

Working Paper 1993:2

**The development of
environmental policy-
making in Hungary**

The role of the EC

Janne Haaland Matlary

ISSN: 0804-452X

Working Paper 1993:2

**The Development of Environmental
Policy-Making in Hungary: The Role of
the EC**

by

Janne Haaland Matlary

February 15th, 1993

THE DEVELOPMENT OF ENVIRONMENTAL POLICY-MAKING IN HUNGARY: THE ROLE OF THE EC

Paper presented at the ECPR Joint Sessions of Workshops, panel on "Environmental Policy and Peripheral Regions in the European Community" at Leyden University, 2-8.4.1993

Janne Haaland Matlary
Senior researcher,
CICERO, University of Oslo
Box 1066 Blindern, 0316 Oslo
Norway

Abstract

This paper takes its point of departure in some of the major environmental challenges facing Hungary, viz. the energy-derived ones, in order to do a preliminary analysis of the political responses towards solving them and the role of EC actors in this process. As little has been written in English on this subject hitherto; this represents an essentially empirical 'first cut' and arrives at a suggestion for further theoretical and empirical work concentrated on selected policy processes at the end.

The argument is made that domestic political and administrative institutions in the issue area need pervasive support from international actors and institutions, both in terms of financial aid as well as know-how of various kinds. The general task of reconstruction is of such a magnitude that environmental issues are likely to remain the least candidates for independent financial transfers. Their solution therefore lies in the ability to integrate them with other economic-industrial problems and plans, i.e. in the application of cost-effective strategies largely through the use of market instruments, but also in the ability to develop strong political institutions to manage policy. The role of the EC is argued to be a pivotal one in this context. However, EC environmental policy is itself in a process of becoming integrated with other policy areas, and the policy towards Central and Eastern Europe does not represent a coherent issue area. However, among international actors, the role of the EC is increasingly that of primus inter pares. Further, Hungary's lack of an entrenched environmental policy in the past may be an advantage in terms of adapting to the EC, it is argued, as it is often easier to start from a tabula rasa than reforming old institutions.

Introduction: The Energy-Environmental Nexus in Hungary¹

Hungarian environmental problems derive from essentially three factors: First, the large concentration of people in the cities and the heavy use of leaded gasoline in cars, coupled with the location of heavy industry in urban areas lead to large lead contents and NO_x emissions. Also, SO₂, and CO₂ are emitted in high concentrations. Hungary ranks fourth after both Poland, the Czech Republic, and formerly East-Germany both in terms of NO_x and SO₂ emissions, however the per capita measure does not reflect the concentration of these emissions in urban centers, especially Budapest.² Hungary has joined in international agreements to reduce these emissions,³ and has by a policy of reducing the coal content of power generation, to be discussed later, succeeded in achieving major cuts. The government states that "SO₂ emissions is on the decrease owing to changes in the forms of energy used and to the stagnation of production, NO_x and CO emission is rising due to the increasing number of cars most of which are obsolete and badly

¹ *The empirical data for this paper are in large part based on interviews conducted during three research trips to Budapest, in 1990, 1991, and 1992. I am indebted to the Regional Environmental Center for Central and Eastern Europe (REC), especially to associate director Judith Galambos, for providing me with both contacts and office facilities during these stays. As a general rule, the interviewees remain anonymous. This has proved a condition for eliciting information from most sources in my previous work, as most civil servants cannot give interviews on their own. I would especially like to thank professor Boldiszar Nagy, Eotvos Lorand University, for his very helpful comments on the paper, especially as regards the section on the Bos-Nagymaros Barrage System. As will be known, he is the foremost legal expert on this in Hungary.*

² *Tons per capita of carbon as a measure of CO₂ emissions were about 2,7 for Hungary, while it was almost 6 for the former German Democratic Republic, 4 for Poland, and almost 5 for former Czechoslovakia, according the Economic Commission for Europe's 1989 statistic, ECE, "East-West Energy Efficiency", UN, N.Y., 1992, p. 17. In terms of Nox emissions, the numbers from 1988 are 24 kg per capita in Hungary; 61 kg in former Czechoslovakia, 41 kg in Poland, and 43 kg in the former German Democratic Republic. In comparison, the US figure is 80 kg, the Swedish figure 46 kg. Hilary F. French, "Green Revolutions: Environmental Reconstruction in Eastern Europe and the Soviet Union", Worldwatch Paper 99, November, 1990, p. 15. So₂ emissions, a large part of which stems from coal burning, were emitted by 115 kg per capita in Hungary in 1988. The corresponding number for Poland was 110, the former German Democratic Republic was 317, and former Czechoslovakia was 179. Ibid., p. 14. However, a note of caution must be inserted: measurement ability leaves much to be desired. A representative of the Hungarian Statistical Bureau states that because of a lack of modern data equipment and good measurement practises, "konnen die Daten nur in Bezug auf die Industrie als mehr oder weniger massgeblich betrachtet werden", thus warning that the statistics from the bureau are to be considered approximate only. From Kozponti Statisztikai Hivatal: A kornyezeti allapota es vedelme, p. 216, quoted in H. Knabe, "Glasnost fur die Umwelt: Zur Lage des Umweltschutzes in Ungarn", OstEuropa, 7, 1989, pp. 633-648*

³ *These are the Helsinki agreement on SO₂ emissions; by 1993 the 1980 level will be reduced by 30%, a goal which will be met by Hungary; and the Sofia agreement on NO_x emissions, which is to keep it at the 1987 level by 1994. Further, Hungary is a signatory to the climate convention from 1992 whereby CO₂ emissions will be stabilized at the 1985-87 level by the year 2000. (The 1990 level was too low as a base-case because it represented a bottom year fo industrial output in general).*

maintained".⁴

Second, environmental problems stem from waste treatment and storage problems. These are problems that can be effectively dealt with in terms of applying modern technology and equipment to a large extent.⁵ The question of cost is naturally of great importance here.

Third, water pollution is a very major problem in a country that 'imports' polluted water from its neighbours: the Tisza and the Danube bring contamination from industrial and agricultural waste from Austria, Czechoslovakia and the former Soviet Union. In addition, 50% of Hungarian land is cultivated for agricultural purposes, and extensive use of fertilizers results in pollution of the water in lakes and rivers, which in turn also is filtrated down to the ground water. 60% of the latter was estimated to be affected by pollution as of 1990.⁶ Further, sewage treatment is inadequate in general, and in industry, which is the worst polluter in this regard, 27% of sewage is untreated.⁷

Any comprehensive discussion of these problems and the responses to them is however beyond the scope of this paper. Instead I will focus on a sub-set of them, viz. the environmental problems which derive from energy use. These form an important part of Hungary's environmental problems, and are intimately connected with the larger economic problems of restructuring. In the following the major energy-derived environmental problems will be determined in order to one, analyse how Hungarian institutions and policy-makers have responded to them and two, to what extent international actors like EC institutions have addressed these problems in their cooperation with Hungarian actors. This analysis allows for a preliminary assessment of the performance of both sets of institutions, and to the posing of the question of what the major challenges ahead are and what the major obstacles are to meeting them. The intention here is not to make the normative argument - increasingly heard in both academic and political fora⁸ - that Western European actors are too reticent and perhaps even hypocritical in

⁴ *State of the Environment in Hungary and Programme for Environmental Actions*, Ministry for Environment and Regional Policy, September, 1990 (pagination lacking)

⁵ Knabe reports that dangerous waste is sometimes just 'disappearing' in the countryside. However, this was written as far back as in 1986. Knabe, *op.cit.*, p. 636

⁶ Salay, J. "Environmental Management: Current Problems and Prospects", *Report on Eastern Europe*, September, 1990, p. 23, and Knabe., *op.cit.* pp. 637-638. For a general discussion, see J. Russell, "Environmental Issues in Eastern Europe: Setting an Agenda", Royal Institute of International Affairs, 1990, London.

⁷ Salay, *op.cit.*, p. 23

⁸ In a very interesting paper presented to the Inaugural Pan-European Conference on International Politics in Heidelberg, 16-20.92, T. Verheijen makes such a normative argument, "Towards a UN of Europe: Possible Scenarios for Incorporating Central And Eastern Europe in the EC," European Institute of Public Administration, Maastricht

paying lip-service only⁹ to Central European reconstruction, short of more tangible assistance.¹⁰ It is rather to contribute to the empirical basis for discussing also this type of question.

Major environmental problems in Hungary that stem from the energy sector can be thus summarized: Wasteful energy use in general accounts for CO₂ emissions, an old car fleet accounts for the NO_x and CO emissions in the major cities; and coal fired power plants contribute to SO₂ emissions. Hungary's dependence on coal in primary energy consumption is however the lowest of the countries in the region, only 21% compared to Poland's share of 76%, and this represents a major advantage in terms of environmental effects of energy use.

Nevertheless Hungary, as a former Soviet 'satellite', shares in a legacy of the past that largely is responsible for the present problems in the energy-environmental nexus.

On the Horns of the Dilemma: The Legacy of the Past and the Demands of the Present

In terms of the general state of the environment, Hungary is in better shape than its Central European¹¹ neighbours Poland and the former Czechoslovakia, yet

⁹ This criticism centers on the terms of trade between the Central European countries and the EC, where typically restrictions on e.g. agricultural produce are heavy. The 1990 lifting of trade restrictions (GSP) did not include sensitive products of central importance to these countries, and in the association agreements as of January 1992, agriculture is still treated in a separate protocol. A analyst of EC-Hungarian relations, Alfred Tovias, finds that the tariff protection the EC applied to export of Hungarian agricultural products is higher than that of imports from developing countries. Quoted in Landau, A. "The Hexagonale: A Newcomer on the European Scene?", p. 7, paper presented to the Heidelberg Conference on International Politics, 16.20.92

¹⁰ A problem here is that private investors naturally look for business incentives that largely concentrate on the short term, and that the fear of incurring environmental liabilities for damage already done in the past is a central concern. Whereas the region was a 'convenient dumping ground for Western Europe's toxic waste' some years ago, now the problem is that little legislation exists by which foreign investment knows which rules it will be subjected to, according to the *Financial Times*, 18.3.92, p. 18. In a very recent survey by the World Bank and the OECD among US and West European companies the most prominent concern was the potential liability for past environmental contamination "Nearly two thirds listed this issue as the most important for their companies", *REC Bulletin*, Budapest, Winter, 1993, p. 12.

