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# FORUM

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## Energy Cooperation with Russia in Time of War in Ukraine: Are Hungary and Slovakia “Trapped”?\*

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### ABSTRACTS

The invasion of Ukraine by the Russian armed forces on 24 February 2022 was a watershed in relations between Europe and Russia. However, while an unprecedented number of economic sanctions have been adopted by the EU and US, together with other G7 countries, in response to the Russian attack, the energy sector remains a grey zone in which elements of continuity from the past can be observed and are sometimes in conflict with the initiatives taken against Russia's aggressive foreign and security policy. In the hope of offering some perspectives on the complexity of energy relations between East Central Europe and Russia, this paper attempts to provide an overview of the energy relations with Russia of Hungary and Slovakia as case studies and to explore the different factors contributing to the enduring dependence on Russian energy even though Russia has made the 2014 war in Ukraine into the worst armed conflict in Europe since 1945 with consequences we are not yet fully aware of. The interconnections of energy security issues in Slovakia and Hungary with regional geopolitical developments and domestic political developments – not only in the two East European countries but also in Europe more broadly – make energy relations with Russia a particularly complex multi-dimensional matter in space and across time.

\* This article, written from a political science perspective, reconstructs recent and current attitudes of Hungarian and Slovak politicians towards Putin's Russia which, due to the current dynamic context of the Russo-Ukrainian war, are subject to change.

Der Einmarsch der russischen Streitkräfte in die Ukraine am 24. Februar 2022 war ein Wendepunkt in den Beziehungen zwischen Europa und Russland. Während die EU und die USA zusammen mit anderen G7-Ländern als Reaktion auf den russischen Angriff eine noch nie dagewesene Zahl von Wirtschaftssanktionen beschlossen haben, bleibt der Energiesektor eine Grauzone, in der Elemente der Kontinuität aus der Vergangenheit zu beobachten sind und manchmal mit den Initiativen gegen die aggressive Außen- und Sicherheitspolitik Russlands in Konflikt stehen. In der Hoffnung, einige Perspektiven auf die Komplexität der Energiebeziehungen zwischen Ostmitteleuropa und Russland aufzuzeigen, wird in diesem Beitrag versucht, einen Überblick über die Energiebeziehungen Ungarns und der Slowakei zu Russland zu geben und die verschiedenen Faktoren zu beleuchten, die zu der anhaltenden Abhängigkeit von russischer Energie beitragen, obwohl Russland den Krieg in der Ukraine 2014 zum schlimmsten bewaffneten Konflikt in Europa seit 1945 gemacht hat, dessen Folgen wir noch nicht vollständig kennen. Die Verflechtung von Fragen der Energiesicherheit in der Slowakei und in Ungarn mit regionalen geopolitischen und innenpolitischen Entwicklungen – nicht nur in den beiden osteuropäischen Ländern, sondern in Europa insgesamt – machen die Energiebeziehungen zu Russland zu einer besonders komplexen, mehrdimensionalen Angelegenheit – in räumlicher und zeitlicher Hinsicht.

## 1. Introduction

The relationships between post-communist Hungary and Slovakia, on the one hand, and Russia, on the other, are complex as they involve several components (geopolitics, energy security, history, etc.). If the period 1991/93–2004 was characterized by the integration process into the EU and NATO after decades of communism and Soviet influence, the period 2005–2020 was characterized by the rise of political parties and movements with populist and authoritarian tendencies, and in some cases, with Russophile attitudes, too. Examples of the latter are the Direction – Social Democracy (*Smer – Sociálna Demokracia*, SMER-SD) party, which won the parliamentary elections in Slovakia in 2006, 2012, 2016, and 2023, and the Federation of Young Democrats (*Fiatal Demokraták Szövetsége*, FIDESZ), which has been in power in Hungary since 2010. The case of Poland is different, as the authoritarian Law and Justice party (*Prawo i Sprawiedliwość*, PiS) that has been in power continuously between 2015 and 2023 considers Russia a historical enemy. In Slovakia and Hungary, the general election victories of SMER-SD and FIDESZ in 2006 and 2010, respectively resulted in a re-orientation of national foreign policies and re-evaluation of Russia under Putin's presidency over time. Whereas when FIDESZ won the elections in 2010 its reputation in the West was based on the first government experience (1998–2002), this changed in the mid-2010s, when the turn towards illiberal democracy made the Hungarian government isolated among Western European counterparts and the US. Strengthening cooperation with Russia at different levels became a way to handle the isolation.<sup>1</sup> The relationship with Putin's Russia became increasingly

1 The isolation of Hungary in the EU came from the shift FIDESZ started in 2015 after years of significant progress in which post-communist countries developed their democracies. Unlike SMER-SD, FIDESZ started to make fun-

important for Hungary as the Orbán government became ever more isolated within NATO and the EU. After the full-scale invasion of Ukraine in February 2022, this relationship became a “trap” for Orbán from which he hardly can escape.

In Slovakia, SMER-SD, which was in power between 2006 and 2018, with a short interval in 2010–2012, and again since October 2023, has as Russophile an attitude as FIDESZ. However, the Slovak political system is not dominated by one party as in Hungary; on the contrary, it is characterized by instability and changes every few years. When SMER-SD lost the parliamentary elections in 2020 to Ordinary People and Independent Personalities (*Obyčajní Ľudia a Nezávislé Osobnosti*, OĽaNO), the Russophile attitude towards Russia was less evident in the government. The role of Russia in Slovak foreign policy was reduced to the extent that the government was strongly aligning with the EU and NATO in supporting Ukraine with weapons and military equipment, marking a significant difference to the role that Russia has in Hungarian foreign policy. When SMER-SD won the elections again in October 2023, it was in a context of economic difficulties and war fatigue that the Russo-Ukrainian war has caused not only among Ukrainian and Russian people but in whole of Europe. Although the extension and brutality of the war in Ukraine (the worst war in Europe since 1945) did not allow Fico to use a strong Russophile rhetoric as in 2006, he could still rely on an electorate that had experience with Vladimir Mečiar (1993–1998), his famous slogan “if they don’t want us in the West, we shall turn East” and is convinced, as Slovak journalist Zuzana Kepplová wrote in December 2023, that politics should be about opposing the centres of power. “If the ‘mainstream’ is now opposing Moscow, then the balance is achieved by criticizing Washington and Brussels”.<sup>2</sup>

The invasion of Ukraine by Russian armed forces on 24 February 2022 was a watershed moment in the relations between the EU and Russia. In Germany, the breakdown of economic relations with Russia, whose core was “the import of cheap Russian energy for powering German heavy manufacturing”, came “at enormous costs in the form of higher energy poverty and diminished industrial competitiveness” and it put an end to Angela Merkel’s idea of economic integration of Russia in Europe.<sup>3</sup> In Poland, the main

damental political, economic, and social changes to the system that had existed in post-communist Hungary as well as changing the media landscape to gain more control and influence. The turn to an illiberal democracy resulted in several charges against the Orbán government before the European Court of Justice for non-compliance with the rule of law. Concern emerged in the EU regarding freedom of the media, LGBT rights, corruption, and refusal to comply with the refugee relocation system. J. Zielonka and Jacques Rupnik, From Revolution to ‘Counter-Revolution’: Democracy in Central and Eastern Europe 30 Years On, in: *Europe-Asia Studies* 72 (2020) 6, pp. 1073–1099.

