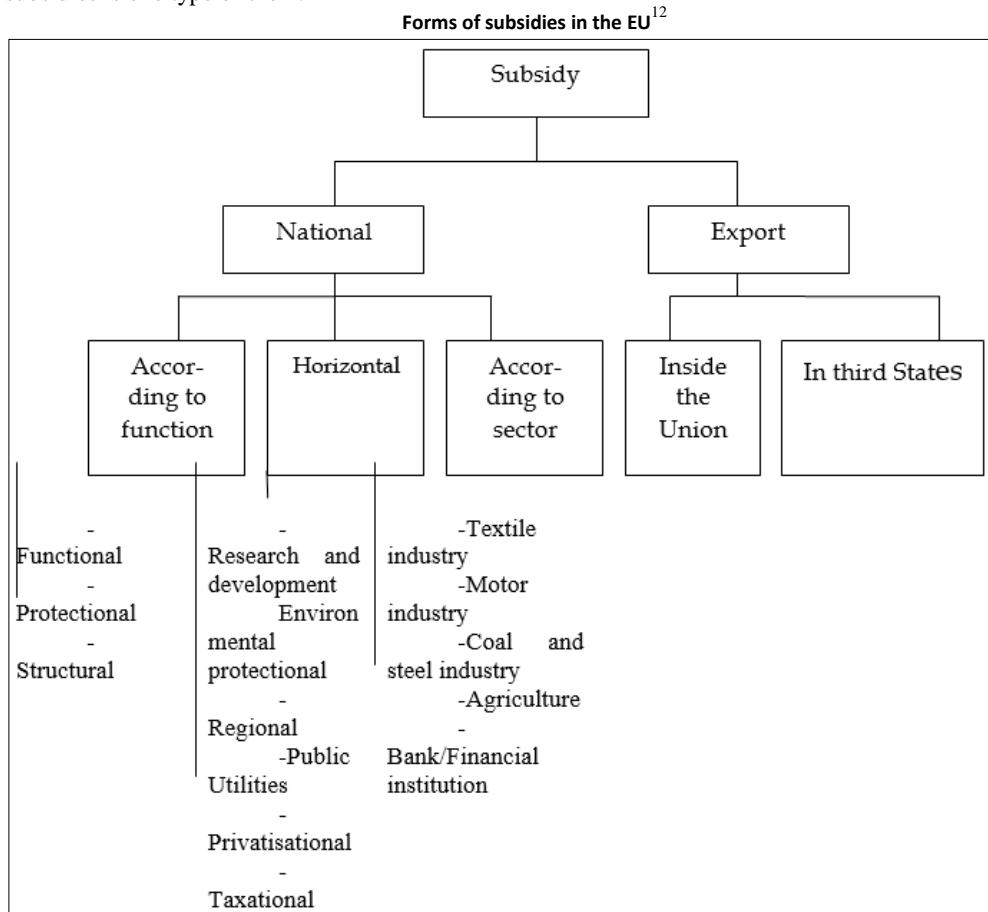
<sup>7</sup> See e.g. about the Common Agricultural Policy JACK, Brian: *Agriculture and EU Environmental Law*, Ashgate, Farnham, 2009, p. 91-108; János Ede SZILÁGYI: *Common Agricultural Policy*. In: Zoltán ANGYAL (Ed.): *Public Policies of the European*, Editura Universitatii "Petru Maior", Târgu-Mureş, 2008. p. 88-95.

<sup>8</sup> Zsolt HALÁSZ: *Az Európai Unió költségvetésének szabályozása*, PhD thesis, Miskolc, 2010, p. 161.

<sup>9</sup> KENGYEL (2010.): *op. cit.* p. 61-62 cf. István OLAJOS: *A közjogi szerződés, mint a támogatásokkal kapcsolatos jogalkalmazás egyik útja*, Publicationes Universitatis Miskolciensis, Sectio Juridica et Politica, Tomus XXX/2., Miskolc University Press, Miskolc, p. 503-514.

<sup>10</sup> HALÁSZ (2010.): *op. cit.* p. 161.

The European Union provides subsidies in various forms; the range of environmental subsidies is one type of them.<sup>11</sup>



Subsidies for the protection of the environment can be provided only if they are necessary for the protection of the environment and for the sustainable development on condition that, these subsidies have no disproportionate negative effects on the competition conditions and the development<sup>13</sup>.