There is in short no international regime that can act as a safeguard for FDI (foreign direct investment). Further, momentous and extremely costly problems like how to deal with the safety of the nuclear sector in the CIS and East-Central Europe are not (yet) being addressed properly by the EC or any other international organization, although there is, as of January 1993, a fund for 700 million dollars from the G-7 forthcoming, pending government approval. "We do little in this regard, but it is the most urgent area", according to a major official of the European Parliament, author's interview, Lisbon, June, 1992.

¹¹ Central Europe here refers to Poland, the former Czechoslovakia, and Hungary. This usage is becoming increasingly employed, cf. J. Pinder, *The European Community and Eastern Europe*, London, 1991. Austria also belongs in this category. The French denomination "Europe centrale et

this a meager comfort when the guidelines for environmental policy that are increasingly embraced are those of Western Europe, more specifically of the EC. The association agreement between the EC and Hungary creates an incentive for Hungary to adapt to EC environmental rules, and this factor will in my view be the major driving force in the development of Hungarian responses to environmental problems in the time ahead.

Some environmental problems are common to the former 'satellites', and these derive from the ideological support in Marxism for 'conquering nature' by large-scale and heavy industrialization, which in Hungary led to absurd industrial developments in energy-intensive industries like steel, and to rather bizarre agricultural ventures like rice-growing. The effect of this policy on the environment was drastic: one, heavy industry is energy-intensive, and two, it mostly is a heavy pollutant itself.

Energy policy was developed in blueprints like the megalomaniac project the Gabčíkovo-Nagymaros dam, to which I will return, and in the policy of nuclear power plants that were built in the entire region.

In addition, Soviet oil and gas was exported in barter arrangements with the 'satellites', and flowed very freely indeed throughout the 60ies and 70ies. The 'price' paid for oil in this period was below the world price, however this is not an accurate comparison as all energy was bartered. It was a highly asymmetric barter arrangement however as the Soviets could dictate the terms. They had a geopolitical reason for covering their 'satellite's' demand for energy: as interdependence was physical, the power of control was unquestioned. The slightest sign of political instability would induce the Soviets to supply the energy needed¹², however, as a very real threat, cutoffs in oil and especially gas has a long history as a Soviet political weapon.¹³ Ironically the oil pipeline between the

orientale" corresponds to what I term Central and Eastern Europe. However, in order to distinguish the three former Communist countries of central Europe from Austria, they may also be termed East-central Europe.

¹² A recent contribution here is a comprehensive article by J.M. Kramer, "Energy and Environment in Eastern Europe", presented at the Pan-European Heidelberg Conference on International Relations, Heidelberg, 16-20.9.92

¹³ Threats of supply cutoff was the major argument against Western imports of gas from the USSR in the 1981-83 controversy with the US. Although this argument was considered as invalid by the West Europeans at the time, the Soviets did use such threats when dealing with the 'satellites'. Also Finland experienced cutoffs of gas in Winter, and both gas and oil supply was cut repeatedly to Lithuania in recent years. It is however unclear to which extent interruptions now results from a conscious political decision. Most likely it is due to technical problems, of which there have been many in recent years. Further, the transit of gas through the Ukraine is beset with difficult political issues that may very easily result in supply disruption. The sources for the above are various articles in the industry press and conference papers over the last 2-3 years. One written recent source would be Kramer. *op.cit.*, who also describes an interruption of gas to Poland in January, 1992 by 45 %. The reasons for this was that the Russians were dissatisfied with the existing agreement and probably wanted to export larger volumes to Western Europe. The latter factor is certainly present in terms of oil exports, where production decreases in Russia are coupled with a wish to sell to the West in order to earn hard currency. The result is that the former satellites are in a weak bargaining position in

former USSR and the 'satellites' was named the Friendship pipeline; the gas line was named the Brotherhood line.

The result of the long-term energy trade relationship between Hungary and the Soviet Union was a total and one-sided dependence on Soviet energy as well as an influx of abundant energy that encouraged extreme waste. The fact that this energy was never priced made cost considerations, as well as saving, irrelevant.

The result of this is that today the level of energy consumption is much higher than what it ought to be, generally considered to be between 50 and 100% higher than in the West. This demand must now be covered with imports paid for in hard currency at world market prices (henceforth WMP). In the residential sector, many houses lacked (and still lack) meters - cooling was achieved by opening the window.

The Soviet rationale for encouraging such a wasteful energy policy was twofold: one was their own inability to put a price on energy and hence, the consequence that the barter system was the only way of trading with the rest of the CMEA. Here desirable goods from e.g. Hungary were demanded in return for the energy. This was unproblematic as long as the dependence was so total. Second, energy policy in the 'satellites' themselves served as an instrument of very concrete (and primitive) political control: "Special care should be taken to ensure that the water supply net in the residential areas be connected with the main water supply line. Traditional water supply sources should be systematically destroyed and all water supplies should be connected in a centrally controlled net", read the instructions from the KGB to their deputies in Poland in 1947.¹⁴

The legacy of the past in the entire region can thus be characterized as one that encouraged waste of energy, took no notice of pollution as a result of energy use, and which imposed a political ideology of heavy industrialization which had little natural basis in countries like Hungary. In addition, in the countries where coal could be mined, this was encouraged as a major feature of socialism: the coal-miner was an example of the true proletariat.

In addition, the nuclear power plants, constructed with Soviet technology, were imposed on the region as an additional source of energy. In Hungary, there is one nuclear power plant at Paks. It is constructed with Soviet technology, but built in the former Czechoslovakia. The USSR provided know-how and technical equipment for all the reactors in Eastern and Central Europe. The reactor type, known as the VVER, is not identical to the Chernobyl-type reactor that is pervasive in the CIS today. Yet the safety of the VVER is questioned as well, although the Paks plant has been improved upon considerably by Hungarian-produced components, and has "a performance record as good as the best reactors in Western Europe"¹⁵. All central European countries have invited the IAEA

terms of getting Russian oil. For a good discussion and history of petroleum in Russian politics and economics, see E.A. Hewitt, Energy Economics and Foreign Policy in the Soviet Union, Brookings Institution, Washington, D.C., 1984

¹⁴ Quoted in unpublished speech by S. Wassersug, "Environmental Focus in Central and Eastern Europe", Program manager, Regional Environmental center, Budapest, p. 2

¹⁵ "Reforming Hungarian energy policy", S. Perkins, OECD Observer, April/May, 1992, p. 26

(International Atomic Energy Agency) to inspect their plants. The verdict of this investigation is that only the Kozloduy plant in Bulgaria and the Bohunice in the former Czechoslovakia are dangerous. However, the impartiality of the IAEA has been questioned by critics that allege that there is a close relationship between the nuclear industry interests and the agency. Also chancellor Vranitsky of Austria refused to accept its favourable opinion on the Czech plants.¹⁶

The Paks reactor was the last to be built in the region, and became operational in 1983. It has 4 reactors and contributes 48% of Hungarian electricity. The Kozloduy power plant in Bulgaria and the Bohunice plant in Slovakia, near to Vienna, have for considerable time now generally been regarded as very dubious in terms of safety. These plants are of the same type as the Paks plant.

None of the plants in the CIS and the region of Eastern and Central Europe is encapsulated in a protective shield in the case of a melt-down. The Kozloduy is by many regarded as the most likely candidate for the next nuclear disaster,¹⁷ yet funding for either closing it down or constructing a new plant is not easily forthcoming. The Bohunice has caused the Austrians to offer funds for its closing, and a trade-off between Austrian support for the Gabčíkovo dam - to be discussed below - and the latter is now developing.¹⁸ The point here is that although Hungary has not yet committed itself to building additional nuclear power plants, the Paks plant has been decided to be upgraded. The 'race' for the contracts for this was a nasty one, where Hungarian-born Edward Teller were enlisted to tour the country to tell of the virtues of nuclear energy while Western firms used every means to persuade the authorities of the same.¹⁹ Nonetheless 49% of Hungarians think that nuclear plants pose grave threats to the environment in a recent poll.²⁰ The Paks plant however represents such a major and recent investment, and accounts for such a major share of the nation's electricity that it is hard to imagine a viable alternative to upgrading it. One simply cannot afford not to.

Summing up, the legacy of the Communist past is thus characterised by a mixture of large-scale energy projects that are based on hydro-electric or nuclear power and a very high degree of dependence on imports from the former USSR for the rest of energy demand. The ideological glorification of heavy industry and coal mining bequeathed a heritage whose environmental implications are disastrous.

¹⁶ See Kramer. *op.cit.*, for details on this, pp. 21-22

¹⁷ See e.g. "Nuclear Time Bombs Put Europe in Peril", *The European*, 22.10.91

¹⁸ "Austrian Fund for Controversial Dam", *East European Energy Report*, (henceforth EEER) May 1992, pp. 9. and especially *Ibid.*, November 1992, "Environmental Damage Evident as Danube Agreement Sought," which reports that Meciar, the Slovakian premier, negotiates with Austria over support for the dam in return for closing Bohunice, a long-sought Austrian goal: "if Austria backed Slovakia on the dam, Slovakia could consider closing down the Jaslovské Bohunice power plant".