2. Z. Kepplová, “Slovak Lesson in Populism in the Times of Hybrid Warfare”, *Visegrad Insight*, 21 December 2023, <https://visegradinsight.eu/slovak-lesson-in-populism-in-the-times-of-hybrid-warfare/> (accessed 18 January 2024).

3. R. Stefanov, M. Vladimirov and M. Köppen, “Strategic Decoupling - Phasing out Russian economic influence in Germany”, Center for the Study of Democracy, Friedrich Naumann Stiftung, September 2023. The European Commission defines “energy poverty” a multi-dimensional phenomenon in which energy consumption in a house has to be reduced to an extent that negatively impacts the inhabitants’ health and wellbeing. “Commission Recommendation (EU) 2023/2407 of 20 October 2023 on energy poverty”, in: *Official Journal of the European Union*, 23 October 2023.

supporter of Ukraine after the United States and the UK, investments in defense and security have reached 3.9 per cent of the GDP in 2023 and are supposed to reach 4 per cent in 2024, the highest among NATO member states.<sup>4</sup> In both Poland and the Baltics, the aggression to Ukraine is considered as the final proof that Russia remains an imperial power and now is the chance to defeat it once and for all. Sweden and Finland have abandoned their historical neutrality to become NATO member states.

Whereas there was concern in Europe if Russian armed forces would go beyond Ukraine in the aftermath of the invasion and military countermeasures began to be quickly put in place, an unprecedented number of economic sanctions were adopted by the EU and the G7 countries, unlike in 2014, as a way to respond to the Russian aggression. All EU governments agreed to these, including those traditionally most reluctant to take measures against Russia, like Hungary. This was a historical shift. However, the EU was and remains vulnerable. As Christian Mölling, deputy director of DGAP's Research Institute, wrote in 2023, "Russia's war against Ukraine has exposed the existence of not one single Europe, but several", referring to how the EU governments have reacted differently in the areas of "threat perception [of Russia], alliance policy, defense budgets, or arms deliveries to Ukraine".<sup>5</sup> In the case of Slovakia, it is true that the government aligned with the so-called West in 2022 agreeing on exporting weapons to Ukraine, on the EU sanctions and on supporting Ukraine's integration in the EU. However, Slovakia's state military export to Ukraine was limited; it stopped following the victory of Robert Fico at the national elections in October 2023 whereas private defense companies' export can continue, and Slovakia's geopolitical relevance in the region is less than bigger countries like Poland. Hungary has not changed its course since 2010. The national foreign policy remains dominated by Orbán's opportunism and ambiguities to turn West or East depending on the situation. Therefore, most of the historical changes in the EU-Russia relations after February 2022 concern bigger countries like Germany, Poland, Sweden, and Finland more than small ones like Slovakia and Hungary.

Although the European governments agreed on sanction packages, the EU not only found itself in a difficult situation because of diverging geostrategic perspectives, but also because of its high dependency on Russian natural gas, oil, coal, and nuclear power technology.<sup>6</sup>

Moves were made to reduce this dependency, but not all the EU countries were dependent in the same way or on the same natural resource. Slovakia and Hungary were largely dependent on Russian oil and gas and have remained so. This is an element of continuity

4 W. Konończuk, "View from Poland: Ukraine's Victory is Indispensable for European Security", Policy Paper, Zentrum Liberale Moderne, 8, November 2023.

5 S. Helmonds, C. Mölling, T. Winter, "European Defense in A New Age - Geostrategic Changes and European Responses Shaping the Defense Ecosystem, DGAP Report, German Council on Foreign Relations, No. 6, June 2023.

6 In 2021, EU countries imported about 45 per cent of their total gas imports from Russia. For more on the total imports of coal and oil from Russia, see S. Kardaś, "Conscious Uncoupling: Europeans' Russian Gas Challenge in 2023, European Council on Foreign Relations, 13 February 2023, <https://ecfr.eu/article/conscious-uncoupling-europeans-russian-gas-challenge-in-2023> (accessed 18 January 2024).

with the past. They also had the question of how Russian nuclear technology could be replaced. In 2021, both countries had four Russian-designed nuclear reactors operating with Russian fuel, providing 52 and 47 per cent of electricity production in Slovakia and Hungary, respectively. As of July 2023, despite the huge sanction packages adopted by the EU against Russia, the nuclear power sector had not been touched.

The invasion of Ukraine had a major impact on energy cooperation between the EU and Russia. Whether because of a lack of alternatives to fully replace the Russian supply or due to political will, the EU became split on which sanctions to adopt in the energy industry. While there were countries that managed to diversify their supply (e.g. Italy, Poland, and Germany), unusual alignments between countries that usually diverged on geopolitical issues could be observed. Slovakia, the Czech Republic, Hungary, Germany, and Bulgaria used to be on the same side when it came to opposing a full ban on Russian oil and gas as requested by the US administration under Joe Biden.<sup>7</sup> In December 2022, in order to facilitate the difficult negotiations on how to deal with Russian gas and oil and to reach an agreement, the EU governments decided to ban Russian oil but allow Hungary, Slovakia, and Bulgaria to benefit from derogations.<sup>8</sup>

While sanctions were rapidly adopted in many sectors, energy has remained a grey zone due to the reluctance of some governments (notably, Hungary, Slovakia, and Bulgaria) to end energy cooperation with Russia. These governments tried to oppose proposals to target Russian gas and oil exports or demanded exceptions. This raises several questions why these governments are against the energy sanctions. Primarily, is their reluctance due to political or geopolitical reasons, or is it just an economic matter?

