

Hungary has put its own economic interests above EU solidarity by siding with Russia over reverse gas flows to Ukraine

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Russia and the EU have been engaged in a dispute over the legality of so called 'reverse gas flows', whereby Russian gas imports to EU countries are redirected back to Ukraine via Hungary, Poland and Slovakia. In September, however, Hungary opted to suspend these reverse gas flows, prompting criticism from some of its EU partners. [Erin Marie Saltman](#) writes that the decision is symptomatic of wider problems in the EU's relationship with Hungary: chiefly the country's willingness to put economic interests above EU solidarity and the inability of the EU to force its own members to comply with joint-standards.



Living in an economic environment of complex international resource relations, it is no wonder that the Ukrainian crisis with Russia has had a 'trickle down' effect on other Central and Eastern European countries. One of the most recent predicaments has come in the form of Russia's gas relations with Poland, Slovakia and Hungary, who have been providers of 'reverse gas flow' to Ukraine. This questionably legal practice has seen a geopolitical divide between the three countries with Slovakia and Poland opting to continue reverse flows, backed by the European Commission, while Hungary has opted to halt its gas flow to Ukraine, seeming to side with Russia's Gazprom.

The choice of Hungary to halt its gas supply to Ukraine has, once again, led many to question the country's allegiances to Eastern, rather than Western, allies. However, the gas flow dilemma has also forced us to question Western European dependencies on Russia for gas more broadly, as well as questioning the legality behind reverse flow to Ukraine.

What is reverse gas flow and is it legal?

Russia's Gazprom turned off gas supplies to Kyiv in June 2014, targeting the multi-billion-dollar debt Ukraine's Naftogaz oil and gas company owed as the reason for the gas flow discontinuation. Authorities have said that gas flows would continue once the debt was paid in full. Subsequently, Ukraine has been working with European partners to diversify their gas supply, which has included using reverse flow of Russian gas from other countries into Ukraine. In essence, reverse gas flow is the re-exportation of gas; when one country buys gas from another, only to re-sell this gas on to a third country. Gazprom has reported that Poland, Hungary and Slovakia have re-exported as much as 1.7 billion cubic meters of Russian gas to Ukraine.

Earlier this year Russia warned of consequences if European countries provided gas originally from Russia, to Ukraine. In April of this year Slovakia [signed a deal](#) with Ukraine to give Kyiv access to European gas supplies to reduce Russian gas dependencies. With Ukrainian-Russian tensions mounting, Europe was already concerned over dependencies on Russian gas, which make up over half of Ukraine's total gas supply. Poland, Slovakia and Hungary began reverse flow gas deals to Ukraine as Russian gas supplies were halted. The European Commission had looked into the legality of reverse flow gas, stating that Ukraine was [allowed to receive](#) up to 8 billion cubic metres of gas from Slovakia alongside the amount Ukraine was already receiving from the two other countries.

Reports from Russia have stated that reverse flow gas deliveries are clearly illegal, coming down to the fine details of the contracts drawn between Gazprom and specific European countries receiving Russian gas. The Executive Director of the Brussels Energy Club [told Russia Today](#) that as far as was known to the wider public, there were non re-export clauses within the contracts that dictated that gas received in Europe should be utilised only in Europe and

not re-exported. This point has also called into question the European Commission's jurisdiction over Ukraine, as a non-EU member state.

However, even in the lead up to reverse gas flow deals, the EU's Energy Commission spokesperson, Sabine Berger, [said that](#) reverse flow was legally perfectly sound. The legality of current gas flow initiatives from Europe to Ukraine continues to be disputed.

Motivations behind Hungary's allegiance with Russia

Disputes over reverse flow legality and questions over Russia's reactive mandates aside, the larger question of how we should view Hungary's decision to side with Russia continues to baffle Europe. Both Poland and Slovakia are continuing to support gas flow into Ukraine based on EU support for the country, yet Hungary was quick to halt all reverse flow support at the first signs of Russian push back.