¹⁹ Author's interviews with scientists, NGO's and officials, in Budapest, Fall, 1991. Also *Budapest Week*, October 17-23, 1991, "Hungarian Nuclear Debate Heating Up"

²⁰ Gallup by the Hungarian Gallup Institute, reported by Kramer, *op.cit.*, table 8

The energy policy demands of the present are legion: One, the imports from the former Soviet Union of both oil and gas are increasingly less dependable while they now have to be paid for in hard currency at WMPs. Since 1990 oil and gas agreements between the former USSR and Eastern and Central Europe should be paid for in hard currency, yet barter persists as there is lack of sufficient hard currency. The severest problem is however that oil and gas supply can be unreliable from this source: production and transmission problems have become increasingly evident, and the political problems caused by transit through the Ukraine makes reliance on Russian energy a precarious one.²¹

For all these reasons Hungary would like to diversify its import structure, but the alternatives are not promising. There is no oil available from the Adriatic pipeline, running from the port of Rijeka, as long as there is war on the Balkans. Hungary e.g. ordered 2 mtoe of oil through this pipeline in late 1991, which is delayed indefinitely. Further, in that year Russia supplied only 4,5 mtoe of an order for 6,4 mtoe.²² Oil supply is available on the world market, but is very expensive.

However, the infrastructure in the case of Hungary is such that the dependence on Russian energy will prevail for many years. Alternative transport for gas is through an extension of the pipeline from Algeria through Italy and further through ex-Yugoslavia, but this project is naturally also postponed due to the war. A Hungarian move has however been to extend the gas line from Győr to Baumgarten in Austria, a 114 km link that will allow for imports from the West.²³ There is also common infrastructure for electricity with Austria.

A recent policy document from the Ministry of Industry and Trade²⁴ outlines energy-environmental policies: Not unexpectedly the emphasis is on energy saving and efficiency, an area where much can potentially be gained and where there are few political costs in terms of disagreement. Given the trend towards decreased indigenous resources²⁵ and a host of difficulties in procuring reliable imports, this

²¹ *The Ukraine has repeatedly threatened to interrupt supplies unless the Russians increase their payment for the transit in the Ukraine. This is but one particular instance of the generally tense relationship between the two countries. Further, the Russians are eager to sell as much energy, especially oil, as possible to Western Europe in order to earn hard currency. However, oil production in Russia has decreased at an alarming speed over the last few years, due to largely technical and economic problems, thus making it even more difficult than before for countries like Hungary to obtain the desired quantities of oil from this source. The gravity of both the technical as well as the political problem is not freely admitted by the Russians and Ukrainians, who e.g. presented an amicable united front at a recent petroleum conference in London, something which made the potential investors even more suspicious. "Opening Up the Post-Soviet Gas Industry", 14-15.4.92, London*

²² See "Country Profile", Hungary, *EEER*, March 1992

²³ Details in *EEER*, August, 1992, p. 11

²⁴ Ministry of Industry and Trade, "The Hungarian Energy Policy", Budapest, 1992

²⁵ Domestic energy production dropped by 8,2% in 1991, mainly due to less industry demand. *EEER*, June 1992

is a sound step. However, the means of achieving efficiency are basically market incentives; taxes yet mostly market pricing approximations, which means higher consumer prices. The pace at which Hungary introduces market prices is very high indeed; by 1992 most energy prices were liberalized. Also, the energy sector is being privatized quickly; the Oil and Gas Trust was privatized in late 1991; coal mines are in the process of privatization, the national electricity company (MVMT) was in 1991 made into a joint stock company with the state as the major shareholder, and the regional gas companies are currently preparing for privatization.²⁶

However, the rapid introduction of market pricing for energy to both industry and consumers may hold severe political costs: For instance, in October, 1990, the petrol price was suddenly increased steeply due to the Gulf war and short supplies of oil, and this almost brought down the government and left the fragile democracy on the verge of collapse. The city of Budapest and all major roads in the country were blocked for several days by angry taxi and truck drivers. This very grave episode that very well could have succeeded in a coup went largely unnoticed in the West, perhaps because it was seen merely as a protest against higher oil prices. It should however serve to remind of the brittleness of the new democratic institutions in Hungary. In terms of energy implications, this event brought home the crucial importance of finding the right balance between introducing market prices for energy and retaining political stability. Market pricing in this case meant a 70% increase in petrol prices overnight in a political culture completely unused to this. This type of increase may be justified on an economic logic but is almost impossible to absorb in terms of the political cost.

This need for a proper balance here is further illustrated in the case of the building down of coal subsidies. The Hungarian government, eager to comply with EC rules of coal subsidies, has launched a very radical programme for closing uneconomical pits: "The development of the power sector provides the basis for the integration in the EC".²⁷ Environmental reasoning is ostensibly also behind this, but cannot be assumed to account for much as an isolated factor. However, the above policy document utilizes this argument, putting it bluntly that Hungarian power plants are "obsolete", being 40 years old, "their environmental pollution exceeds the European standards several times"²⁸

Over only 2 years, from 1990 to 1992, the number of jobs in coal mining have been cut from 50 000 to 30 000, and several pits are due to be closed in 1993. In

²⁶ *There is considerable interest in buying into these regional nets on the part of Western companies, some of which are alleged to have complained that the condition that the buyer be willing to supply Hungary with gas from the West implies a favorization of Austria, as current lines go through the latter's territory. The Hungarian government has hired a consultant, H.N. Rotschild, to deal with the further work on this. Privatization is now expected in Spring, 1993. EEER, August, 1992, p. 8*

²⁷ *Energy Policy Document, p. 11*

²⁸ *Ibid., p. 10*

the same period the number of pits were down from 35 to 20. The major policy line now is that only domestic coal that can compete with imported coal will prevail. This is indeed a radical approach that compares well with e.g. British coal policy in terms of rigour. Better quality coal is imported, and existing power plants are planned to be retrofitted with combined cycle turbines which allow for the use of gas in addition to coal in electricity generation. The Kelenfold plant in Budapest is an example of this.²⁹ The building down of the coal sector however must be presumed to have large-scale social-political repercussions, as whole communities are being eradicated. There are strong reactions from the trade unions, which claim that the 1993 closures will result in an additional 15 000 jobs lost.³⁰ In December, 1992, there almost erupted a general coal strike. The policy ahead is to part-privatize hard coal mines and gradually phase out the brown-coal mines, which pollute the most and carry the least calorific value. In the EC, the coal policy is currently being revised and funds exist for developing alternative employment in former coal-mining regions. The EC policy still in the making as a coherent policy, Hungary's radical policy should prepare it well to be fully consistent with EC coal policy ahead - Germany's Jahrhundertvertrag poses the gravest obstacle to the EC here.³¹

Hungary is however caught on the horns of the dilemma: the legacy of the past in terms of an outmoded, heavy-industrial structure demands excessive energy use; and future and much-needed growth will mean increased energy use as well. The environmental NGOs (non-governmental organizations) often argue that energy saving will do the job, i.e. that increased energy use is avoidable.

However, the premise of this view is often a no-growth-view.

After forty years of Communism, materialism as a basic Weltanschauung is predominant in the young generation, and this is naturally coupled with a strong desire to achieve a degree of material wealth so long rendered impossible. No-growth arguments thus have little realism in themselves as a political programme, although many NGOs advocate them. This is, as will be discussed later, a potential problem in making the NGO community responsive to realistic environmental political strategies. (realistic here understood in the sense of being acceptable to a majority of the populace, not as a normative term). Salay puts the problem rather politely thus: "The gap between the often very theoretical and complex approach of green politics and everyday concerns of the Hungarian populace is sometimes too great to bridge"³². The problem is however two-fold:

²⁹ EEER, January, 1993., p. 13. This plant is the largest in Hungary, with an output of 6 PJ. The cost of retrofitting is 100 mill. US dollars, of which the World Bank and the European Investment Bank (EiB) provide approx. 40% each. The Kelenfold operation is the first in a series to upgrade all major power stations, and will be completed by the opening of EXPO-96.

³⁰ EEER, December, 1992, p. 16, and *ibid.*, January, 1993, p.2

³¹ A fuller discussion of this is provided in Matlary, J.H., Towards Understanding Integration: An Analysis of the Role of the State in EC Energy Policy, 1985-1992, forthcoming, 1993

³² Salay, *op.cit.*, p. 27

many NGOs may be rather utopian in approach, yet the populace is largely uninformed about environmental problems that affect them. A major policy strategy is therefore one of education, which is also stressed in the energy policy document in a rather charming way: "The protection of the environment ..requires that the public be given clear and correct information..within that, acquiring and evaluating the opinion of the public, and the selection of the acceptable solution, based on majority opinion, are necessary". However, although the greatest possible consensus is sought, we are warned that "it would be unrealistic to assume that there is an energy policy which can be acceptable by everyone"³³ In all my reading of energy policy documents, I have never come across one that is concerned with due democratic process in the sector. However, it is a valid point that education of the public is needed for practising energy saving and 'raising environmental consciousness'.

Energy use can thus rather safely be assumed to rise in the coming years, although the closing of much obsolete industry causes all economic indicators to turn down at present³⁴. There seems however to be agreement on the fact that 1992-93 presents the bottom in this respect³⁵. The policy document on energy policy estimates that GDP growth will be 3 or 4 % per year in a high and low scenario respectively in the period 1990-2000, but that energy demand will largely be curtailed by an increase in energy efficiency that is between -0,3 and -3,5% per year, making the net increase in demand vary between 1200 and 1300 PJ in the year 2000 with 1150 PJ the consumption in 1990.³⁶ The ability to achieve such an ambitious energy efficiency effect will however depend on extensive success in introducing both the market mechanism in energy policy and in the conversion to modern state-of-the art industrial technology.

The options for energy policy in terms of both security of supply and environmental consequences offer no easy solutions: environmentally friendly natural gas must largely come from the unstable Russian supplies through the equally unstable Ukraine for many years to come as no alternative lines exist; oil is the fuel of the transport sector and is almost all imported at WMPs, nuclear energy may be considered environmentally the best solution as it carries no emissions, but the Soviet-type technology is by now considered obsolete, and a new and additional nuclear plant will be very expensive; coal is the 'worst' energy source in terms of emissions, and is being built down very rapidly, yet its demise requires additional imports of other energy for hard currency.