The main reasons for these states to disagree with the rest of the EU in targeting the export of Russian gas, oil, and nuclear power technology are twofold: (1) difficulties in securing other suppliers and (2) a lack of political will to diversify supply. It is important for scholars to examine energy security, which is crucial for the sustainability of our economies – now more than ever, as demonstrated by the 2021–2023 energy crisis – particularly in light of the EU ecological transition to carbon-neutrality (the Green Deal), which includes the use of natural gas and nuclear power, now that Russia, a key supplier, is supposed to be no longer an option.<sup>9</sup>

In the hope of offering some perspectives on the complexity of energy relations between East Central Europe and Russia, this paper attempts to provide an overview of the energy relations of Hungary and Slovakia with Russia as case studies and to explore the factors contributing to the enduring dependence on Russian energy, drawing insights from various observations.

7 H. von der Burchard and M. Sugue, Germany's Scholz Rejects Calls to Ban Russian Oil and Gas, in: POLITICO 7, March 2022, <https://www.politico.eu/article/germany-rejects-calls-for-banning-russian-oil-and-gas> (accessed 18 January 2024).

8 Questions and Answers: Ninth Package of Restrictive Measures against Russia”, European Commission, 16 December 2022, [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_22\\_7653](https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_7653) (accessed 18 January 2024).

9 For more on the EU Green Deal and other EU projects, see [https://reform-support.ec.europa.eu/what-we-do/green-transition\\_en](https://reform-support.ec.europa.eu/what-we-do/green-transition_en) (accessed 18 January 2024).

The presence of Soviet infrastructures and networks has served as the groundwork for a more modern energy network built in the 2000s, making importing from elsewhere a costly move. This is a reason why the export of Russian oil and gas to East Central Europe continued after 1991. Russia was able to provide an immediate (and cheap) supply, whereas the alternative involved joining international partnerships and projects to build new pipelines, some of which never became operational. Second, efforts to diversify the energy supply in the 2000s were subject to political will and the political landscape in Slovakia and Hungary, which was mostly dominated by SMER-SD and FIDESZ. They both advocated for better cooperation with Russia in many fields, including energy, to the extent that the dependency on Russia was never considered a security issue but rather as an opportunity.<sup>10</sup> This went for the nuclear sector, as well. Although this does not have the form of an uninterrupted flow or reliance on rigid transit infrastructure, like natural gas and oil, we can say that the dominant role of Russian technology, designs, and fuel in the nuclear sector in Hungary and Slovakia formed a strong path-dependence that was much harder and more costly to change than in the gas sector.<sup>11</sup>

Despite the importance of Russian nuclear technology for countries like Hungary, it is the oil and gas industry that constitutes the backbone of the Russian economy and the main resource of financial revenues for the country's budget (40 per cent in 2022).<sup>12</sup> It is also the source of energy for domestic industries and provides fuel and lubricants for the military. At the same time, the export of natural resources is not only a profitable business but is also used by the Kremlin as a “political weapon”, as James Henderson, Head of Gas Research at the Oxford Institute for Energy Studies, wrote in 2016.<sup>13</sup> So as a tool of soft power.

With the sixth package of EU sanctions following the Russian invasion of Ukraine, the EU member states aimed to strike at the Kremlin's “political weapon”. The package included stopping the imports first of Russian oil by tankers and then of oil products (from 5 December 2022 and 5 February 2023, respectively). Moreover, as Natalia Bubnova wrote in 2022,

*in order to limit Russian oil revenues, the G7 countries decided to set a fixed oil price cap. This step was then enshrined in the eighth EU sanctions package, which also prohibited ships from carrying oil if sold at a price higher than the fixed one. Insurance companies were instructed not to provide services to such vessels.*<sup>14</sup>

10 Slovak prime minister Robert Fico shared strong criticism of Russia with Orbán in the period 1998–2002, but after 2010, they advocated for partnering with Putin's Russia in many sectors.

11 M. Jirušek and T. Vlček, *Energy Security in Central and Eastern Europe and the Operations of Russian State-Owned Energy Enterprises*, Masaryk University 2015, p. 21.

12 N.I. Bubnova, *Total Sanctions in the Context of “Integrated Deterrence. Western Countries’ Response to Russia’s Special Military Operation in Ukraine*, in: *Herald of the Russian Academy of Sciences* 92 (2022), Suppl. 13, pp. 1230–1239.

13 For more on this, see J. Henderson, *Does Russia Have a Potent Gas Weapon?* in: T. van de Graaf et al., *Handbook of the International Political Economy of Energy*, London 2016, pp. 461–487; also, P.K. Baev, *Russian Energy Policy and Military Power Putin’s Quest for Greatness*, London 2008.

14 Bubnova, *Total Sanctions*, p. 1234.

However, the EU governments did not agree on targeting the gas and oil transit via pipelines, which is how the Russian government obtains most of the profits from this trade. One of the reasons for not adopting sanctions on the import of natural gas and oil via pipelines is the continuous opposition of the Hungarian government. Unlike Slovakia, whose government is also against sanctions on energy but supports Ukraine to the extent that it agreed to send a shipment of MiG-29 fighter jets in March 2023, Hungary pays the price of a government that pulled back from supporting Ukraine on several occasions.<sup>15</sup> The Orbán government did not authorize the export of weapons to Ukraine, while, in December 2023, Orbán himself left the room of the European Council to “grab a coffee” in a “pre-agreed” tactic of the EU leaders to avoid Hungary’s vetoes to the opening of talks about Ukraine’s accession to the EU.<sup>16</sup> The main consequence was the deterioration of the relations with Poland, whose government now considers Hungarian-Russian energy cooperation a serious problem, and the end of the Visegrad cooperation.<sup>17</sup> If not on paper, then in practice.