The Gazprom website [announced](#) that Hungary's Prime Minister, Viktor Orbán, held talks with Gazprom chairman, Alexey Miller, on 22 September with discussions 'focused on the issues of reliable and uninterrupted gas supplies in the coming winter period'. Within three days of these discussions Hungary stopped its reverse flow of gas to Ukraine. Despite mounting speculations that Hungary was making a move to appease Russia, the Hungarian pipeline operator, FGSZ, has said the move was made in order to fill up Hungary's reserves for the winter months. Whether or not Hungary was actually in need of filling up its own reserves has come into question since Hungary has held comfortable relations with Gazprom and was not affected by recent Russian regulations, which affected Poland.

Hungary's decision to stop gas flows to Ukraine has been seen as especially provocative since the European Commission had [made it very clear](#) that Hungary should facilitate reverse flow to Ukraine in the interest of shared energy security. Yet the strengthening of relations between Hungary and Russia, particularly through the energy sector, has been increasing since the start of the year. In an agreement signed by the National Development Minister of Hungary, Zsuzsanna Németh, and Russia's Rosatom State Atomic Energy Corporation on 14 January 2014, the Russian corporation will be expanding the Hungarian Paks Nuclear Power Plant. The deal outlines a nuclear project lasting from 2015 to 2023 and involves a [10 billion euro credit line](#) from Russia to Hungary.

Rather than seeing Hungary's actions as deliberately anti-EU, it seems that the Fidesz government is (and has been since 2010) more concerned with increasing the nation's own economic and resource strengths, with little regard to larger geopolitical ties, such as EU membership. This has been reflected in pro-government news sources, such as *Magyar Nemzet*, which recently published an article titled '[We Can Be the Gas Center of Europe](#)' discussing Hungary's growing strength within Europe based on Russian gas deals facilitating the nation's increasing resource reserves. Current arrangements with Russia are thought to give Hungary the fourth largest gas storage capacities in Europe, behind Germany, France and Italy.

Europe's response remains words without action

Since the Fidesz government's electoral supermajority victory in 2010 ([re-elected for a second supermajority in 2014](#)) European Institutions have openly criticised Hungary's rapidly changing legislation, which is seen as 'liberal backsliding'. EU bodies and international watchdogs have condemned Hungary for policies that have been seen to damage the freedom of the press, judicial independence and the nationalisation of previously independent institutions. However, despite the harsh nature of these judgements, very little in the way of action has occurred from Europe. The EU remains powerless to curtail decisions that seem to go against 'European principles' based on the [Copenhagen criteria](#). EU criteria for membership judges countries on democratically principled standards as part of the accession process, yet lacks mechanisms to properly act against countries going against those principles once they are member states.

It is certain that with the sustained electoral support of the Fidesz government, Hungary will continue to put in place

legislation and push forward negotiations that centralise national powers and strengthen Hungarian assets. If Russia seems like the strongest ally to facilitate those goals then Hungary will continue to strengthen Russian ties. Until EU bodies have clear mechanisms in place, which not only incentivise, but also give clear legal actions in response to ‘undemocratic’ practices within member states, then such developments are unlikely to change. This will particularly be the case with regards to actions of member states, which do not necessarily go against any tangible European structures. In this case it is rather a sense of unease Europe feels when a member state chooses Russian economic ties over European principles.

In the meantime, Europe is making steps toward weaning itself off of Russian resource dependencies. Finances have been put forth by Britain’s BP, Norway’s Statoil, Azerbaijan’s state-owned Socar and most recently Spain’s Enagás to develop a Trans-Adriatic-Pipeline (TAP). According to the deal, the TAP pipeline will be able to [deliver gas](#) from the Caspian Sea in Azerbaijan (via Georgia, Turkey, northern Greece and Albania) to Europe by 2020. Resource and economic-based measures such as these, making European options strong and viable, are perhaps the best way to keep member states supported and culturally embedded within Europe.

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Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

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