³³ *Energy policy document, p. 8*

³⁴ *At an IIASA conference in Laxenburg, Fourth CHALLENGE-meeting, 3-4.12.92, the contributions from Eastern and Central Europe all reported on decreases in CO2 emissions in the immediate years ahead.*

³⁵ *The very authoritative economist A. Inotai concludes with this, "Current State and Future Prospects for Economic Transformation in Hungary", paper given at the conference "The Current State and Future Prospects for Political and Economic Transformation in East-Central European countries", Vienna, 3-4-12-92*

³⁶ *See policy document, charts 7 and 8.*

Environmental problems in this context thus can be expected to be rather peripheral to the policy-maker's agenda. Their solution can be hoped for, but realistically they must be treated as part of the larger policy nexus where they appear. By this I mean that the energy-derived environmental problems will probably not be attempted solved in isolation from the larger economic and structural problems themselves.

In the following I shall proceed by first, discussing the evolution of environmental policy and institutions in Hungary as a preparation for the subsequent discussion of the role of international institutions in terms of environmental policy and programs, emphasizing in particular the role of the EC as an 'umbrella' organization here. Third I will ask to what extent the contribution made by the EC in this regard can be termed adequate and appropriate, given the magnitude of the problems involved.

Environmental Policy-Making and Institution-Building In Hungary

The Communist era was marked by a basic and thorough disregard for environmental problems. While this policy area gradually made its way into the political agenda in the West from the beginning of the 1970ies³⁷, it was largely neglected in Eastern and Central Europe.³⁸ Apart from being, for ideological reasons, a 'non-existent' problem in Communist countries, modern equipment like scrubbers or cleansing technology for industrial production would cost very much. In the Soviet energy sector itself the conventional estimate is that both production and transmission technology lags 20-30 years behind its Western counterpart, and this situation was allowed to prevail in the primary sector of the Soviet economy in terms of earning foreign currency. It is small wonder that environmental problems were ignored.

In addition to this came the factor of secrecy and a general lack of public awareness of pollution as a problem. There was naturally no public discussion of such negative aspects of industrial society, and against this background it becomes eminently understandable that almost all the ecological protest groups in Eastern and Central Europe developed from general oppositional groups. i.e. they evolved on a platform of environmental policy but constituted a general protest against 'the system'³⁹.

This was the case in Hungary with the so-called Danube Circle and the by now

³⁷ C. Thomas provides a comprehensive discussion of this development, conventionally dated from about 1972, the year of the important Stockholm conference. *The Environment in International Relations*, Royal Institute of International Affairs, London, 1992

³⁸ "Functioning around the notion of a labour theory of value, development in the centrally planned economies occurred in a context where the environment was perceived as bereft of inherent value, as a free resource to be exploited or as a sink in which waste could be dumped and forgotten", *Ibid.*, p. 8

³⁹ See J.H. Matlary, "Energibruk og miljøproblemer i Øst-Europa", *Internasjonal Politikk*, no. 2, 1990

infamous case of the Gabčíkovo-Nagymaros dam. In the battle against the development of the Danube in a gigantic hydroelectric scheme were born both the Hungarian NGO's as well as the Ministry of the Environment. This case therefore merits some examination here:

The dam project has a long history, dating from the 50ies, when the Soviet Politburo dominated the discussions about a joint Czechoslovak-Hungarian construction of a large hydroelectric plant on the Danube which divides the two countries and also forms the international border between them. The planned dams would include the actual diversion of the river itself for 31 kms, destruction of the fresh-water supply for millions of people, possible contamination of the underground fresh water supply, which are the largest in Europe; upsetting of flora and fauna with repercussions for agriculture in the area, and finally physical destruction of one of the most valuable historical areas in Hungarian history.⁴⁰ Against this the Slovaks argued that investment already had been too high to cancel the project, and that the energy needs served were substantial.

There is a long and bitter saga of this project, from its adoption by the Hungarian government in 1977 to its suspension in 1989. Further, the struggle continues with the Slovak completion of the Gabčíkovo dam, its start-up in November 1992 to the outrage of the international environmental community as well as the present Hungarian government, and to the involvement of the EC in arbitration.⁴¹

In terms of Hungarian environmental awareness and institution-building, this case served as both a catalyst as well as an occasion for protest: The Hungarians started work on their power plant, at Dunakiliti, in 1980. Work at Gabčíkovo had commenced in 1978. At this time Hungarian experts organized a meeting to

⁴⁰ Apart from Galambos, many other sources give evidence of this, e.g. *EEER*, November 1992, "Environmental Damage Evident as Danube Agreement Sought," *The Times Saturday Review*, June 6, 1992, "Dam Nation"; "The Hardi Report", a major investigation carried out by independent Hungarian experts on *inter alia* the ecological and environmental issues of the dam project; which concluded that "the overall ecological impact of the project is clearly negative..the risk of damaging potable water reserves is especially large and impermissible..the construction effect has already had a detrimental effect on water supply in Budapest..in view of the projected environmental perils and risks, the optimum solution would be to terminate all construction activities of the project for good", from the summary, p. 26, Budapest, September, 1989. Important NGO's like the ISTER and the "Blue List" provided leaflets and summaries of ecological consequences, "The Economic and Environmental Impact of Construction of the Bos-Nagymaros River Barrage System", also the WWF published a series of leaflets, "Repercussions of the Power Station", "Stop Gabčíkovo!", 1991; as well "Central European Environmentalists organize to protect the Danube," *World Rivers Review*, vol. 6, may 1991. A major part of "The Danube Story, An Educational Summary", a report written under the auspices of the Hungarian Academy of Sciences, February 1991, concerns the environmental aspects of the project.

⁴¹ A tripartite expert commission was set up to in London on October 29, 1992, to examine the project and if necessary, refer the case to international arbitration. (*EEER*), Nov. 1992, p. 3. However, the Slovaks started electricity production from the Gabčíkovo two weeks after this, thus preempting the findings of the committee. The Hungarian prospect of achieving a halt to further construction on the Slovak side now appears dim.

criticize the dam,⁴² and when the environmentalist Janos Vargha in 1981 published a critical article, the issue became politicized. However, although the government ordered investigations of the ecological consequences of the project, these were censored and thus came to nothing. The conclusions of the expert report by the National Office for Environmental Protection and Nature Conservation - the precursor to the Ministry of Environment - tended in the disfavour of the dam. It was therefore suppressed and the office itself was disbanded and its director dismissed.⁴³ The government proposed a tripartite scheme whereby also Austria should get directly involved in the construction in order to free more capital for other purposes in Hungary. Although some public discussion ensued in the period until 1985, the government then reaffirmed its commitment to the scheme. As late as in 1987 public opinion on the dam was severely suppressed, and although some MPs expressed their concern in 1988, they were forced to vote for the project. The bureaucracy in charge of the dam project was ironically named The Ministry for Environmental Protection and Water Management and was created in 1977. The two conflicting concerns over the issue of the dam never created any real problem as the water 'lobby' in the ministry dominated policy-making from the very beginning.⁴⁴

It should be mentioned that in response to the role that the Ministry played in the 'dam affair', it has been reorganized as the Ministry of Environment and Regional Policy. 'Water management' no longer is one of the responsibilities of the new ministry.⁴⁵

The environmental lobby was by 1989 gradually being supported by the reformist wing of the Communist Party, which for their own ends needed popular legitimacy. In late 1989 the government cancelled its Dunakiliti project.

A major NGO that contributed to the halting of the dam project was the Danube Circle. The Danube Circle itself had existed since the beginning of the 1980ies, yet had not been allowed an official status until 1988. Nonetheless it worked 'by the grapevine' in this period, publishing the "News of the Danube Circle" in samiszdát. In this period it also gained support from international environmental organizations, and received a prestigious award in 1985.⁴⁶ Gradually Austrian 'greens' became involved in the protest against Austrian participation in the project, and organizations like the World Wildlife Fund and International Rivers Network involved themselves.

⁴² These were the Hungarian Hydrological Association and a group called the Patriotic People's Front. Galambos, *op.cit.*, p.14

⁴³ Galambos, *op.cit.*, p.15 and p. 29,

⁴⁴ See e.g. Salay, J., *op.cit.*, p. 23, Authour's interviews with environmentalists and former ministry official, Budapest 1991

⁴⁵ The directory of Hungarian ministries and their responsibilities is contained in the Magyar kozlony, no. 23. 1.3.1991

⁴⁶ The 'Right Livelihood Award', according to Galambos the 'alternative Nobel Prize' in the field of environmental policy and action.

In 1988 32 MPs demanded a referendum on the issue, while the Communist party still demanded loyal support for the project. This became a test of the viability of the one-party system as such, and caused enormous outrage as it was televised. After the voting, citizen groups started to collect signatures calling for the ousting of representatives that had supported the dam. This of course became a protest against Communist party MPs, and 120 000 signatures were easily collected. Meanwhile the now Slovak government has put the Gabčíkovo plant in operation in an urgent move before January 1, 1993, when the new state came into existence.

The dam project thus involves all the ingredients that were likely to mobilize popular support against it: it threatened the national border in a very sensitive area and it symbolized Communism Soviet-style. Ostensibly the argumentation turned on environmental issues, however; and the institutionalization of the protest was under the aegis of this policy field. It is however rather irrelevant to ask whether environmental concerns really played a role at all in the power struggle, what is of interest in this context is the implications that this event in the 1980ies had for environmental institutions and policy:

It discredited to Ministry of the Environment and Water Management in pinpointing it as the hand-maiden of the Communist Party, and thereby probably increased the already general Hungarian distrust of the bureaucracy as efficient implementers of policy. It also boosted the importance of the NGO's in environmental policy as long as the battle was on. Once won, however, many NGO representatives expressed dismay at the realization that there was little interest left in them and in environmental issue in general. Once the political system was democratized - at least formally so - there was no need for general protest groups. The man in the street had other problems than environmental ones.

The role of environmental policy did figure prominently in political party platforms before the first free elections in 1990, however, as in most West European countries, this policy field is the most difficult to define in practical politics. However, one parliamentary committee is now concerned with environmental policy. This general picture may be no better or worse than what obtains in the average West European polity.