The recent visit of the Hungarian President, Katalin Novák, to Warsaw in May 2023 was supposed to mend the relationship with Poland, but the Polish government seems to have made it clear that Hungarian-Russian energy relations are the problem. According to journalists Patrik Galavits and Szabolcs Panyi, the Polish government expected to discuss concrete actions with the Hungarian president on energy. It appears that the Polish counterpart disagreed with the claims of the Hungarian government and MOL, Hungary’s state-affiliated oil company, about the difficulties in shifting to other suppliers. Polish Prime Minister Morawiecki “also confronted Novák with the fact that, even if the Russians shut down the Friendship (Družba) pipeline, Hungary would not collapse because Hungary could replace the lost oil through the Adriatic pipeline from Croatia”.<sup>18</sup>

15 The current Slovak government supports Ukraine, but the Slovak people are polarized. In 2022, a survey conducted by the MNFORCE and Seesame agencies and the Slovak Academy of Sciences showed that a fifth of respondents wanted a victory for Russia, and more than half were inclined toward a Russian win, while only a third tended towards Ukraine. M. Hudec, Most Slovaks Want Russia to Win Ukraine war, in: EURACTIV, 15 September 2022, [https://www.euractiv.com/section/politics/short\\_news/most-slovaks-want-russia-to-win-ukraine-war/](https://www.euractiv.com/section/politics/short_news/most-slovaks-want-russia-to-win-ukraine-war/) (accessed 17 January 2024). Moreover, a report by GLOBSEC showed that the belief in manipulative narratives (including Russian ones) has remained intact since February 2022 and still resonates with approximately half the population (GLOBSEC Trends 2022 – Slovakia, GLOBSEC, November 2022). Therefore, Slovakia’s support of Ukraine is unstable (but, so far, more than Hungary’s).

16 N. Camutt, H. Von der Burchard and C. Caulcutt, „Orbán’s walkout was planned, Macron says”, POLITICO, 15 December 2023. <https://www.politico.eu/article/hungary-orban-walkout-was-planned-french-president-macron-says-eu-council/> (accessed 17 January 2024).

17 Orbán has explained the poor state of Hungarian-Polish relations as an issue “of the heart”: “We Hungarians see this war as a war between two Slavic peoples, and as one which we want to stay out of. But the Poles see it as a war in which they are also involved: it is their war, and they are almost fighting it. And since this is a matter of the heart, we cannot come to an agreement with each other on it, but must use our intellect to salvage everything we can from the Polish-Hungarian friendship and strategic alliance for the post-war period.” Speech by Prime Minister Viktor Orbán at the 31st Bálványos Summer Free University and Student Camp, AboutHungary.hu, 23 July 2022, <https://abouthungary.hu/speeches-and-remarks/speech-by-prime-minister-viktor-orban-at-the-31-st-balvanyos-summer-free-university-and-student-camp> (accessed 18 January 2024).

18 P. Galavits and S. Panyi, How Viktor Orbán Angered His Closest Friends in Europe, in: Direkt36, 15 May 2023, <https://www.direkt36.hu/en/igy-haragitotta-magara-orban-viktor-a-legkozelebbi-baratait> (accessed 18 January 2024).

From this view of the Polish government, it is clear that the energy cooperation between Hungary and Russia is not only a bilateral matter but it has repercussions across East Central Europe.<sup>19</sup> In order to better understand why Slovakia and especially Hungary are so tied to Russia on energy imports and why their governments oppose sanctions, we have to look back to political developments since 2009.

## 2. Russian Gas and Oil: A “Trap” or an Opportunity?

Hungary has been heavily dependent on the Russian Federation for natural gas, oil, and nuclear power since the fall of the Eastern Bloc due to geographical proximity and legacies from the Soviet-Hungarian economic cooperation during the Cold War. In the 1990s, however, there were ups and downs in their energy relations. After the collapse of the Soviet Union, the Russian Federation went through a transition phase (Yeltsin’s regime) in which oil and gas extraction decreased. The dissolution of the Council for Mutual Economic Assistance (CMEA) and the system change in 1989–1991 contributed to a decrease of oil exports by more than 40 per cent<sup>20</sup> and coal exports by 12 per cent in East Central Europe in the 1990s.<sup>21</sup> In Hungary, the decrease in energy imports was linked to the collapse of the heavy and machine industries in the late 1980s and the development of more efficient energy consumption (which helped the country meet the requirements of the 1997 Kyoto Protocol).

Despite the decreases, however, the post-communist countries did not manage to eliminate their dependence on energy raw materials, natural gas, and oil from Russia. This was mostly due to a lack of alternatives and also, it appears, due to a desire not to allow relations with a close and big power like Russia to deteriorate too deeply. Thus, the Russian state company Gazprom developed its operations in Slovakia, Hungary, and Poland along with Austria and Germany.<sup>22</sup> Net imports of fossil fuel resources started to increase in the early 2000s, while the importance of coal production dropped significantly; as a result, natural gas became more dominant in the East Central European energy mix. When Vladimir Putin became prime minister in 2000, he made clear that East Central Europe was a region of strategic importance for Russia. He never made a secret of his opinion that there were “certain problems connected with the EU and NATO integration” there and that the East Central European states only needed “the strengthening of

19 Regional cooperation within the Visegrad Group has been affected due to the deterioration in relations between Hungary and Poland. Czech Defence Minister Jana Černochová stated in 2023: “I have always supported the V4, and I am very sorry that cheap Russian oil is more important to Hungarian politicians than Ukrainian blood.” For more, see Visegrad Group: No Rekindling the Romance, *Balkan Insight*, 1 March 2023 <https://balkansight.com/2023/03/01/visegrad-group-no-rekindling-the-romance> (accessed 18 January 2024).

20 A. Vatansver, *Russia’s Oil Exports – Economic Rationale Versus Strategic Gains* (= Carnegie Papers), Carnegie Endowment for International Peace, Energy and Climate Program, No. 116, December 2010.

21 Total Coal Exports by Major Exporters, 1978–2020, IEA, 26 October 2022 <https://www.iea.org/data-and-statistics/charts/total-coal-exports-by-major-exporters-1978-2020> (accessed 18 January 2024).

22 A. Orbán, Power, Energy, and the New Russian Imperialism, in: *International Issues & Slovak Foreign Policy Affairs*, 17 (2008) 4, pp. 95–98.

commercial-economic relations with Russia”.<sup>23</sup> The export of oil and gas to the region was the leverage to maintain influence over Russia’s historical sphere of interest, which was made possible for two reasons.

The first was the huge amount of natural resources available in Russia. According to former Russian Energy Minister Aleksandr Gavrin, it was “estimated that 12 per cent of the world’s oil reserves, more than a third of natural oil reserves, and about 20 per cent of hard coal reserves [were] located on the territory of Russia”.<sup>24</sup> Second, while some East Central European governments tried to diversify their energy supply, not all managed to replace Russian gas and oil, and some were unwilling to renounce to Russian gas. From the Visegrád Group (V4), Poland and the Czech Republic fell into the first (unsuccessful) category, while Slovakia and Hungary fell into the second (unwilling), mainly because they were led by political parties and prime ministers politically close to Putin’s Russia – the former by Robert Fico (2006–2010, 2012–2018) and Peter Pellegrini (2019–2020) and the latter by Orbán (from 2010). Their governments have strengthened cooperation with Russia at multiple levels.

