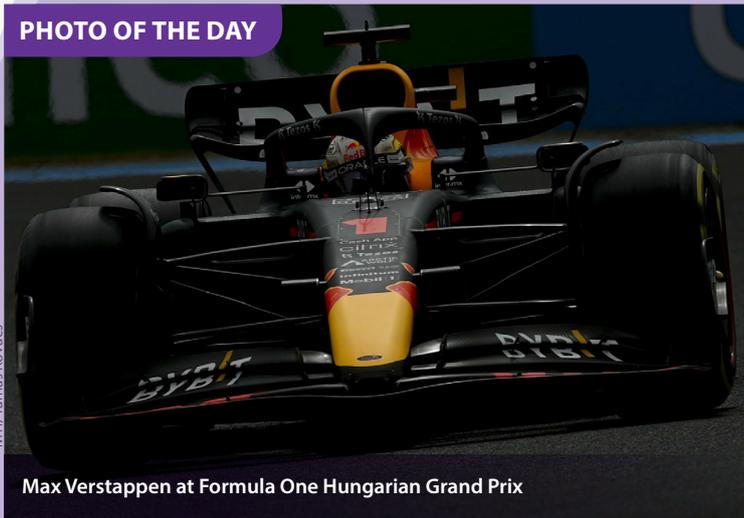


## PHOTO OF THE DAY



MTI/Tamás Kovács

Max Verstappen at Formula One Hungarian Grand Prix

## UPCOMING EVENTS

**War in Ukraine**

**Presser on Aug 20 national holiday celebrations**

**Stats office second estimate for foreign trade in May 2022**

## TOP STORY

### ELIGIBILITY FOR CAPPED FUEL PRICE LIMITED

Hungary's government has decided to restrict the fuel price cap of 480 forints (EUR 1.19) per litre to privately-owned vehicles, farm machinery, tractors and taxis, at the recommendation of oil and gas company MOL, the prime minister's chief of staff said on Saturday.

Gergely Gulyás told a regular press briefing that MOL's main refinery in Százhalombatta, near Budapest, which covers 100% of Hungary's fuel needs and refines Russian crude, has had to be shut down for maintenance work. Hungary will now have to source its fuel supply from imports and by freeing up one quarter of the country's strategic reserves, he said.

Whether a vehicle is eligible for the capped fuel price will be determined based on the barcode on its registration licence, he said. As hitherto, the market price applies in the case of vehicles of over 7.5 tonnes with Hungarian license plates and vehicles with foreign license plates, as well as fuel cans.

Gulyás noted the war in Ukraine and the related sanctions had buckled Europe's energy supplies, with the price of crude and natural gas skyrocketing.

There are no guarantees, he added, that crude deliveries would be continuous in the autumn and winter, so releasing the entire strategic reserves was off-limits, and only as much as there is a "real chance" of replacing in the next six to nine months could be freed.

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## **GULYÁS: RESERVES TO BE COMPLEMENTED WITH IMPORT**

The quarter of strategic crude reserves and MOL reserves would only satisfy a portion of domestic needs, so the rest must be covered by expensive imports, Gergely Gulyás, the prime minister's chief of staff, told a regular press briefing on Saturday. From December, refined diesel cannot be imported from Russia since it is covered by the EU embargo, he noted. Remaining reserves are only sufficient for residential consumption, he added.

Gulyás said the Hungarian Petroleum Association on July 27 told the government that imports had dropped significantly, and he mentioned high prices and problems with Austria's Schwechat refinery which hampered procurement. Low water levels along the River Danube is also constricting the imports of fuel by barge, he added. It is not known how long the Százhalombatta refinery will be shut down, Gulyás said, explaining that restarting the plant was a complicated process prone to errors, but MOL was keeping the government informed of progress. Fully 155 kilotonnes of diesel -- 184 million liters -- will be released in August, he said, 38% of strategic diesel reserves.

Meanwhile, the PM's chief of staff said it would be clear that Europe is switching to a wartime economy if the European Union declares an energy emergency. Gulyás said such

an eventuality would unmask the bad faith of politicians who have claimed that the war would have no effect on Europe. Such a crisis would present difficulties for households and could push the European economy into recession, he said.

Gulyás noted that Hungary did not vote for the EU mandate to reduce gas consumption by 15% but the country would be forced to comply with it nonetheless. This, he added, was achievable. All opportunities for replacing gas should be considered for implementation in both the short and long run, he said. "It's definitely worth escaping from [reliance on] gas." Gulyás said prices above 200 US dollars per barrel would severely dent Europe's competitiveness globally, while signs of a swift end to the war in Ukraine were few and far between.