Hungarian environmental policy exists, but its implementation is regarded as highly ineffective. Fines for polluting are a post festum way of punishment, and the preventive measures are far harder to instill than 'old-fashioned' methods of fining the trespassers. The government's own assessment is as severe as that of any critic: "The institutional system of environmental protection was influenced by sectorial interests. The deficiencies of inter-departmental cooperation and the division of the instruments of environmental protection have lead to severe disturbances in the operation of environmental protection" and "the position of environmental protection is reflected by the fact that expenditures to this end do not reach 1% of the GNP, which is lagging far behind the practice of advanced European countries".⁴⁷

⁴⁷ *The State of the Environment in Hungary...*, op.cit., Ministry for Environment and regional Policy, 1990 (pagination lacking)

Salay concludes that there is no efficient system of control and follow-up at the regional level, and points out that monitoring is based on an 'honor' system whereby enterprises are supposed to report on themselves⁴⁸. This overall conclusion is supported by the newly formed Environmental Management and Law Association (EMLA) which states that "there is a conspicuous lack of the institutional support, oversight, and legal structures required to implement environmental policy..there is a perception that economic development must take precedence over environmental protection".⁴⁹ This general conclusion is shared by the Ministry for Environment and regional Policy in the above document. According to Martha Szigeti Bonifert, managing director of the association and former environment ministry director, there is an acute need for professional management practises in environmental policy implementation lest environmental policy disappear completely from the political agenda⁵⁰. The mission statement for the organization further reads that "there is limited regulation, minimal enforcement, and inadequate experience in the spheres of environmental management and law⁵¹, to an extent that an altogether novel approach is needed to deal effectively with environmental issues. The association largely comprises the top Hungarian professionals in law and administration in this field. Its founding is symptomatic of how serious the lack of sufficient institutionalization of environmental policy is felt to be among the elite.

However, a new environmental law was proposed in draft form in late 1992, and more than 270 institutions and NGO's were asked to comment on the draft. This consultative process is being institutionalized by the creation of a public forum where hearings on the law will be held.⁵²

Further, the policy document quoted above, which appeared as early as in 1990, i.e. the year in which the Antall government took office, not only severely criticized environmental practise hitherto, but called for economic instruments as the principal means to solve the country's environmental problems: "the most important principle is that the economy should be developed and operated in harmony with the environment"; the government will implement environmental objectives through "customs, tax and price policies". This means e.g. the economic encouragement for importing four-stroke car engines, and making lead-free petrol cheaper alongside a gradual imposition of rules for installing catalytic converters. Further, environmental taxes will be imposed, but this is not specified any further. Cooperation with the EC's environmental institutions is also mentioned as

⁴⁸ Salay, *op.cit.*, p. 25, see also Knabe on this point of criticism, *op.cit.*, pp. 635-637

⁴⁹ "Mission Statement", November 1992, p. 1

⁵⁰ Authour's interview, Budapest, December 7th, 1992

⁵¹ *Ibid.*, p. 2

⁵² Information Bulletin from the Regional Environmental Center for Central and Eastern Europe (henceforth REC), Winter 1992/93, p. 12

important.⁵³

Summing up, this part of the paper has developed an analysis of environmental policy management in Hungary. The latter had a very 'flying' start as the dam project united the forces concerned with inter alia, environmental issues. However, the NGO community experienced both a loss of political importance after about 1990, as well as problems with its ideological orientation compared to the pragmatic policy-making of the establishment. The official policy-makers, exemplified by the Ministry of Environment, faces a tall order indeed, and critics contend that the administrative-legal apparatus was largely inadequate to cope with the type of problems that e.g. stem from the energy sector. The EMLA even contends that environmental policy may be disappearing from the political agenda.

However, as was evident in the previous discussion of energy-derived environmental problems, these are sought being solved largely by the use of the market mechanism in the very basic sense that market pricing will discourage wasteful energy use and bring down brown coal use. However, in addition to this some form of energy and/or carbon tax will eventually present itself as a policy option. So far the Energy Ministry relies on increased energy efficiency as the key to less air pollution. Most probably an integration of energy and environmental policy will have to be developed also in Hungary, as it currently is attempted in the EC.

I will now turn to the role of international actors in this picture, concentrating in particular on the EC. Here such an integration, most succinctly prescribed in the Maastricht treaty, is slowly evolving. This process is arguably of major importance for how Hungary will order its environmental policy in turn.

EC Environmental and Energy Policy: A Potent Merger in Its Infancy

The history of EC environmental policy is rather short: There have been several "action programmes", starting in 1973, which contained no specific proposals for change, whereas the fourth action programme, from 1987 until 1992, was comprehensive. A new action programme was published in March, 1992, covering the period until year 2000. It stressed the need to improve the policy instruments that the EC has in the environment field, and the need to use fiscal instruments: 'Environmental costs' should be added to prices of services and goods, and the concept of 'sustainable development' operationalized.⁵⁴

The existing legislation in the field of the environment covers some 90 items in many areas: water, air, waste, and health.⁵⁵ The record in this respect is

⁵³ See *State of the Environment in Hungary...*, *op.cit.*

⁵⁴ Presentation of the 'Environment 1993-2000' action programme, *Europe*, March 19, 1992. See also the report by the Institute of European Environmental Policy assessing the Fifth Environmental Action Programme, which is critical of the lack of concrete guidelines for integrating environmental and energy policy, *Assessment of the Fourth and Fifth Environmental Action Programme*, compiled by R.A. Kraemer, 1992

⁵⁵ A report from Næringslivets Hovedorganisasjon lists all EC legislation in the area of environmental policy: *EF og miljøvernet*, (NHO, Oslo, 1989)

impressive: one critic remarks that "such a comprehensive body of environmental legislation is a remarkable achievement for a supranational authority, given the conflicts of interest which persistently arise between member states. Even more remarkable is the fact that so many environmental protection measures were passed on the basis of the Rome Treaty where the word environment does not even appear".⁵⁶

The SEA⁵⁷ however introduced the environment as an area of EC policy. It thus added this policy area to the Rome Treaty, and stated in paragraph 130 R, S, and T rules for taking environmental concerns into account. Here it was laid down that prevention is the policy line to follow, and also that the polluter should pay for damages ("polluter pay-principle"). The environment includes the quality of the physical environment as well as people's health, and each step towards the internal market must be accompanied by analyses of the consequences this will have for the environment. The environment is also not limited to the geographical area of the Community, thus, the EC may impose environmental standards outside of itself, and act on behalf of other regions⁵⁸. Already environmental standards are tied to all financial aid to Eastern Europe.⁵⁹

In the Treaty on Political Union adopted in Maastricht in December 1991 the role of the environment in EC policy-making was enhanced in several ways. First, the objective of the union is stipulated to be to "promote economic and social progress which is balanced and sustainable (my emphasis)"⁶⁰ The inclusion of

⁵⁶ Graham Bennet, "A Common Environmental Policy for a Common Market? in F.Dietz and W. Hejwan (eds.)" *Environmental Policy in a Market Economy*, Pudoc Wageningen : UNIPUB, 1988

⁵⁷ A good overview of the place of environmental policy in the SEA is provided by Haigh, N., and Baldock, D., "Environmental Policy and 1992", Report to the Department of Energy (UK), HMSO, 1989, London; and in Wilkinson, D., "Maastricht and the Environment: The Implications for the EC's Environmental Policy of the Treaty on European Union signed at Maastricht on 7 February 1992", Institute for European Environmental Policy, London, April, 1992. The latter report is a preliminary discussion of the theme.

⁵⁸ The EC Commission has e.g. recently published a communication on the preservation of tropical forests, *Europe*, 9.5.90 "Environment: the House of Lords backs the EC's Communication on Tropical Forests"

⁵⁹ The European Investment Bank and the EBRD (European Bank for Reconstruction and Development) - the latter's membership extends beyond the EC - have explicit environmental standards tied to financial aid. (Interview with Carlo Bongianni, senior project manager, Energy and Environmental department, EBRD, London, April, 1992.) The EBRD is not an EC institution, but has a constituency comprised of the G-24 countries. The EC members however make up its main membership.

This is also true for the EC assistance programme PHARE. See "Phare: Assistance a la restructuration economique des pays d'Europe centrale et orientale", "The European Community and Its Eastern Neighbours", and "The European Investment Bank", all EC publications in the series "European documentation."

⁶⁰ Article B, Common Provisions, Treaty on Political Union, *Europe Documents* no. 1759/60", *Europe*, 7.2.1992

'sustainability' is very significant and also of great symbolic importance as an addendum to the goals of political and economic welfare. Further, articles 130 r, s, and t are amended: In 130r, the obligation on the part of the EC to "promote measures at international level" is specifically mentioned. Also the decision-making procedure is amended: In 130s, three decision-making procedures are laid out: First, unanimity is required for fiscal proposals - such as a carbon tax; for proposals that affect land use and resource management, and for "measures significantly affecting a member state's choice between different energy resources and the general structure of its energy supply" (my emphasis). However, it is the Council which defines whether any of the proposals listed above form part of the internal market, and thus are to be subject to the majority procedure.

Second, qualified majority voting is the procedure for all legislation in paragraph 130r, which include "preserving, protecting and improving the quality of the environment; protecting human health, prudent and rational utilization of natural resources, and measures at international level".⁶¹ Third, a new decision-making procedure is introduced, called the "co-determination procedure."⁶² This is to be applied for environmental legislation in all other areas, including the action programmes.⁶³ The "co-determination" procedure⁶⁴ allots a larger role to the EP than does the "co-operation" procedure.

However, the significant parts of environmental legislation are to be determined either by unanimity, e.g. taxes, or by the "co-operation" procedure. The Treaty thus allots a major place to majority voting in environmental legislation. The only exceptions that still require unanimity are those that are of a fiscal nature, as is the general rule in EC decision-making, and those that bear directly on the energy policy of a member state. In addition the area of the environment as a policy concern of the EC as a whole has been 'upgraded' to be a main goal of the EC in the paragraph on 'sustainable progress'.