In the case of Hungary, the most important developments in energy cooperation occurred in the 2000s. Previously, in the 1990s, the economic recession in East Central Europe had contributed to a reduction of gas and oil imports from Russia. During this period, in 1996, through the acquisition of a small bank (Általános Értékforgalmi Bank), Gazprom increased its role in Russian foreign policy by backing its gas supplies to Hungary and other countries in the region with loans. The bank gradually became the hub for payments for the supplies.<sup>25</sup> After 2002, the value of trade relations between Hungary and Russia increased more than threefold, from 117 billion Forints in 2001 to 422 billion Forints in 2006. More than 90 per cent of this consisted of energy resources.<sup>26</sup>

The construction of new pipelines or the modernization of the existing ones in the 2000s allowed the Russian Federation to acquire more than 40 per cent of its foreign currency earnings from the sale of energy resources. The dependence of East Central Europe on Russia in terms of oil, natural gas, and nuclear power technology was thus the result of an economic strategy originating from the CMEA era, when East Central European countries were not only important consumers of energy raw materials from the Soviet Union but also transit routes of natural gas to West European countries, such as France, West Germany, and Italy.<sup>27</sup> Hungary was no exception. Its energy cooperation with the Russian Federation was based on a history of economic relations dating back to the Cold War since there were already energy infrastructures (mostly pipelines) connecting

23 Ibid.

24 Ibid.

25 A. Deák, *The End of an Era in Eurasia? Conflict in Eastern Ukraine and Economic Downturn in the Post-Soviet Space*, in: *East European Studies* 6 (2015), pp. 120–168.

26 A. Rácz, *Towards Increasingly Balanced Relations: Hungary and Russia Since 1989*, in: A. Zagorski (ed.), *Russia and East Central Europe After the Cold War*, Prague 2015, p. 183.

27 K. Hirman, *Visegrad Countries in Energy Relations between Russia and the EU*, in: *Slovak Foreign Policy Affairs* 2 (2001) 1, pp. 82–96.

Hungary and the Soviet Union, and more were built in the years after 1991 (while some European projects, supposed to be alternatives to the Russian supply, did not materialize, as mentioned).

In 2007, the South Stream Pipeline was announced. This was a Russian-backed project to bring Russian natural gas through the Black Sea to Bulgaria, Italy, Hungary, and Austria. The project consortium (South Stream AG) was a joint company comprising Russia's Gazprom and ENI, Italy's main oil company. At the same time, the Hungarian government was negotiating to secure gas supply via Nabucco, a "rival" pipeline sponsored by the EU and expected to compete with South Stream. The Hungarian government backed both projects, saying there would be no problem in supporting both South Stream and Nabucco. The Hungarian prime minister, Ferenc Gyurcsány, met Putin in February 2008, in September 2008, and again in March 2009 to discuss Hungary's positioning on energy security.<sup>28</sup>

In 2009, the Hungarian and Russian prime ministers met in Moscow to sign a deal calling for the Hungarian government and the state-owned Hungarian Development Bank to finance the South Stream pipeline project on Hungarian territory.<sup>29</sup> A separate deal would allow the building of an underground gas storage facility in Hungary, which would turn the country into a major hub for Russian supplies in Europe. Gyurcsány's support of the two competing projects can be explained by the shutdown of Russian gas supplies to EU countries during Russia's dispute with Ukraine.<sup>30</sup>

"Hungary is not interested in there being one gas pipeline or one oil pipeline", stated Gyurcsány, "Hungary is interested in having as many pipelines as possible".<sup>31</sup> However, following the Russian annexation of Crimea in 2014, the South Stream project was abandoned. Orbán defined the decision of the European Union as a "sabotage". The Nabucco project was also aborted in favour of the Trans-Adriatic Pipeline. For its part, Slovakia was the most affected among the V4 countries by the pipeline projects, but its government did not take serious actions to diversify gas supply.

Although there are intraregional connections such as the Hungary-Romania interconnector, which became operational in 2010, the Croatia-Hungary interconnector, and the Slovakia-Hungary pipeline, which started up in 2015.<sup>32</sup> However, Hungary remained heavily dependent on Russian natural gas.<sup>33</sup>

28 Vladimir Putin Held Talks with Hungarian Prime Minister Ferenc Gyurcsany, President of Russia, 28 February 2008, <http://en.kremlin.ru/events/president/news/43884> (accessed 18 January 2024).

29 J. Dempsey, Two Natural Gas Deals Tie Hungary Closer to Russia, in: *The New York Times*, 17 March 2009. <https://www.nytimes.com/2009/03/18/business/worldbusiness/18gas.html> (accessed 15 May 2023).

30 Russia's Putin Talks Gas with Hungarian Prime Minister, *Kyiv Post*, 10 March 2009, <https://www.kyivpost.com/article/content/world/russias-putin-talks-gas-with-hungarian-prime-minis-37070.html> (accessed 18 January 2024).

31 D. Dyomkin and R. Paxton, Russia wins Hungary's support for gas pipeline, *Reuters*, 10 March 2009, URL: <https://www.reuters.com/article/gas-russia-hungary-idUSLA93660420090310> (accessed 18 January 2024).

32 V. Socor, Hungary-Romania Gas Interconnector. First Step Towards Region-Wide Network, in: *Eurasia Daily Monitor*, 7 (2010) 186 <https://jamestown.org/program/hungary-romania-gas-interconnector-first-step-towards-region-wide-network> (accessed 18 January 2024).

33 A. Rácz, Towards Increasingly Balanced Relations. Hungary and Russia Since 1989, in: Zagorski (ed.), *Russia and East Central Europe*, p. 190.