One can differentiate between three kinds of environmental subsidies<sup>14</sup>:

- investment;
- horizontal;
- functional subsidies.

<sup>11</sup> Tamás KENDE – Tamás SZŰCS (Ed.): Bevezetés az Európai Unió politikáiban. KJK-Kerszöv. Kft., Budapest, 2005. p. 247 cf. István OLAJOS: Környezetvédelmi szempontok érvényesülése az agrártámogatásokban. In: SZILÁGYI (Ed.): Környezetjog II. volume, Ágazati környezetvédelem és kapcsolódó területei, Novotni Kiadó, Miskolc, 2008. p. 89-97.

<sup>12</sup> Source: Kende-Szűcs (2005.).

<sup>13</sup> KENDE – SZŰCS (2005.): cf. p. 279.

<sup>14</sup> KENDE – SZŰCS (2005.): cf. p. 279.

The investment subsidies have the biggest significance (investments to meet environmental standards, to encourage the usage of energy saving, renewable energy, to enhance the recultivation of polluted industrial areas, etc.)<sup>15</sup> The Member States exploit increasingly the EU regulations on state subsidies for environmental purposes. However it is important to highlight that a significant amount (according to estimations 53%) of state subsidies are among environmental tax exemptions<sup>16</sup>.

The subsidies for the protection of the environment went through a special pathway of development on the field of EU regulation and financing. The EU did not establish a separate Environmental Protection Fund but there were attempts to do so, these attempts failed in the beginning of the 1980's. According to literature the EU raised funds to two pillars of sustainable development but not for the third, protection of the environment. If every Member State had resources to handle environmental problems, there would be no need for such a fund. In financial management there is always few money, so the momentarily less painful topics are pushed into the background so as the protection of the environment. At the same time establishing such a fund would raise a problem, namely that the Member States would ensure the protection of the environment only to the extent of the EU sources<sup>17</sup>.

In the absence of an environmental protection fund, the EU uses to finance the protection of the environment the already existing funds such as the Regional Fund and the Cohesion Fund or rather special financial sources are also helping the protection of the environment such as the Solidarity Fund and the LIFE Program<sup>18</sup>. On the basis of the scale of environmental subsidies the history of regional policy can be divided into three phases<sup>19</sup>. Between 1957 and 1975 there were no environmental subsidies, at most in certain cases. From 1975 to 1993 environmental protection was financed by certain sources of the European Regional Development Fund. Serious steps were taken to finance the subsidies of protection of the environment since 1993, the first step of which was the establishment of the Cohesion Fund<sup>20</sup>. Nowadays the most significant sources of the subsidies are the Regional Fund and the Cohesion Fund. According to the Commission 10% of the Regional Development Fund and 50% of the Cohesion Fund were spent on environmental purposes. The Regional Fund aimed to finance several specific environmental investments but in many cases the projects, financed by the regional policy, which would not come true without this financial help are harmful to the environment (highway, infrastructural projects)<sup>21</sup>.

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<sup>15</sup> KENDE – SZŰCS (2005.): cf. p. 281.

<sup>16</sup> Euro Astra Internet Magazin 2008/05/21, [www.euroastra.info/mode/13187](http://www.euroastra.info/mode/13187). (08 07 2011).

<sup>17</sup> Ludwig KRÄMER: *Az Európai Unió környezetjoga*, Dialóg Campus Kiadó, Budapest-Pécs, 2012. p. 163 The EU established funds to economic problems (Agricultural Fund, Regional Fund, Cohesion Fund) and social problems also (Social Fund).

<sup>18</sup> János Ede SZILÁGYI: *Bevezető az Európai Unió gazdasági és társadalmi politikájába*. In: István OLAJOS (Ed.): *A gazdasági és társadalmi kohézió politikája az Európai Unióban és Magyarországon*, Novotni Alapítvány Miskolc, 2009. p. 7-42; see furthermore István OLAJOS: *Cohesion Policy*. In: Zoltán ANGYAL (Ed.): *Public Policies of the European*, Editura Universitatii "Petru Maior", Târgu-Mureş, 2008. p. 129-143.