He said Hungary's government body for handling the energy emergency was drawing up measures such as increasing lignite production and restarting the mothballed blocks of the Mátra Power Plant. The government has decreed that firewood can only be taken out of the country with a permit, and forestry managers have been ordered to increase production.

## **GULYÁS: TALKS UNDER WAY ON EU-HUNGARY AGREEMENT**

The prime minister's chief of staff said that talks are under way on a daily basis about an agreement with the European Union. Gergely Gulyás said

there were no significant professional disputes between the two sides and the European Commission was trying to achieve an agreement that it could politically represent in other European forums. The sides will be able to reach an agreement on certain matters very soon but there are some details that still need to be clarified, he added.

It has been agreed that teachers' wages will be increased to 80% of the average wage for degree holders by the end of the current EU financial framework, he said, urging left-wing MPs and MEPs not to make efforts to prevent the increase in teachers' wages.

Gulyás welcomed a recent report by the OSCE which he said essentially established that the parliamentary elections in Hungary had been held at a high standard, in a free, democratic and fair manner.

The prime minister's chief of staff also said that there were some 2,000 human smugglers in prison in Hungary, 88% of whom are foreigners and 97% male. Hungary's prison capacities are sufficient but such inmates pose a great burden on the country therefore their expulsion is a preferred choice, he added.

Government spokeswoman Alexandra Szentkirályi said that 860,000 refugees had arrived in Hungary so far fleeing from the war in Ukraine, some 27,000 applied for and 23,000 were granted refugee status.

In response to a question, Gulyás said a visit by Foreign Minister Péter Szijjártó to Ukraine was not on the agenda.

Commenting on a speech by Prime Minister Viktor Orbán at the Băile Tuşnad Summer University a week ago, he said the position of the prime minister and his government concerning migration had been well-known for years and the speech addressed cultural differences.

Concerning the recruitment of “border rangers” to protect the Schengen borders, Gulyás said over 6,000 people have expressed interest so far. The interior ministry has envisaged to set up a 2,200-strong force by September which will later be expanded to 4,000, he said.

Gulyás said that at recent talks between Orbán and the Austrian chancellor, the protection of the EU’s external borders was a highlighted topic. Austria has offered help for the protection of southern borders, he added. It was agreed that the two countries’ prime ministers would meet the Serbian president in the coming weeks, he said. It is a problem, however, that Slovenia’s new left-wing government had immediately started dismantling the fence along the Croatian border, Gulyás said.

Asked if the government plans to grant families further assistance in terms of utility prices, Gulyás noted that families with three children were eligible for an additional 600 cubic metres of gas at preferential prices and 300 cubic metres after each further child. Gulyás said Hungary’s gas storage facilities were filled up with 3 billion cubic metres, corresponding to half of their capacities. If they are totally

filled up, the total amount will cover residential consumption up until next April, he said.

In reply to a question, Gulyás said that the price of gas is 2.68 eurocents in Hungary, as against 23.78 eurocents in Sweden and 23.19 eurocents in the Netherlands. While an average German family pays 1.4 million forints (EUR 3,460) a year for gas, the corresponding figure is 200,000 forints in Hungary, the prime minister’s chief of staff said. Asked about what has changed in the gas market, Gulyás said that inexpensive Russian gas is no longer available. Although the new agreement concluded with Russia is more favourable than the previous one, the Hungarian government, as it did in the past, will not disclose further details, he said. Asked about taxi drivers, Gulyás said that if they were obliged to pay the market price for petrol or diesel, their fares would go up by 60% immediately.

### **GULYÁS: HUNGARY, POLAND PARTLY DISAGREE OVER UKRAINE WAR**

Concerning Polish Prime Minister Mateusz Morawiecki’s recent statement that Hungary and Poland are making different approaches to the war in Ukraine, Gergely Gulyás, the prime minister’s chief of staff, said that both countries had condemned the Russian aggression, the violation of an independent nation’s sovereignty by the armed

forces of another country. Hungary has also expressed solidarity with and assisted refugees arriving from Ukraine, he added.

It is a matter of debates with Poland, however, whether arms deliveries are prolonging the war or helping Ukraine restore its territorial integrity, he said. Asked if Ukraine should relinquish some of its territories to Russia, Gulyás said, “we do not want to make a statement in what is an Ukrainian affair”.