When Viktor Orbán was elected prime minister in 2010, he had a very different attitude to energy dependency on Russia as compared to his period as opposition leader. He had often attacked the previous governments because of their support for the South Stream project. He even accused Gyurcsány of a coup d'état against Hungary when he signed the South Stream agreement with Putin.<sup>34</sup> However, when he became prime minister for the second time, Orbán made “utility cost cuts” a pillar of his economic policy and began nationalizing gas infrastructures and service provisions.<sup>35</sup> According to a report of the European Values Center for Security Policy,

*the government pushed down the price of Russian gas imports to maintain low utility prices, made possible either by forcing Russian energy giant Gazprom to compete in the free market or by aligning with the Kremlin's foreign policy. Since successive Hungarian governments failed to achieve the former, the government had to make numerous political and economic concessions to Russia to maintain low utility prices.*<sup>36</sup>

Orbán met Putin on several occasions after 2010. In January 2014, the two leaders signed an intergovernmental agreement on the construction of two new nuclear power blocks at Paks (NPP II), Hungary, by the Russian company Rosatom. This was the same company with which, in 2021, the Czech government suspended an agreement to build a new unit at the Dukovany nuclear power plant.<sup>37</sup> Paks is a symbol of a long-term Hungarian-Russian economic cooperation. This cooperation in the field of atomic energy had started in 1955 with a bilateral agreement establishing the Budapest Research Reactor (BRR), a VVER-type Soviet-designed reactor; Paks was chosen as the site for a new nuclear power plant in 1967, one year after the signing of an intergovernmental treaty between Hungary and the Soviet Union.<sup>38</sup>

As part of the Paks NPP II agreement in 2014, Rosatom was to provide a sovereign credit line of up to 10 billion euros, covering 80 per cent of the construction costs.<sup>39</sup> While the Orbán government explained the loan as one of the reasons why Rosatom was chosen, this was a loan that made Hungary indebted to Russia for a long time. In an interview to the Heinrich Böll Foundation in November 2021, Hungarian politician Benedek Jávor, former member of the Hungarian Parliament (2010–2014), stated that “this was obvi-

34 Ibid. p. 189.

35 D. Landry, Orbán prepares for “battle” over utility price cuts, in: Budapest Business Journal, 16 September 2013 <https://bbj.hu/politics/foreign-affairs/visits/orban-prepares-for-battle-over-utility-price-cuts> (accessed 18 January 2024).

36 This was due to the Vrbětice incident (explosions at ammunitions depots). Russian Influence in Hungary: The Case of Paks 2 and the Kremlin's Influence-Seeking Efforts Through Nuclear Energy, European Values Center for Security Policy, Report 2021.

37 “Czechs Exclude Rosatom from Nuclear Tender After Dispute with Russia”, Reuters, 19 April 2021, <https://www.reuters.com/world/europe/czechs-exclude-rosatom-nuclear-tender-after-dispute-with-russia-2021-04-19/> (accessed 18 January 2024).

38 Cooperation with Hungary, Rosatom Group, History of Cooperation, <https://rosatom-centraleurope.com/rosatom-in-country/history-of-cooperation/hu> (accessed 18 January 2024).

39 Z. Simon, Putin \$14 Billion Nuclear Deal Wins Orban Alliance, Bloomberg, 15 January 2014. <https://www.bloomberg.com/news/articles/2014-01-14/putin-14-billion-nuclear-deal-wins-orban-alliance> (accessed 18 January 2024).

ously a political pact without technological arguments”, defined the loan as “a financial catastrophe”, and continued:

*Originally, repayment was to begin on 15 March 2026 and last 20 years. That start date was postponed earlier this year, as there had already been five years of delay in construction. However, the Russians insist that the end date should remain the same, 2046, meaning that the repayment period has been shortened from 20 to 15 years, generating much higher annual costs for the state budget.<sup>40</sup>*

The Paks II project has continued to carry high costs for the Hungarian people and became a purely political matter after the invasion of Ukraine.

According to Ilona Gizińska and Andrzej Sadecki, Rosatom’s reputation suffered significantly in February 2022 because the company was not only providing profit for the Russian regime and cooperating closely with the Russian arms industry but was also involved in the takeover of the nuclear power plant in Zaporizhzhia. Finland, the only EU member state to have implemented a project similar to Paks II, terminated its contract with Rosatom for the construction of the Hanhikivi Nuclear Power Plant in the Gulf of Bothnia in May 2022. Despite Rosatom’s support to the defence industry and take-over of the Zaporizhzhia plant, which was enough for the Finnish government to end the contract on its nuclear plant, the Orbán government decided to continue the relationship. This showed a clear political intention of Orbán and his government to go ahead with the project for political reasons.

Following the annexation of Crimea in 2014 and escalation in Ukraine in February 2022, the Hungarian government frequently opposed EU sanctions against Russia (not only on energy). The Hungarian government found an ally in its French counterpart in the nuclear sector, while the German government insists on sanctioning nuclear fuel as well considering that Germany no longer relies on nuclear energy to run its economy. Although Siemens Energy is involved in the implementation of the Paks II project, as of now, it has not yet received the authorization by the German government to deliver the control system.<sup>41</sup> During a meeting of the International Atomic Energy Agency in Vienna in September 2022, Hungarian Foreign Minister Péter Szijjártó pointed out that

*some entities in the European Union are continuously making attempts to put hurdles and obstacles in the way of nuclear investments. [...] I want to make it very clear here that we do consider all actions carried out to put obstacles on the way of the construction of our nuclear power plants as attacks against our sovereignty.<sup>42</sup>*

40 A. Frenyó and B. Jávör Interview with Benedek Jávör on the PAKS II Nuclear Plant Extension, Heinrich Böll Stiftung, 11 November 2021, <https://cz.boell.org/en/2021/11/11/interview-benedek-javor-paks-ii-nuclear-plant-extension> (accessed 18 January 2024).

41 J. Barnes, France under Pressure after Germany Agrees to EU Sanctions on Russian Nuclear Fuel, The Telegraph, 17 April 2023, <https://www.telegraph.co.uk/world-news/2023/04/17/france-pressure-germany-agrees-eu-sanctions-russia-nuclear> (accessed 18 January 2024).

42 Hungary Opposes EU Sanctions on Russian Nuclear Sector, Euractiv, 27 September 2022. <https://www.euractiv.com/section/energy/news/hungary-opposes-eu-sanctions-on-russian-nuclear-sector> (accessed 18 January 2024).