<sup>19</sup> András KISS: *Az európai uniós környezetvédelmi támogatási rendszer értékelési módszertana a Magyarországi Kohéziós Alap projektek vizsgálata alapján*. PhD thesis, Budapest, 2009. [Kornygazd.bme.hu/doktori\\_ertekezes/Kiss\\_Andras\\_p.20-25\\_05\\_10\\_2012](http://kornygazd.bme.hu/doktori_ertekezes/Kiss_Andras_p.20-25_05_10_2012).

<sup>20</sup> KISS (2009.): op. cit. p. 26-40.

<sup>21</sup> KRÄMER (2012.): op. cit. p. 165 The decree on Regional Fund mentions the possibility to finance the fields of environmental projects, such as water supply, water and waste management, lagooning, preventing of desertification and the preventing and stopping of environmental pollution.

The Cohesion Fund did not work on the basis of programs until 2006 but provided funds for special transport and environmental related projects. Since 2007 it does not support projects but the Member States get subsidies for the enforcement of their own programs<sup>22</sup>. Literature shows us that the regional policy moves into a direction, where the Member States will get a lump sum of money and they decide how to use it according to the national priorities approved by the Commission, therefore the financing of the environmental policy depends on the place of its priority in the certain Member State's national policy<sup>23</sup>.

The Solidarity Fund was founded as a result of natural disasters in 2002. The aim of the Fund is to intervene in case of such natural or industrial disasters which has serious consequences on the environment or the economy<sup>24</sup>.

The subsidies financed by the Funds do not cover all fields of the protection of the environment that is why the EU founded a special financial measure with the aim to protect the environment within the framework of the LIFE program, which was established in 1992 in order to help the Member States' environmental activities. The LIFE+ program applies to the time period between 2007 and 2013 and it concentrates the subsidies first of all to three main fields<sup>25</sup>:

- nature and biodiversity;
- environmental policy and management;
- information and communication.

Public law and private law organizations and also private persons can have a share in the financial measures of the LIFE+ program. It aims to work out the Community's environmental protection policy and to enforce the Community's environmental regulations<sup>26</sup>. Literature mentions several problems in connection with the program. One of them is that the Member State are endeavor to share equally among each other the available sources, therefore the Commission do not have the option to define priorities for special projects<sup>27</sup>.

### 3. Environmental subsidies in Hungary

The question of the protection of the environment should play a more and more important role in the Hungarian system of public finances. The environmental policy is trying to give an answer to the problems emerged by the development of the professional policy, the legal and economical regulation, the policy of assistance or subsidy and the institutional conditions. This issue requires one the one hand independent public task supply and finance in the public finance management and on the other hand the environmental aspects of certain public tasks own bigger and bigger significance. Beside certain acts the former Constitution and the new Basic Law also creates the bases of environmental financing which clearly shows the significance of the protection of the environment<sup>28</sup>. The management of the public finances affects the

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<sup>22</sup> KRÄMER (2012.): op. cit. p. 165-166 The Cohesion Fund shall finance among other things the priorities designated to the Community's environmental policy. The author highlights the fields of energy efficiency, renewable energy sources and transportation methods. The Cohesion Fund's regulations are put down in the 1084/2006/EC and in the 1083/2006/EC regulations. László MIKLÓS (Ed.): A környezetjog alapjai, SZTE ÁJK JATE Press, Szeged, 2011. p. 47.

<sup>23</sup> KRÄMER (2012.): op. cit. p. 166.

<sup>24</sup> KRÄMER (2012.): op. cit. p. 164.

<sup>25</sup> László MIKLÓS (Ed.): A környezetjog alapjai, SZTE ÁJK JATE Press, Szeged, 2011. p. 45-46 The LIFE (2000-2006) finances were regulated by the EC Regulation 1655/2000, while the LIFE+ (2007-2013) was established by the EC Regulation 614/2007.

<sup>26</sup> MIKLÓS (2011.): op. cit. p. 45.

<sup>27</sup> KRÄMER (2012.): op. cit. p. 167.