With respect to the level of integration of energy policy, the decision-making procedures in environmental policy are important as the two areas become integrated. The Maastricht treaty envisions an environmental policy which encourages certain energy forms over others. Decisions for such policy are to be taken unanimously. However, qualified majority voting will be the main rule for all other environmental legislation.

The issue of creating an environmentally sound energy policy came to the fore in the EC during 1990. In May 1990, the Energy Council decided on "Conclusions on energy and environment" which called for energy saving, an incorporation of environmental concerns in future energy policy, and on more debate on the role

⁶¹, See paragraphs 130 s,1, and 189c of the Treaty text, *op.cit.*

⁶². The traditional procedure, called the "consultation" procedure, leaves little role to the EP. It is only consulted on a proposal before the Council decides on it. The Single Act introduced the so-called "co-operation procedure" which involves the EP in two rounds of consultation and mechanisms for influence. (see chart 2 in appendix for the new 'co-determination' procedure).

⁶³ Paragraph 130s,3, *ibid.*

⁶⁴. See paragraph 189b, *ibid.*

of nuclear energy.

Turning to the actual integration of energy and environmental policy, there were relatively few common policy proposals as of 1992. A sensitive energy issue with clear environmental implications was that of aid to coal production in Germany and Spain, but environmental concerns have not been tied explicitly to coal production yet although the gradual building down of coal will be speeded up by abatement strategies for the reduction of carbondioxide emissions. The Commission intervenes in the subsidization of coal production in member countries, but is basing this on the rules against state aids in the Rome Treaty and in the ECSC treaty. In the future, coal production and coal use may also be linked to environmental issues, as the Energy Commission has indicated that it will support the enhanced use of natural gas and nuclear energy for power generation.⁶⁵

Coal will thus be de-emphasized in future energy policy, and the environmental pressures to curtail industrial emissions will undoubtedly give impetus to the process towards building down coal subsidies.

A new committment to the development of natural gas use on the part of the Commission is evidenced in the use of structural funds to this end: new gas pipelines are funded by EC programmes and largely by the European Investment Bank, and Portugal, Spain, and Greece have started construction of pipelines with this source of finance. Also between Algeria and Spain as well as intra-Iberia there are plans for new lines for both electricity and gas.⁶⁶

An expert group report on the environmental effects of the single market states very clearly that increased economic growth will result in a correspondingly higher level of pollution, and that environmental measures therefore must be integrated in the the single market project in a comprehensive way.⁶⁷

A carbon tax⁶⁸ has been proposed by the environment commissioner as a way

⁶⁵. In 1991 and 1992 the Commission debated the so-called "Jahrhundertvertrag" between German coal producers and the German state which stipulates that German coal will be the prime source of electricity, at a fixed price. The extra cost herein is paid by the German consumer as a tax on the price of electricity ("Kohlenpfennig"). This subsidization is naturally incompatible with the internal market. See *EER*, April 1989, "West Germans Stay Cool as EC asks for Reduction of Coal Aid", and *ECE*, April 1989, "Commission Threatens Germany Over State Aid to Coal Industry" and *ibid.*, September, "Germans Making Progress on EC Demands Over Coal Subsidies".

⁶⁶ The use of structural funds for funding energy projects was under revision at the time of writing. Several programmes had been defined and were put into operation.

⁶⁷. "The Environment and the Internal Market: Challenges and Opportunities", EC Commission, 1990

⁶⁸ I use the term 'carbon tax' to refer to the carbon/energy tax proposed and conditionally adopted by the Council of Ministers in May, 1992. Although it is not a pure carbon tax; in fact it is divided 50-50 between taxing energy use and carbon emissions, the term 'carbon tax' captures the essence of the intention of the tax. It is also standard usage in academic and political terminology

of implementing a penalty for energy use. Stating that "a carbon tax is unavoidable", environment commissioner Ripa di Meana intended the funds generated from the tax be used in negotiations with the developing world.⁶⁹ An expert report from the Commission chose tax means as the best way of incorporating environmental policy into internal market directives, and remarked that since the rate of pollution would roughly follow that of economic growth, economic instruments in the form of taxes would be best suited for creating environmental awareness.⁷⁰

These issues were debated at the meeting of energy ministers in Rome in December, 1990. On the carbon tax, it was resolved to make more specific proposals "in due course".⁷¹

The tax proposal aimed at meeting the Community goal of stabilising carbondioxide emissions by the year 2000 agreed at in late 1990.⁷² The draft communication proposed an energy tax reflecting the thermal content of the fuel. This will vary with carbon content, "thus favouring the adoption of natural gas substitution techniques".⁷³ The tax would exempt primary use fuels and renewables, and was envisaged to be approx. \$ 10 bbl. Tax income would be used to promote environmentally friendly energy use. The Commission further proposed to work actively with the gas industry to promote "least cost planning" and procedures in the production and distribution of gas and electricity within the EC.

The role of the EC here was thus an active one; not simply a de-regulatory one. The use of the market mechanism to punish carbondioxide emissions in the form of a tax is a 'modern' environmental policy tool. The Commission chose to promote this type of policy by calling for an expert report which recommended its usage. The implication for integration here is that the Commission strengthens its role as the institution that levies taxes, a function traditionally reserved for the nation-state, and one that is highly potent as a political symbol of sovereignty - the people in the American colonies rebelled against the British on the issue of 'taxation without representation'. The carbon tax represents the first instance of the levying of a tax by the EC as such.

to speak of carbon taxes.

⁶⁹. "Environment Commissioner Urges a Carbon Tax for Funds", *ECE*, November 1990

⁷⁰. "Draft Communication on the Use of Economic and Fiscal Instruments in EC Environmental Policy", *DXI*, 18/6/90

⁷¹. *Europe*, 22.12.90

⁷². Helge Ole Bergesen analyses EC climate policy in "EFs klimapolitikk", report no. 1990/14 in the series "Energy, Environment, and Development", FNI, Oslo, 1990. The EC agreed on stabilising CO2 emissions as a whole on the 1990-levels by the year 2000 at the joint meeting of energy and environmental ministers in late October, 1990.

⁷³. Draft Communication to the Council prepared by the joint commissioners for Energy and Environment, 28.12.90, "An Action programme to Limit the Emissions of CO2 and Improve the Security of Energy Supply", cited *in extenso* in "Commission suggests an energy and carbon tax", *ECE*, January, 1991

Several policy options for reducing carbon emissions were discussed at the Energy-Environmental meeting in December, 1990. June, 1991, was set as a deadline for specific action on how to implement a carbon tax.⁷⁴

In preparation for the UNCED conference in Brazil in June 1992 the carbon tax proposal received increased importance in the EC discussion. However, at the Energy and Environment Council in December, 1991, the tax was adopted in principle only in the general adoption of the "Community Strategy to Limit Carbon dioxide Emissions and to Improve Energy Efficiency"⁷⁵ The Council asked the Commission to propose a text for a directive on such a tax, however it also demanded studies of macro-economic and policy consequences, consequences for energy-intensive industry, how the lesser developed EC members would be able to modify tax consequences, etc. Also, each member state must submit details of national programs. Thus, many aspects of the carbon tax were requested resolved before the Council would approve such a tax, and the new deadline for a common position was set to the end of April, 1992, in view of the upcoming international climate negotiations. The Conclusions from the December Council meeting also stressed the importance of the view of the finance ministers in this matter.⁷⁶

The Energy and Environmental Council adopted the tax in late May, 1992, however with the qualification that it would only become operative if the US and Japan followed suit. The concern for competitiveness was here paramount. Ripa di Meana cancelled his participation in Rio.

Although the issue of a carbon tax was very controversial, emission reductions for other gases have been agreed to: car emissions are to be reduced by 57%, NOX emissions by 25%. These new car standards will apply from 1996 in order for the car industry to adapt to them.⁷⁷

In addition, DGXVII announced that it will put forward an environmental code of conduct for the energy industry during the 1992. Further, the policy on depletion of the ozone layer has been intensified in view of the alarming reports published in early 1992. The Environment Council agreed to push forward to 1995 the target date for elimination of all CFCs at the Environment Council meeting in March, 1992

In sum one may conclude that the environmental concerns now voiced extensively throughout Europe will be very important in the energy policy ahead, but that this process is for now only in its beginning.¹¹² The challenge from the internal

⁷⁴. *Ibid.*, p. 3

⁷⁵ *Communication reprinted in Europe*, 12.11.1991, no. 1743

⁷⁶, *Energy in Europe*, January 1992, "Council Conclusions on Energy Tax", p. 10

⁷⁷. "Environment Council", *Europe*, 22.12.90

¹¹² M. Huelshoff and T. Pfeiffer argue that Ec environmental policy amounts to little because the states effectively block any proposal that might jeopardize economic growth. The Commission is also here argued to be paying lip-service only to environmental policy issues. This reality, they argue, contrasts starkly with the weight given to environmental policy in both the SEA and the Treaty on Political Union. The authors use environmental policy as an illustration of an intergovernmental

market itself, i.e. the implications for the environment of economic growth, and the challenge from Eastern Europe¹¹³ together constitute a major policy task for the EC. The acuteness of pollution problems stemming from this can only be solved through the conversion to "clean energy", either by means of taxes or by other facilitation of energy type choices. In this connection it is very interesting that a new energy plan in France puts major emphasis on the environment, and suggest that a governmental office be established that match all energy legislation with environmental policy.¹¹⁴ The so-called "Delors II"-package, which represents the 'added cost' of the political union objectives, points to the increased use of the structural funds for realising the goals of EC environmental policy. These funds were budgeted to double in 1992 and triple in 1997 over their 1987 base.¹¹⁵

The funding for EC environmental measures is therefore on the rise. The role of the Commission in the carbon tax case was one that implied a new and supranational role for the former in being the 'tax collector', although the actual tax implementation was to take place at the state level.

EC and International Energy-Environmental Policy Towards the Central Europe

It is also the acute need for more and cleaner energy in Eastern Europe that has acted to accelerate the merging of energy and environmental policy as well as the development towards a stronger degree of common energy policy.