The reluctance of some East Central European governments to prevent the import of gas, oil, or nuclear power technology from Russia reveals the conjuncture of energy security issues, foreign policy, and the role of national sovereignty movements. The EU’s disengagement from Russia as its main gas supplier came at a time when natural gas and nuclear power had become transitional resources for it to achieve carbon neutrality.<sup>43</sup> Meanwhile, within the EU, populist parties continued to challenge sustainable energy transformations by accusing mainstream political elites of subordinating the national interest to supranational institutions in the context of environmental policies.<sup>44</sup> Analysing the energy cooperation between Hungary and Russia, we can see that this represents the core of the relationship between the two countries. It is true that there are relations in other areas, such as in education and culture. In Russia, 2011 was declared the *Year of Friendly Relations with Hungary* coordinated by Yuri Polyakov, editor and contributor to the cultural and political weekly *Literaturnaya Gazeta*, who headed the Russian Society for Russian-Hungarian Friendship. In 2019, Orbán welcomed Putin at his residence, the Carmelite Monastery of Buda. Along with making several agreements, they also stated that cultural ties had reached a “high level”. Their joint statement continued:

*On November 26, Days of Russian Spiritual Culture will begin in Hungary and, we hope, will attract the attention of the Hungarian public. We are also grateful to our friends for their contribution to the restoration of Orthodox churches in the country, in particular, the Dormition Cathedral in Budapest and the churches in Tokaj and Miskolc.*<sup>45</sup>

Orbán and Putin then agreed to rebuild a monastery in Syria. According to Foreign Minister Szijjártó, Hungary had “built cooperation with Russia to protect Christian communities”.<sup>46</sup>

Regarding the nature of the relationship between Hungary and Russia over the last three decades, one can say that this has always depended more on the attitude of the Hungarian political leadership than the Russian. Hungary is a much less important partner for Russia, than Russia is for Hungary. Moreover, it is the Hungarians who suffered the repression in 1956 and decades of occupation by the Soviets, and not vice versa. From 2014, however, the economic cooperation became a political dependency, as we can see from later developments.

43 M. Strauss, “EU Declares Nuclear and Gas to be Green, Deutsche Welle, 2 February 2022. <https://www.dw.com/en/european-commission-declares-nuclear-and-gas-to-be-green/a-60614990> (accessed 18 January 2024).

44 “Hungary’s PM Orbán Blames EU Climate Change Actions for Energy Price Surge, Reuters, 8 October 2021. <https://www.reuters.com/world/europe/hungarys-pm-orban-blames-eu-climate-change-actions-energy-price-surge-2021-10-08> (accessed 18 January 2024).

45 Russian-Hungarian Talks, President of Russia, 30 October 2019. <http://en.kremlin.ru/events/president/news/61936> (accessed 18 January 2024).

46 Szijjártó: Hungary, Russia Both Committed to Protecting Christian Culture, Hungary Today, 4 November 2019. <https://hungarytoday.hu/szijjarto-hungary-russia-christian-culture> (accessed 18 January 2024).

### 3. “Russia is our partner”: FIDESZ, Orbán, and the Need for Russian Energy

Since 1991, Hungarian foreign policy has always included Russia as an economic partner and not as an enemy. Between 1991 and 2004, economic cooperation with Russia was considered a component of the national foreign policy, but the main goal was to join NATO and the EU. Between 2004 and 2010, Russia was seen as a key energy supplier and a prospective trade partner with whom Hungary had no political conflicts.<sup>47</sup>

In 2010, with the transformation of Hungary into an illiberal democracy, in Orbán’s words, a new era began. As Jan Zielonka and Jacques Rupnik pointed out in 2020, “the rejection of an open society and EU intrusions (the slogan ‘Stop Brussels’ featured on FIDESZ posters in Budapest in the run-up to the 2018 elections) goes hand-in-hand with the defense of sovereignty and the adoption of an organic concept of the nation as a cultural-historic community rather than a political community of citizens.”<sup>48</sup> This turn made Hungary isolated in the EU and NATO and so in need of counterbalances in the East, of which Putin’s Russia is the most important.<sup>49</sup>

This shift started in 2009, just before Orbán became prime minister. It was described in a short article called “Negotiations between Putin and the Hungarian Opposition Leader?” published in the *Hungarian Spectrum* in 2009. While in March 2007, the leader of the then main opposition party (FIDESZ) had accused Russia of using energy supply as a “political weapon”,<sup>50</sup> two years later, in 2009, he was having a “spontaneous meeting” with Putin in St. Petersburg on the sidelines of the United Russia party congress. It is not clear exactly what they talked about or what happened there. What we do know is that FIDESZ was leading the opinion polls, so Orbán was favourite for the general election to be held the following spring (i.e. of 2010). According to the *Hungarian Spectrum*, the two leaders talked about “the future of Russian-Hungarian relations”. In response to journalists’ questions, Putin’s spokesman, Dmitry Peskov, said that Russian-Hungarian relations were good but could always be improved. When asked about Orbán’s opposition to Hungary’s joining the South Stream, Peskov’s response was that “dialogue is always important”.<sup>51</sup>

When FIDESZ was extending its influence on many aspects of peoples’ lives (the judiciary, media, education, etc.), the prime minister intensified his friendly stance towards Russia. The Paks NPP II agreement Putin and Orbán signed in January 2014 and the

47 A. Rácz, “Towards Increasingly Balanced Relations: Hungary and Russia Since 1989, in: Zagorski (ed.), *Russia and East Central Europe*, p. 184.

48 J. Zielonka and J. Rupnik, *From Revolution to ‘Counter-Revolution’: Democracy in Central and Eastern Europe 30 Years On*, in: *Europe-Asia Studies*, 72 (2020) 6, pp. 1073–1099.

49 Russia has a strategic interest in maintaining influence over East Central Europe due to geographical proximity and an imperial attitude that has never disappeared since the end of the Russian Empire. For more about Russian imperialism after 2000, see P. Kolstø and H. Blakkisrud, *The New Russian Nationalism: Imperialism, Ethnicity and Authoritarianism 2000–2015*, Edinburgh 2016.

50 *Negotiations between Putin and the Hungarian opposition leader?*, *Hungarian Spectrum*, 24 November 2009. <https://hungarianspectrum.org/2009/11/24/negotiations-between-putin-and-hungarian-opposition-leader> (no longer accessible).