<sup>28</sup> László FODOR: Környezetvédelem az Alkotmányban, Gondolat Kiadó, Budapest, 2006. p. 43; László FODOR – Ágnes BUJDOS: Right to Environment and Right to Water in the Hungarian

environmental management both on the field of public revenues (environmental taxes, other charges, fines etc.) and on the field of public expenditures (costs of specialised agencies, subsidies). Public revenues and public expenditures are closely related to each other as the scope of tax reliefs and tax exemptions are considered as state subsidy. Tax policy issues are closely related to support policy issues on the field of public revenues as environmental taxes provide sources to finance public expenses and subsidies.

The questions of subsidy policy can be interpreted on a central, governmental and local administration level. Both international conventions and the regulation of the European Union affect this field but the significance of the EU regulation is determinative in the Hungarian legislation. Among the two subsystems of the state finances – from the source aspect of subsidy policy questions – the significance of the central subsystem can be highlighted unambiguously. Of course the environmental management of local governments is not negligible but the local governments appear primarily as the users of environmental subsidies as the expenses of the maintaining and development of local protection of the environment and nature are financed from state subsidies and from their own revenues of which the central budgetary subsidies constitute a significant part<sup>29</sup>.

The management of state finances is realized through the state budget which reviews the system of public revenues and public expenditures in an annual breakdown. The significant part of environmental tasks can not be achieved through one budgetary circle that is why it is necessary to draw up a long-term purpose system which affects the budgetary policy and which will be materialized as a public task on an annual level in the all-time Act on the state's budget. Such proposal package is the National Environmental Protection Program which contains a long-term purpose system.

The National Environmental Protection Program III. (2009-2014) concentrates on the problem of sustainable development and systematizes the aims and tasks aiming at the protection of the environment. It points out that the isolated problems coming from the interference into the natural capital appearing only on a local or regional level became global problems and thus the coordination of the tasks of environmental policy is important on both national and international level.

In order to uphold sustainable development for the present and future generations the followings should be secured: the environmental conditions required for a reasonable human life and the opportunity to enforce the constitutional right for a healthy environment. Such a consumer culture should be constructed which would base on the economical use of the natural resources.

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Fundamental Law. In: Veronika GREKSZA (Ed.): Right to water and the Hungarian Protection of Fundamental Rights, University of Pécs Faculty of Law Centre of European Research and Education, Pécs, 2013, p. 52-59 (to appear); see furthermore Anikó RAISZ: A Constitution's Environment, Environment in the Constitution, Est Europa – La Revue, 2012/Special edition 1, p. 37-50; and CSÁK – RAISZ: Legal framework of environmental Law for agricultural production – Rapport national for Hungary, European Congress on Rural Law, 11–14 September 2013 Lucerne (Switzerland), p. 2-6, [http://www.cedr.org/congresses/luzern/pdf/Commission\\_II\\_Hongrie.pdf](http://www.cedr.org/congresses/luzern/pdf/Commission_II_Hongrie.pdf); and RAISZ – SZILÁGYI: Development of agricultural law and related fields (environmental law, water law, social law, tax law) in the EU, in countries and in the WTO, Journal of Agricultural and Environmental Law, 2012/12, p. 110-112; Marcel SZABÓ: The New Concept of the Constitutional Protection of Water Bases. In: Veronika GREKSZA (Ed.): Right to water and the Hungarian Protection of Fundamental Rights, University of Pécs Faculty of Law Centre of European Research and Education, Pécs, 2013, p. 14-18 (to appear).

<sup>29</sup> László MIKLÓS (Ed.): Környezetjog, SZTE ÁJK JATE Press, Szeged, 2008. p. 64 cf. János ZSUGYEL (Ed.): A közpénzügyek nagy kézikönyve, Complex Kiadó Kft., Budapest, 2009. p. 65.

The new program is dealing with the detailed analysis of the tax and subsidy policy on the field of environmental protection. It can raise problematic issues that the separation of the accounting and the targeted usage of environmental revenues is not fully guaranteed. The government is expending not in all cases the money coming from these revenues on aiding the renewal of renewable resources or the decreasing of emergent pollution. The program is evaluating the utilization of subsidies on the basis of the experiences and facts of the previous years. It can be stated that the efficiency of subsidies and its environmental achievements are barely known except of regional development subsidies. Literature also criticizes the efficiency of the subsidy policy. According to the literature subsidies are of low economical efficiency as the subsidies are bound to particular technologies and products so they do not generate interest towards other, more favorable solutions.<sup>30</sup> Another problem is that the subventions spent on the reduction of environmental pollution lead to the overproduction of the supported polluting product or stuff.<sup>31</sup> Moreover there are voices which claim that subsidies generate counter-selection in the long term, the interfering state causes the lagging behind of its economy<sup>32</sup>. Nevertheless the governmental environmental policy prefers subsidies.