However, if someone considers the progress of war, it makes no sense cherishing illusions, Gulyás said, adding that the position of several western politicians that Ukraine should win the war might be morally correct but there is no real chance for such a victory.

Asked about shortage of manpower in health care and education, Gulyás said that the number of physicians had increased by 7,000 since 2010. There might be shortages in some areas but in general the medical profession is staffed properly, he said. As for teachers, Gulyás suggested lifting the restrictions for their employment over retirement age.

Concerning the infringement procedure the European Commission launched against Hungary, saying that banning the access of foreign motorists to fuel at the capped prices available for Hungarians violated the EU principles of free movement and single market, Gulyás said the government would reply to the EC within two months, by deadline.

In reply to a question, the prime minister's chief of staff said that the Budapest stadium to host the 2023 World Athletics Championships would be completed in time, within the budgeted costs.

## **OPPOSITION PARTIES SLAM GOVT DECISION ON CAPPED FUEL PRICES**

The opposition parties said on Saturday that the government's latest decision "to partially withdraw" capped fuel prices represented a severe hit on small businesses, an additional step that boosts inflation and a move away from green solutions.

The Democratic Coalition (DK) said in a statement that ruling Fidesz was gradually withdrawing from more and more drivers the possibility of buying cheap fuel. "This will continue until so few drivers are eligible to buy fuel at the regulated price that the scheme can be cancelled without anyone noticing," it added. "First, over 12 years, they brought Hungary to ruin, then lied to the whole country before the election and since then, they have been introducing austerity measures, raising taxes, utility fees and fuel prices, making people pay for the consequences of their government," DK said.

Jobbik said the decision was a severe hit on small businesses whose operation had already been hampered by decisions in recent weeks. The government allowed only a few hours for small businesses

to prepare for having to pay market prices at the petrol station, it added. Jobbik reiterated a party proposal to waive VAT on utility fees, provide direct support to those that suffered from recent changes to the itemised small business tax KATA and utility fees, offer preferences to families with one and two children and extend the cap on utility fees to small businesses.

Párbeszéd said in a statement that the partial withdrawal of fuel price caps would result in more expensive transport costs and businesses' increased costs will be transferred to consumers.

Momentum proposed reducing road tolls affecting transporters. "It could reduce inflation running amok so as to prevent the brutal petrol price increases from resulting in brutal food price increase," the party said.

LMP said the decision was proof that Fidesz had "an aversion to green solutions". Hungary's dependence on fossil energy is the result of 12 years of faulty government policies, it added. The party slammed the government for its refusal to comment on its proposal to introduce a monthly 5,000 forint (EUR 12) pass for all means of public transport.

## **HERNÁDI: HUNGARY COULD FACE FUEL SUPPLY PROBLEMS WITHOUT IMPORTS**

Zsolt Hernádi, the chairman-CEO of Hungarian oil and gas company

MOL, on Friday said he informed the government of possible motor fuel supply problems without support to bring imported fuel to Hungary. If the government's price caps on fuel remain in place in their current form, there will be no fuel imports coming in to Hungary, Hernádi told the press after meeting Antal Rogán, the head of the cabinet office, and Gergely Gulyás, the prime minister's chief of staff.

This is important because Hungary is facing a shortage of diesel, and MOL's refinery in Százhalombatta, near Budapest, is unable to satisfy domestic demand even under normal circumstances, Hernádi said. But, he added, MOL will have to close the refinery for scheduled maintenance work on Monday, which the company could no longer postpone. Hernádi said the government had acknowledged his briefing.

He said he had asked the government to make a decision on the matter as soon as possible. Hernádi said he believed the government should enact measures aimed at narrowing the base of beneficiaries of the price caps so that fuel traders will find it worthwhile to bring diesel to Hungary.

Hernádi also noted the extraordinary circumstances in Hungary's neighbourhood like the war in Ukraine, Austrian peer OMV's refinery in Schwechat being shut down since May, and last week's unexpected shutdown of one of Czechia's two refineries.

## **SZIJJÁRTÓ: ‘ONLY PEACE CAN OFFER SOLUTION’**

“Only peace can offer a solution to all aspects of the tragic situation” that developed as a consequence of the war in Ukraine, Foreign Minister Péter Szijjártó told an event organised by Mathias Corvinus Collegium (MCC) in Esztergom on Saturday.

Szijjártó told MCC Feszt in a speech broadcast on Facebook that the war had a profound effect on the manoeuvring space, the domestic policy and the foreign policy of every country, including Hungary. Hungary condemns military aggression and “stands on the side” of the victims, also supporting Ukraine’s territorial integrity, he added.