Three policy areas are important to the evaluation of which role the EC may play in the effort to press for cleaner energy use in Europe. First, the degree to which the EC has a sufficiently strong energy policy to impose rules that take care of environmental concerns; second, the importance that environmental concerns actually play in EC policy making, especially as regards energy policy, and third, which policy instruments exist vis-a-vis Eastern Europe.

The EC has several formal political ties to the region of Eastern and Central

interpretation of Ec policy-making in general. However, the mandate for an environmental policy in the EC is as of yet (1992) too recent to warrant such a conclusion. "Environmental Policy in the EC: neo-functionalism sovereignty transfer or neo-realist gate-keeping?", International Journal, vol. XLVII, Winter

¹¹³. See J.H. Matlary, "Energibruk og miljøproblemer i Øst-Europa: Implikasjoner for Efs energipolitikk", Internasjonal Politikk, nr. 2, 1990

¹¹⁴. Pierre Brana, "Maitriser l'energie: un enjeu des annees 90", report au Premier ministre, (La documentation francaise, Paris, 1989) This office should "prendre toute initiative pour que la maitrise de l'energie et de l'environnement apparaisse bien comme prioritaire dans toutes les decisions ministerielles: dotations budgetaires, nouvelles reglementations, negociations internationales, cooperation avec les pays en developpement", p. 72

¹¹⁵"From the Single Act to Maastricht and beyond: The means to Match Our Ambitions", Europe, document no. 1762/63, 19.2.1992

Europe.¹¹⁶ For aid to economic development, the European Bank for Reconstruction and development (EBRD) has been established. The underwriting countries include the U.S. and non-EC countries in Europe. Situated in London, the Bank started its work in April 1991.¹¹⁷ The EBRD, with all the EC countries as members and which as of April, 1991, operated as the Western financial instrument vis-a-vis Eastern Europe, has been instructed to give priority to the funding of projects that improve the environment.¹¹⁸ "The environmental reflex" must be incorporated from the start, according to the European Commission.¹¹⁹

The European Investment Bank gives loans also to the energy sector, and is interested in favouring projects that are environmentally sound. It was as of 1991 authorised to lend in Poland and Hungary as well as in formerly East Germany.¹²⁰ A loan of 50 million ECU has e.g. been granted to Poland in order to modernise its gas industry. The money is earmarked for desulphurizing Polish natural gas, thus contributing to a cleaner environment.¹²¹ In 1991 93% of its loans were granted to energy-related projects.¹²²

In terms of political participation, both the CIS and the Eastern and Central European countries will be part of the European Environmental Agency, an EC institution formed in 1990.¹²³ Further, the negotiations for association agreements between these countries and the EC started in October 1990 ended in concluded association agreements in December 1991, where it is the expressed aim of the former that they participate fully in all EC environmental programmes.¹²⁴ The European Council confirmed that membership was also the EC's goal of the

¹¹⁶. See the analysis by John Pinder, *The EC and Eastern Europe*, RIIA:Pinter, London, 1991

¹¹⁷. Details on the Bank's funding and statutes in *Europe*, 1.6.90, pp.7 and 8.

¹¹⁸. The EBRD "should promote, in the full range of its activities, environmentally sound and sustainable development". As such, it is the first international financial institution to include such a criterion in its operations. *Europe*, 30.1.1992, p.6.

¹¹⁹. "EBRD/Environment", *Europe*, 11.1.91

¹²⁰. "Energy accounts for less of EIB's lending as overall operations continue to expand", *ECE*, June 1990

¹²¹. "Poland gets ECU 50 m gas Funding", *ECE*, August 1990

¹²² Information given by the bank's managers at Lisbon energy conference "Energie et Cohesion Economique et Sociale", 4-5.6.1992

¹²³. "Environmental Agency Participation", *ECE*, June 1990. Due to an inability to agree on a site for the Agency, it was not yet in operation at the time of writing (Fall 1992)

¹²⁴. See *Europe*, 13.10.90, 19.10.90, 24.9.90, 9.5.90.

association agreements in their December meeting, 1992.¹²⁵

The EC has funded two programmes for environmental protection in Hungary and Poland in addition to co-funding the Regional Environmental Center in Budapest, which is an institution which is basically co-funded by the US and the EC Commission. Its main task is to assist NGOs in the region in their development, act as a meeting-place for information and educate local communities in environmental management and implementation.¹²⁶

EC programmes focus on improving air and water quality in the two countries.¹²⁷ The PHARE programme, an EC programme¹²⁸ to assist in the development of Eastern Europe, had in its selection of projects in 1990 "given overwhelming priority to those related to environmental protection."¹²⁹ In 1990 alone, 47 million ECU was given to environmental measures in Poland and Hungary. The PHARE is by far the most important programme, from which Hungary received ECU 15 million in 1991 and ECU 10 million in 1992 for energy and environmental projects. The major thrust of this goes to establishing administrative infrastructure for utilizing environmental charges and taxes, and the funding of pilot projects aiming at energy saving and efficiency.¹³⁰

In december, 1992, the EC opened an energy centre in Budapest, funded jointly by PHARE and the Hungarian government.¹³¹ Its main task is to conduct energy management courses, assist in the diffusion of technology between the EC and Hungary, and in promoting research and development in terms of efficient energy use.

The "Group of 24", consisting of the EC and other OECD countries, deal with energy and environmental problems in Eastern Europe in general and the emergency character of the energy supply situation. It adopted a declaration on economic assistance to the region in February 1990.¹³² The EC Commission, which coordinates the work of this group, had proposed that energy financing became a

¹²⁵ This is important because it underlines the EC's commitment to these agreements, which in the case of other applicants (Turkey, Malta, Cyprus) lingers on and on.

¹²⁶ I am indebted to the help of REC officials, especially associate director Judith Galambos for setting up interviews and making contacts during three research visits to Budapest, in 1990, 1991, and 1992.

¹²⁷ Europe, 30.5.90.

¹²⁸ For general information, see the Commission's booklet PHARE, Assistance a la reconstruction economique des pays d'Europe centrale et orientale, Luxembourg, 1992

¹²⁹ Europe, 17.5.90

¹³⁰ ECE, June 1992, p. 13

¹³¹ EUROPE, 17.12.1992

¹³² The full text is provided in Europe, 22.2.1990

priority in light of the double stress under which these countries had come; - the demand on the part of the CIS for energy payments in hard currency and the Gulf crisis that threatened to cause increases in the oil price. The Commission stressed the need for a "medium-term energy strategy on a pan-European scale" (my emphasis), proposing that all financial instruments be coordinated; that help be given in diversifying dependence on Russian energy on the part of Eastern and Europe; and that assistance in developing alternative gas import sources be provided. Here North Africa and especially Algeria were mentioned specifically. Importantly, gas use and switching to gas must be encouraged, by technical and financial means. The development of the gas grid must be funded by the EC, as aid to gas use contributes to environmental improvement.

The reception of the Commission proposal by the Group was mixed, and no immediate measures were taken.¹³³ However, the importance of this meeting lies not in the results from it, but in the nature of the Commission's proposals. The substance of these proposals indicates that the EC Commission takes on the responsibility for coordinating and developing a full-fledged strategy in the energy-environmental area not only for its members, but specifically also for the Eastern and Central European region. In terms of financial policy-instruments, both the EIB and the EBRD are in place. In its support to Eastern Europe in 1990, it will be recalled that the EIB looked specifically for environmental soundness of projects. There are in addition programmes that entail direct EC funding, PHARE and SAVE to be mentioned.¹³⁴

However, the most comprehensive plan for improving the energy infrastructure and securing energy supply was the so-called **Lubbers proposal** which suggested the creation of a European energy charter for the guaranteed production and deliverability of especially CIS-gas; the guarantor being the EC. Introduced to the European Council in June 1990, it was debated within the fora of the EC as well as in high-level meetings between the CIS and the EC.

As for the architecture of a "strategy" for securing energy supplies, especially gas from the CIS, the Lubbers plan formed the basis for the deliberations between the Commission and the Russians and within the Energy Directorate itself. The oil price volatility caused by the Gulf crisis and the concomitant Soviet demand for hard currency energy payments have served to intensify the work of the EC towards such a "grand strategy". Because the Soviet energy production system is in a state of crisis, and because the energy supply situation and the ability to pay for energy in Eastern Europe were in an equal state of emergency, only fairly swift action on the part of the EC, or coordinated by the EC, could hope to prevent a dangerous deterioration of the situation. At stake was not primarily the issue of energy itself, but the very political stability of both the Soviet Union and Eastern European countries, as had been stressed repeatedly by J. Delors.¹³⁵

¹³³ *Europe*, 31.10.90, 1.11.90

¹³⁴ See e.g. his speech at the CSCE-summit in Paris, 19.11.1990, "Intervention par M. J. Delors".

¹³⁵ See e.g. his speech at the CSCE-summit in Paris, 19.11.1990, "Intervention par M. J. Delors"

Interestingly, the talks on the proposal for the energy charter that were held between Mr. Delors, Commissioners Andriessen and Cardoso e Cunha, and the Soviet Vice Prime Minister showed a very open-minded Soviet attitude to the introduction of Western market conditions for joint ventures in the energy sector. This high-level group concluded that the EC must assist the Soviets in producing and transporting natural gas, and in return receive stable supplies to Europe. The problems involved in this gigantic undertaking were reported to be "technical and technological" only. The EC side underlined its commitment to "aid in the Soviet reforms" but also that internal market rules would be part of the Energy Charter, as well as commercial conditions for Western companies with regard to expatriation of profits, conditions for investments, etc.¹³⁶

The European Council mandated the Commission to progress with the Energy Charter at its December, 1990, meeting, adopting a draft communication outlining the contents of the charter.¹³⁷ The rules of the charter are envisaged to reflect the internal market in general, i.e. be commercial, binding rules for the transport and sale of energy, yet in order to "cover" exploration and production in joint ventures, these rules would have to go beyond the same market concept. In his communication the former energy commissioner Cardoso e Cunha stressed that concession rules would be part of the charter. Further, the charter would be binding; thus there must exist some administrative and coercive authority that can survey and enforce the rules.