The National Environmental Protection Program also points out the efficiency of the direct and indirect (tax reliefs, exemptions) state subsidies on the basis of the experiences of the previous time period. The program raises as a positive experience that the subvention of renewable energy sources on the field of primary energy sources (natural gas) resulted in savings and reduced the carbon dioxide emission. The usage of natural resources under their value or the absence of real pricing which is realized on the fields of energy subsidies, mining allowance discounts and agrarian subventions can be evaluated as a negative experience on the other hand. However the effects on environmental protection can be evaluated not only on the basis of such targeted subsidies but in general certain state subsidies have also environmental effects. State subsidies, given to investments (motor industry, electronics) connected to foreign working capital, are also have environmental effects which among economical and social effects are also important. On the one hand new investments introduce and spread economical and precise environmental management systems but on the other hand their area reservation, transportation demand and accelerated formation of waste materials have a negative effect on the environment.

The central budgetary policy essentially determines the framework of state and economic activities which have an effect on the condition of the environment. If the budgetary policy does not support with its specific instruments the regulation of environmental protection, alone it is not able to influence those state and economic activities which have an effect on the condition of the environment. Therefore the all-time state budgetary proposal has to take into account the viewpoints of sustainability, in order to make the budgetary policy greener it is necessary to accept and pass certain measures<sup>33</sup>.

“Series of green measures” in favor of the protection of the environment<sup>34</sup>:

- the budgetary subsidies of economical activities causing environmental pollution should be reduced, and ceased in the long run;
- environmentally positive activities should be aided (e.g.: brown field investments);

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<sup>30</sup> György HERICH: Nemzetközi adózás, Penta Unió Kft., Pécs, 2006. p. 484.

<sup>31</sup> Joseph E. STIGLITZ: A kormányzati szektor gazdaságtana, KJK-Kerszöv Kft., Budapest, 2000. p. 255.

<sup>32</sup> KENDE - SZÚCS (2005.): cf. p. 209.

<sup>33</sup> Dóra Ildikó CSERNUS: Ajánlások a költségvetéshez. In: A jövő nemzedékek országgyűlési biztosának beszámolója, Országgyűlési Biztos Hivatala, Budapest, 2010. p. 251-252.

<sup>34</sup> CSERNUS (2010.): op. cit. p. 253.

- the rates of value added tax and excise duty should be differentiated in the case of products with lower environmental loads (lower tax rate);
- the tax and contribution charges of work should be reduced;
- ecologically sustainable investments should be aided (e.g.: energy efficiency investments concerning buildings);
- revision of big state investments (e.g.: transportation investments);
- support of environmental research and development;
- increased protection of soil (raise of the contribution to land protection);
- greening of public procurement with the integration of an environmental criteria system.

Literature emphasizes that the green reform of the state budget, the greening of the budget must not generate new payment liabilities, the aim is the rearrangement of the revenue and expenditure appropriations of the budget in order to raise sources for the accomplishment of environmental programs without the raising of the state debt<sup>35</sup>. International experiences point out that economy activating packages of certain states handle the issue of environment as a strategic issue.

Long term environmental issues are materialized in the all-time act on the budget. The structure of public revenues and public expenses in the central budget shows us the budgetary appropriations concerning environment. It is very clear from the budget that the financing of environmental projects are done significantly from EU sources, compared to this the Hungarian subsidies are insignificant. The potential decrease or cessation of EU sources would further harden the maintenance of environmental tasks. In the future we have to reckon with the broadening of the tasks which will necessitate the redeployment of budgetary sources or the increment of environmental taxes. Both will force the makers of the budgetary policy and decision makers to face a different challenge<sup>36</sup>.