At the same time, Szijjártó said the Hungarian government had the greatest responsibility for the Hungarian people and must by all means prevent the country from getting involved in the war. The cabinet must not allow Hungarian people getting forced to pay for the price of the war, he added.

Relations with Russia must be maintained even in the current situation partly because the vicinity of Russia is a reality in central Europe and also because cutting communications channels would only hinder the possibility of finding a diplomatic settlement, he said. In the long term, only a Russian-American agreement could guarantee the end of the war, he added.

Szijjártó said that energy supplies were not an ideological-philosophical matter but “hardcore physical reality”. Europe’s annual natural gas demand is 170 billion cubic metres and within that Hungary’s demand is 8.5 billion cubic metres a year, he said. Acquiring this volume is impossible without the involvement of Russian energy sources, he added.

Szijjártó said his response to opposition journalists accusing him of being friendly with Russia was “what are we going to use for heating in the winter if I don’t buy gas from the Russians”?

He said that Hungarian gas storage capacities were 30% full which was better than the European average but the cabinet must buy an additional 732 million cubic metres of gas. Szijjártó added that “Hungary will have no problem with natural gas supplies in the winter”. Hungary is getting 89% of the contracted volume of gas thanks to the fact that three-quarters arrive from Serbia and only one quarter from Austria. From the southern direction, Hungary will receive “every molecule” of gas, he added.

Szijjártó condemned the European Union’s sanctions policy, saying that it had caused more harm to European countries than to Russia. He reiterated that instead of sanctions, the EU should be focusing on peace and welcomed recent talks between the American and the Russian foreign ministers. Szijjártó criticised plans for the EU’s common foreign policy to change the rule

that instead of unanimity, majority support should be sufficient.

Commenting on Hungary’s refusal to support the introduction of a global minimum tax, he said that by introducing it “Europe would kill off its own continental economy and take away Hungary’s advantage in the competition”. He added that tax policy belonged to national competence and “we must not allow” impairing this.

Concerning Transcarpathia, he said the issue of past Ukrainian decisions that had a negative effect on the ethnic Hungarian community and were condemned by Hungary has been put on hold during the war. Hungary must continue supporting Transcarpathia and Ukraine as a whole, he added. He noted that 860,000 refugees had arrived from Ukraine so far in the largest humanitarian scheme in Hungarian history and praised good relations with the governor of Transcarpathia Viktor Mikita.

Commenting on Hungarian-US relations, he said relations were always qualitatively different between Hungary and the US when the latter had a Republican president. Relations were best during the presidency of Donald Trump, he said and added that the Republican majority victory expected at the US midterm election in November will bring a new era in bilateral relations.

Gulyás expressed resentment about remarks by US ambassador nominee David Pressman made at his hearing in front of Senate stating that democracy was in decline in Hungary.

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## **HUNGARIAN, LITHUANIAN DEFENCE MINISTERS HOLD TALKS IN VILNIUS**

Hungarian Defence Minister Kristóf Szalay-Bobrovniczky held talks with his Lithuanian counterpart Arvydas Anusauskas in Vilnius on Saturday.

Now that both countries have first-hand experience of the severity of the Russian-Ukrainian war, solidarity between the NATO member states has become a “top priority”, Hungary’s defence ministry quoted Szalay-Bobrovniczky as saying. In this spirit, Hungary’s Gripen fighters are patrolling Lithuania’s airspace for the third time, the minister said, adding that his Lithuanian counterpart has expressed thanks for this contribution.

The two ministers agreed that the Madrid NATO summit had passed “historic decisions” and that both countries should continue to develop their armed forces to consolidate NATO’s eastern wing.

They agreed that illegal migration was posing a serious challenge to both countries. Szalay-Bobrovniczky invited Anusauskas to Hungary to share their experience in border defence.

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## **GOVT OFFICIALS DISCUSS ENERGY, ECONOMY WITH GERMAN BUSINESS REPS IN HUNGARY**

Top government officials met representatives of German businesses in Hungary to discuss energy and

economy-related issues in Budapest on Friday, the German-Hungarian Chamber of Industry and Commerce (DUIHK), which hosted the event, said in a video posted on Facebook after the meeting.

In the video, Gergely Gulyás, the prime minister’s chief of staff, underscored the importance of a continued dialogue between the government and representatives of German companies operating in Hungary, which he said created an opportunity “to help one another” and “clarify any differences of opinion that might arise”. Gulyás said the meeting also created an opportunity “to employ the best practices in as many areas as possible”, as well as create “an economic environment that is attractive to further German investments”.