The next step in the work towards the energy charter was a conference in the Fall of 1991 to which all European countries were invited. In spite of the political unrest in the then Soviet Union, the EC Commission did not postpone any of its general work on the energy charter, but rather intensified it. The European Parliament did e.g. postpone food aid on political grounds in early January, and the Commission did postpone the joint EC-USSR meeting on economic-political cooperation, scheduled for late January 1991.¹³⁸ However, this did not have any implications for the work towards the energy charter. In fact, as the EC postponed general bilateral talks in view of the situation, cooperation in energy became even more important as one of the remaining links.¹³⁹

In December, 1991, the Charter was signed by all EC members, EFTA members, East-central European states, the CIS, Japan and the US. The charter is not legally binding, but a so-called "basic agreement" has been negotiated, whose aim it is to create a legally binding framework for the charter.¹⁴⁰ A protocol on

¹³⁶. *The plan for this charter has been strongly supported by the major EC members, however, on condition that "normal" market conditions prevail for investments.*

¹³⁷ *"Une Charte Europeenne de l'energie", Commissioner Cardoso e Cunha, December 12, 1990*

¹³⁸. *Europe*, 26.1.1991, p. 5

¹³⁹. *"USSR discussion delayed", ECE, November, 1990*

¹⁴⁰. *The original intention was to proceed directly to specific protocols for each energy type (Nuclear energy, hydrocarbons, energy efficiency and the environment, etc.), but since the the charter itself was not binding, it proved necessary to arrive at a generally binding text prior to the specific*

environmental aspects and policy guidelines is expected to be finished in the Spring of 1993.

The Charter policy process was conducted by the EC alone, although there was talk of making it an IEA or a CSCE process.¹⁴¹ The EC coordinated the policy process with the CSCE, however. Jacques Delors presented the charter proposal as the best way of achieving East-West integration at the CSCE summit in Paris in November, 1991, stating that "une charte europeenne de l'energie pourrait creer un climat de confiance propice a l'utilisation optimale des ressources....et a une reduction des tensions et des equilibres dans la communaute internationale".¹⁴²

The so-called Basic Agreement on the Charter was presented by the Commission in April, 1992. It represented the common position of the national experts of the member countries and was to be legally binding once ratified by all the signatories of the charter itself.¹⁴³ Protocols that are legally binding are expected finalized in the Spring of this year. One of them deals with nuclear safety and the environment. The working group on the protocol on energy efficiency is chaired by Hungary.¹⁴⁴

In sum, the EC contributes overall about 75% of all financial assistance to reconstruction in East-Central Europe and the CIS.¹⁴⁵ Environmental support is both financial and institutional, and often a mixture of both. Solutions to the energy problems are always connected with a consideration of environmental consequences, however, the magnitude of the problems does not make for any easy solutions.

The Role of the EC in the Development of Hungarian Environmental Policy: An Assessment and Suggestion for Further Research

There is a long tradition in Hungarian trade and foreign policy to be cooperating within the so-called Pentagonale, which includes the former Yugoslavia, Austria, Italy, Bavaria and Hungary and which has historical traditions in the Austro-Hungarian monarchy. Developed to some extent already in the Communist period, formalized trade regimes like the Alpe-Adria Verband played a significant role as

protocols which only interested members will sign. "Energy Charter Basic Agreement", East Europe News, February 1992, p.9.

¹⁴¹ *In late Fall 1990 there was still uncertainty as to which international institution that would be responsible for the Charter. Within the EC there was opposition to the inclusion of the US and Japan in the charter, notably on the part of France. Europe, 19.7.1991, p. 7.*

¹⁴² *"Intervention de M. Jacques Delors", 19.11.1990, CSCE summit in Paris*

¹⁴³ *Europe, 3.4.1992, p.7*

¹⁴⁴ *EC Energy Monthly, January 1993, p. 4*

¹⁴⁵ *See e.g. Europe, 17.12.1992, and 30.12.1992*

a precursor of the revival of the official Pentagonale cooperation in 1988.¹⁴⁶ However, this general foreign and trade orientation is now rapidly being rivalled by the cooperation towards EC membership with Poland and the former Czechoslovakia. These countries are now officially referred to as the Visegrad-countries by the EC, named after the town in Hungary where their summits are held.

The overall orientation of Hungarian foreign economic policy is thus increasingly conditioned by the association agreement with the EC. It stipulates the requirements in the economic field for eventual membership, and entails a gradual adaptation of Hungarian domestic policy to EC regimes. This includes also environmental policy. As we have seen, in terms of energy-environmental policy proposals, adaptation to EC rules in e.g. coal policy was a stated goal.

The EC programmes like PHARE exist to aid in this process. All financial assistance is tied to EC standards, and also loans from the EiB are included here. Although the PHARE has an OECD-constituency, as has the EBRD, the EC has a coordinating and leading role in general, specifically for the PHARE. It thus seems a valid conclusion to call it an 'umbrella' organization for most financial assistance to reconstruction in the energy-environmental field to the region. The energy charter is also an example of this.

However, EC environmental policy and its integration with other policy areas, here energy, is as was discussed above, largely in its beginning. EC policy-makers are eager to develop an environmental policy that relies on market instruments, and this trend is also recognized by Hungarian policy-makers. As seen, they propose such instruments as the key to energy efficiency and saving. However, there is probably the familiar problem of the convert being more Catholic than the Pope here - the energy policy document that sets out the new energy-environmental policy for Hungary reveals an unjustified fear of political management and policy control in general: "the energy policy developed on a market basis cannot undertake to provide a detailed programme for the participants in the energy market, who operate in corporate form, since that would go back to the centralized control of the past..that independent energy companies should still operate in accordance with the national interests, must be ensured through special legislation and control."¹⁴⁷ This unfamiliarity with political management in a capitalist economy is not surprising, but is potentially a serious political problem in inter alia environmental policy. As the EMLA underlined, there is in their view a real danger that the latter be treated as a residual category that will largely take care of itself as a consequence of the general introduction of the market mechanism in energy and other policy areas. In other words, a lot hinges on the ability to integrate political institutions and policies in the environmental area with 'mainstream' politics. This is however the present challenge to the EC itself, not only to Hungary.

¹⁴⁶ See e.g. Landau, A., "The Hexagonale; A Newcomer on the European Scene?", paper presented at the Heidelberg conference cited earlier.

¹⁴⁷ Policy document, p. 11

The above discussion has arrived at the the following empirical conclusions: First, Hungarian environmental policy management is characterised by a lack of political institutionalization while the policy instruments proposed in the energy-environmental field emphasize the market mechanism. Second, EC environmental policy was found to be in the making as an issue area in terms of its coherent integration with other EC policy and in its choice of policy instruments. However, it has a strong legal basis in the Maastricht treaty, which stipulates that majority voting be the major decision-making mode. Third, EC policy towards Central and Eastern Europe was found to make up a variety of different programmes and types of financial and institutional assistance where the EC had a leading role in most contexts. This paper has thus identified the scope of the further analysis of the policy processes themselves in the relationship between the EC and Hungary: I have determined the issues, the institutions, and hinted at the directions that institutional development may take in Hungarian environmental policy. However, I have not traced the interaction or the policy process between the EC actors and the Hungarian ones. This will be the object of further work with the aim of arriving at specific knowledge, both empirical and theoretical, of which role(s) Hungarian actors as well as EC actors play. A central premise here will be that there are many actors in both sets, that they do not necessarily coordinate their work, and that they thus may be connected only very loosely within what can be termed the issue area 'environment'. This open-ended starting point allows us to account for the complexity of Hungarian-EC interaction in an analysis of some selected policy processes, and also not to foreclose the possibility that in fact there may exist very little intrinsic coherence within issue area-specific cooperation. The EC's environmental and East-Central European policy exhibits such a variety of actors and policy instruments. The Hungarian actors may also be assumed to respond to this in multiple ways, as the policy area of the environment is new and not well entrenched in terms of institution-building.

At the outset I argued that the role of the EC is a pivotal one in influencing the development of Hungarian environmental policy. As we have seen, its role cannot be determined easily as the interaction between the EC and Hungary in this field takes place in many fora and under the aegis of different policy areas.

Despite the lack of a coherent institutional set of contacts and a hierarchical ordering of these, the role of the EC can still be conceived of as the major one. In general, policy-making and institutional development is probably not 'ordered' very much even within so-called 'issue areas'. Within the EC itself it may make much more sense to look at networks¹⁴⁸ of policy-makers in and between issue areas than at the issue area as one that exhibits a coherent set of policies and institutions. This perspective may equally well be a fruitful one for the study of EC-Hungarian interaction. This implies that one ought not to look for coherence and clearly delimited issue areas within Hungary either. In terms of environmental policy, such a perspective may prove especially useful since

¹⁴⁸ *The concentration on formal and informal networks as an analytical starting-point is central to current discussion of integration theory, see e.g. A. Bressand and K. Nicolaidis, "Regional Integration in a Networked World Economy", in Wallace, W. The Dynamics of European Integration, ed., Pinter: London, 1990*

environmental policy needs to be integrated with other policy in general - vide the Maastricht treaty on this -and the argument has been made here that in Hungary, such integration will be particularly important in view of the low status that these problems may be assumed to have on the political agenda.

Further, another theoretical contribution to the current international relations literature that seems useful is that which looks at the process of learning¹⁴⁹ as a way of both defining policy 'problems' and their solutions. This is naturally relevant to the extent that environmental policy is not strongly entrenched yet in Hungary, neither in terms of institutions nor in terms of the general political agenda.

An analytical approach that concentrates on both the formal (the institutions) and informal sets of policy-makers (the networks) in the Hungarian-EC interaction and which pays special attention to the role that learning plays in developing environmental policy seems, on the basis of the above empirical 'inventory'; a promising one for the further study of the actual policy processes and influence of EC actors.

¹⁴⁹ A key article here is P. Haas' discussion of the role of 'epistemic communities' in international relations, see "Introduction: Epistemic Communities and International Policy Coordination", special issue of *International Organization*, vol. 46, no. 1, Winter 1992