Environmental subsidies went through a specific development and were granted from various sources<sup>37</sup>. The Central Environmental Protection Fund (Központi Környezetvédelmi Alap) was one of these significant financial funds which functioned on the basis of the earlier regulation as an isolated national fund. Product fees and various environmental fines meant the income of the Fund. The Fund ceased to exist as an isolated national fund in 1999 and the environmental target appropriation took over its place from which investments, programs, activities, measures aiming the protection of the environment and the nature were financed. The Water Management Fund (Vízügyi Alap) was founded as an isolated national fund to support water management tasks which was also ceased in 1999 and the water management target appropriation took over its tasks. The income of water management authorities became the revenues of the Fund and the target appropriation, the main part of these revenues were used on tender support. The central government also provided sources for the local governments to perform their environmental tasks. Tied subsidies, targeted subsidies and subsidies connected to waste management served as such among others. In target subsidies the fields of investments connected to drinking water, sewage investments, development of sewage system and waste management were emphasized over the years according to the varying target marking. Currently among the targets of the earmarked subsidy system we can find no environmental investment at all. The local self-governments received sources from the target subsidies for environmental purposes on the fields of sewage system investments, supply of drinking water, investments on

<sup>35</sup> CSERNUS (2010.): op. cit. p. 253.

<sup>36</sup> József FEILER: Az éghajlatváltozással kapcsolatos teendőink. In: A jövő nemzedékek országgyűlési biztosának beszámolója. Országgyűlési Biztos Hivatala, Budapest, 2010. p. 250.

<sup>37</sup> KISS (2009.): op. cit. p 47-66 The presentation of the historical evolution is based on the dissertation.



the improvement of the quality of the drinking water. The most significant sums for these purposes have been spent on them in between 2002 and 2006. The subsidies given to aid waste management have been spent on the development of the settlement's solid waste public services. The subsidies meant a bigger amount of sources between 2001 and 2006 but from 2007 the central budget provided no source for these purposes.

Literature raised several problematic issues in connection with the domestic environmental subsidies which point out the confliction of the practice of subsidy providing<sup>38</sup>:

- different system of criteria in tendering;
- absence of the coordinated usage of the sources;
- absence of endorse of environmental efficiency;
- shortcomings in the examination of economical efficiency;
- no control system was formed;
- there is no efficient monitoring system.

The utilization of the European Union's subsidy sources – shaped to the budget of the EU – is planned to a 7 years long period of time. Hungary with joining the EU became the participant of these programs. The purposes and programs along which the subsidies will be used were set out in the National Development Plan II., the New Hungary Development Plan and today it is set out in the New Széchenyi Plan.

The strategic aims of the plan<sup>39</sup>:

- the formation of a solidary and coherent society;
- the improvement of the competitiveness of the country;
- the strengthening of the knowledge-lead and reviving society;
- enforcing the principle of sustainable development.

The last strategic question is in the same time the horizontal EU principle on environment which main point is that in the process of awarding the subsidies the environmental considerations have to be endorsed.

The environmental objectives of subsidy policy:

- environmental considerations have to be incorporated in the process of decision making;
- the appropriate balance between the satisfying of human needs and the feasible environmental status have to be guaranteed;
- natural resources have to remain useable for a long time
- the protection of the existing natural resources;
- ensuring healthy environment for communities.

Besides securing the environmental aspects of subsidy policy, environmental purposes were formulated as concrete programs. The New Hungary Development Plan (Új Magyarország Fejlesztési Terv) launched development programs on both national and EU level on 6 highlighted areas (economic development, transportation development, environmental and energetic development, social renewal, regional development, state reform)<sup>40</sup>.

The New Széchenyi Plan also covers 6 areas (healthcare industry, greeneconomic development, enterprise development, science-innovation, employment, transportation development). The greeneconomic development program marks multiple fields among its development purposes such as campaigns encouraging sustainable life-style, recultivation of

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<sup>38</sup> KISS (2009.): op. cit. p. 58.

<sup>39</sup> ZSUGYEL (2009.): op. cit. p. 954.

<sup>40</sup> ZSUGYEL (2009.): op. cit. p 954.

local solid waste dumps, environmental development, environment related information technology development and regional development based on renewable energy.

Primarily the Environment and Energy Operative Program (Környezet és Energia Operatív Program) is concerned with subsidy issues<sup>41</sup> which contains in a long term (7 years) strategic document the evaluation of the environmental conditions, the direction of development, the analyses of the necessity for investments and the coordination of the EU subsidy policy. The program is materialized in action plans for two years period, as these action plans constitute the basis of the tenders.