The current European crisis calls for common solutions that allow Hungary to remain an attractive investment environment, Gulyás said. He said common solutions must be found also to ensure secure energy supplies and allow companies that “have spent a substantial amount of money” in Hungary over the past years to continue “to operate profitably” in the country, Gulyás said.

László Palkovics, the technology and industry minister, said they informed their German partners about “how the energy situation concerning the areas of electricity, gas and renewable energy sources may develop in Hungary in the coming period”. The German

partners were also briefed about the possible impact of “the various devised scenarios” on the Hungarian people and industrial companies, including German-owned ones.

DUIHK president András Sávós said it was “reassuring” for their members to learn that the Hungarian government has drafted several scenarios on measures it may take depending on how the situation develops in the energy sector. “We discussed energy and economic issues at the meeting which we held in a good atmosphere,” he said.

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## **FINMIN: BUSINESSES TO HAVE OPTION OF PAYING TAXES IN EUROS, US DOLLARS**

The government has decided to give companies operating in Hungary the option of paying their corporate and business taxes in forints, euros or US dollars, the finance minister said on Saturday. The new regulation could help streamline tax administration for businesses that generate some or all of their revenues in foreign currency, Mihály Varga said on Facebook. The option of paying taxes in euros or dollars will be available to all companies, the minister said. While the change will reduce administrative burdens, tax revenues will keep flowing into the treasury, and the budget balance will remain stable, he said.

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## **GOVT MEASURES TO HELP FARMERS HIT BY DROUGHT**

The government has ordered a moratorium on the repayment of agricultural businesses' investment and working capital loans effective September 2022 until the end of 2023, the minister of agriculture said on Sunday.

István Nagy said on Facebook that the decision had been made on the initiative of the operative body in charge of making proposals for central measures to tackle the impacts of the current droughts. Farmers will get to decide whether they use the opportunity or not, he added.

Additionally, animal breeders will be offered a total of 3 billion forints (EUR 7.5m) support for the acquisition of animal feed, he said. State-owned irrigation facilities will get 1.4 billion forints extra support to pay their increased energy costs, he added. Farmers will again get the opportunity to submit requests for extraordinary water demands and the authority will automatically approve them, Nagy said. Insurance companies will offer fast-tracked assessment and pay the compensation for damage caused by the drought within 14 days, he added.

Nagy said the drought resulting from a shortage of precipitation since

last autumn has caused a 25% drop in wheat harvest and destroyed a significant part of maize in eastern and central Hungary. The operative body has been monitoring the situation, also accepting proposals from farmers for ways to tackle the situation in the short, medium and long terms, he said.

The opposition DK on Sunday called on the government to provide 500 billion forints in the short term for supporting farmers hit by the drought.

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## **CHINA'S NIO TO BUILD HUF 5.5 BN BATTERY SWAP STATION PLANT IN HUNGARY**

Chinese automotive industry company NIO announced plans to build a 5.5 billion forint (EUR 13.61m) battery swap station plant in Biatorbágy, on the outskirts of Budapest, on Friday. Péter Sziijártó, the minister of foreign affairs and trade, said the government is providing to NIO 1.7 billion forints in support for the investment which will create "several hundred" jobs. The plant, to be NIO's first in Europe, could be expanded later to include research and development as well as training activities, he added. The plant will turn out an annual 240 of the shipping container-sized battery pack swapping stations. By 2025, 4,000 of the stations are expected to operate worldwide.

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## **UKRAINE CRISIS - POLICE: 16,099 REFUGEES ARRIVE FROM UKRAINE ON SATURDAY**

Fully 7,234 people crossed into Hungary directly from Ukraine on Saturday, while another 8,865 from Ukraine crossed from Romania, the national police headquarters (ORFK) said. Police issued temporary residence permits valid for thirty days to 364 people, ORFK told MTI on Sunday. Holders of such permits must contact a local immigration office near their place of residence within thirty days to apply for permanent documents, it added. Budapest received 92 people, 28 children among them, by train, ORFK said.

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## **VERSTAPPEN TAKES VICTORY IN FORMULA ONE HUNGARIAN GRAND PRIX**

Red Bull's Max Verstappen claimed victory in the 37th Formula One Hungarian Grand Prix, round 13 of the 2022 FIA Formula One World Championship, on Sunday to fatten his lead in the points competition. Mercedes' Lewis Hamilton finished second, while George Russell in the other Mercedes completed the podium.