It is the general purpose of the EEOP (KEOP) to enhance sustainable development with a more efficient, ecological usage of the natural resources and with solving environmental protection water management tasks<sup>42</sup>.

The strategic purposes of the EEOP (KEOP):

- strengthening the protection of the environment through certain water management tasks concerning the protection of the environment;
- development of environmental infrastructure taking into consideration the objectives of sustainability;
- efficient and ecological usage of the natural resources;
- the protection of natural and cultural heritage of underprivileged regions<sup>43</sup>.

The program determines the main guidelines for development as priority axes. The program comes into being on the basis of the before mentioned guidelines by tender invitations.

The earlier occurred natural disasters and scientific researches also drew attention on the climate changes. The topic got to the focus of international climate summits and conventions and thereby the emission of gases responsible for the greenhouse effects which are regarded as the main reason for the changes. In this way in both international and national level measures shall be taken in order to protect the climate and to reduce the emission of gases responsible for the greenhouse effects.

Those states that possess quota surplus are authorized to realize the non-used parts of their quota according to the 17. Article of the Kyoto Protocol on international emission trade.<sup>44</sup> The main point of the Green Investment Scheme (GIS) is that the revenues coming from the sale of quote surplus should be spent on measures protecting the climate and by this achieving supplementary emission reduction<sup>45</sup>. The GIS is the first instrument of the domestic climate policy which is born not because of the burden of reception of the EU regulations but it is a fully domestic initiative<sup>46</sup>. The GIS was established among the firsts in 2008 in Hungary and because of the accurate quota management the environmental diplomacy could have accounted 28 billion

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<sup>41</sup> 36/2012 (VI.8.) NFM rendelet a Környezet és Energia Operatív Program prioritásaira rendelt források részletes szabályairól és egyes támogatási jogcímeiről.

<sup>42</sup> See e.g. SZILÁGYI: Water public utilities and the legal provisions on price of water, *Journal of Agricultural and Environmental Law*, 2012/13, p. 92-94; and SZILÁGYI: Affordability of drinking water and the new Hungarian regulation concerning water utility supplies. In: Veronika GREKSZA (Ed.): *Right to water and the Hungarian Protection of Fundamental Rights*, University of Pécs Faculty of Law Centre of European Research and Education, Pécs, 2013, p. 84-94 (to appear).

<sup>43</sup> About the international relevance of common heritage see e.g. RAISZ: Water as the Nation's Common Heritage in the Frame of the Common Heritage of Mankind. In: Veronika GREKSZA (Ed.): *Right to water and the Hungarian Protection of Fundamental Rights*, University of Pécs Faculty of Law Centre of European Research and Education, Pécs, 2013, p. 95-96, 99-103 (to appear).

<sup>44</sup> Judit BARTA – Miklós HEGEDŰS – Zoltán SZABÓ: *Kvótagezárdálkodás Kopenhága után*, GKI Energiakutató Kft., Budapest, 2010. p. 13.

<sup>45</sup> BARTA – HEGEDŰS – SZABÓ (2010.): op. cit. p. 19.

<sup>46</sup> CSERNUS (2009.): op. cit. p. 260.

forints income on behalf of the budget. The purposes and the concrete materialization of the Program happen through the tender scheme within the framework of subroutines. It deploys the focus on the energy efficiency of buildings which is because of the carbon dioxide emission related to buildings gives 30% of the total domestic emission<sup>47</sup>.

Literature raises critical voice<sup>48</sup> in connection with the GIS but the start of the program should be evaluated positively and the quota management became an important element of the scheme of subsidy policy.

#### 4. Summary

The efficiency, social and economical necessity of environmental subsidies divide professionals working in the scientific and practical area. Indeed, more problems occur in connection with subsidies, in this way on the field of environmental subsidies also. In favor of sustainable resource management it is inevitable to reduce the usage of energy and the increase in the usage of alternative energy sources. Of course the best energy is the one which is not used, namely that energy saving has key importance. The forming and development of such a scheme on a significant level is unimaginable without the effective and powerful contribution of the subsidy policy, particularly there where the population is not able to reach such an outcome on its own.

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