51 *Ibid.*

credit line coming from Russia of €10–12 billion euros, making Hungary indebted to Russia had become the most striking aspects of their relationship. According to András Deák, Daniel Bartha, and Sandor Lederer, this was the symbolic start of a “new era in Hungarian-Russian relations”.<sup>52</sup> However, according to Zoltán Illés, a former FIDESZ lawmaker and state secretary for the environment until 2014, the Paks deal was “camouflage” for a “financial transaction” through which the Russians were “buying influence”. The deal was “more about pumping money into the economy of Hungary, where Prime Minister Viktor Orbán [faced] re-election in 2018, than providing electricity”.<sup>53</sup> At July 2023, building work on the reactor blocks had barely started, and it was not known how much of the credit had been paid off.<sup>54</sup>

There have been other meetings and agreements on trade and energy and on Ukraine, showing, once again, how the Hungarian national interest (for FIDESZ) has more in common with that of Russia than with the EU or NATO. During a meeting between Orbán and Putin in Budapest in 2017, Viktor Orbán made a statement on the EU’s sanctions on Russia, saying that “non-economic problems [could] not be solved with economic solutions”. Taking up Orbán’s words, Putin accused the Ukrainian government of disregarding the 2015 Minsk Agreements.<sup>55</sup> In 2018, the Hungarian prime minister remarked that “Hungarians are doing fine when there is no tension with Moscow” and that the expansion of the Paks nuclear power plant was “a courageous step from the perspective of East-West cooperation”.<sup>56</sup> Another meeting between Orbán and Putin took place in Moscow in 2018 during a time of diplomatic tensions between Eastern European countries and Russia in light of the Skripal poisoning case in the UK, for which Russian intelligence services were thought to be responsible.<sup>57</sup>

In 2019, Orbán and Putin agreed to move the Moscow-based International Investment Bank to Hungary. According to the Financial Times, this was a request from Hungary “as part of its push to make Budapest a global financial hub”. After the invasion of Ukraine, most of the investors left the bank, so it went bankrupt. In April 2023, the headquarters was moved back to Russia.<sup>58</sup> According to opposition MP Zita Gurmai, the bank was

52 A. Deák, D. Bartha and S. Lederer, *Difficult Detachment – Hungarian Energy Policy with Russia After 2014*, in: *War by Other Means, Regional Energy Policy, Kremlin’s Energy Policy as a Channel of Influence. A Comparative Assessment – Case Studies from Ukraine, Moldova, Georgia, Romania and Hungary*, Expert Forum, National Endowment for Democracy, April 2019. <https://expertforum.ro/en/kremlins-energy-policy-as-a-channel-of-influence-a-comparative-assessment> (accessed 18 January 2024).

53 K. Than, *Special Report – Inside Hungary’s 10 Billion Euro Nuclear Deal with Russia*, Reuters, 30 March 2015. <https://www.reuters.com/article/uk-russia-europe-hungary-special-report-idUKKBN0MQ0MN20150330> (accessed 18 January 2024).

54 See <https://rosatom.ru/en/press-centre/news/rosatom-started-the-first-phase-of-construction-of-paks-ii-npp-units/> (accessed 18 January 2024).

55 “Joint News Conference with Hungarian Prime Minister Viktor Orban, President of Russia, 2 February 2017. <http://en.kremlin.ru/events/president/news/53806> (accessed 18 January 2024).

56 Press Conference on Russian-Hungarian Talks, President of Russia, 18 September 2018. <http://en.kremlin.ru/events/president/news/58586> (accessed 18 January 2024).

57 PM Commons Statement on European Council: 26 March 2018”, Oral Statement to Parliament, Gov.UK, 26 March 2018. <https://www.gov.uk/government/speeches/pm-commons-statement-on-european-council-26-march-2018> (accessed 18 January 2024).

58 *International Investment Bank to Relocate Headquarters from Budapest Back to Russia*, Reuters, 19 April 2023. <https://>

“Putin’s Trojan horse”, and the US Department of State warned that the Kremlin would use the bank “to expand its malign influence in Hungary and across the region”.<sup>59</sup> A specific reason for criticism was the appointment of Nikolai Kosov as chairman. According to the *New York Times*, Kosov’s father had had various diplomatic postings during the Soviet era, and it was believed by “Western security officials” that Mr. Kosov had “served in Russian intelligence”.<sup>60</sup>

As mentioned in the introduction, the orientation that FIDESZ gave to Hungarian foreign policy aimed to strengthen cooperation with Russia at different levels as a way to avoid the isolation coming from Western European governments, the United States, and NATO. After 2019, the Hungarian government adopted an even stronger position against Ukraine. Several times, the Hungarian government expressed its opposition to Kyiv’s Law on Guaranteeing the Functioning of the Ukrainian Language as a state language adopted in 2019, which expanded the use of Ukrainian in minority schools. Although this was an issue for Hungary as there were 150,000 ethnic Hungarians in the Transcarpathian area,<sup>61</sup> in 2017/18, 91 per cent of all children enrolled in minority schools were taught in Russian, 5 per cent in Romanian, and only 3 per cent in Hungarian. According to the Ukrainian government, this law applied to all minorities, while for the Kremlin, it was targeted at the Russian minority, and for the Hungarian government, it was intended against the Hungarian minority. Although the law on education was revised later, in order to placate animosities with Hungary, Hungarian-Ukrainian relations did not improve.

As a consequence of the positions taken up by Orbán and his apparent closeness to Putin, whenever the Hungarian government makes remarks on its position on the war in Ukraine, a controversy with Ukraine results that helps Russia. Hungary acted in this way first, by “blocking” Ukraine’s integration process into the EU and NATO; then, by opposing the EU sanctions against Russia in the energy sector (both in 2014 and 2022); and again, by refusing to send weapons to Ukraine as, in Orbán’s opinion, it “prolongs the war”.<sup>62</sup> In December 2022, the Hungarian government also blocked an Ecofin meeting proposal for €18 billion of EU funds to be transferred to Ukraine.<sup>63</sup>

[www.reuters.com/business/finance/russias-iib-says-it-will-relocate-headquarters-budapest-back-russia-2023-04-18/](https://www.reuters.com/business/finance/russias-iib-says-it-will-relocate-headquarters-budapest-back-russia-2023-04-18/) (accessed 18 January 2024).

59 M. Seddon and V. Hopkins, Russian Development Bank’s Move to Hungary Causes Alarm, *Financial Times*, 26 March 2019. <https://www.ft.com/content/2d19f912-41a4-11e9-9bee-efab61506f44> (accessed 18 January 2024).

60 M. Apuzzo and B. Novak, Hungary Rolls Out Red Carpet for Obscure Russian Bank, Stoking Spy Fears, *The New York Times*, 18 March 2019. <https://www.nytimes.com/2019/03/18/world/europe/hungary-russian-bank-spy-orban-putin.html> (accessed 18 January 2024).

61 The exact number of ethnic Hungarians living in Ukraine is unclear but according to the latest census of the State Statistics Committee of Ukraine made in 2001, it was 156,600. <http://2001.ukrcensus.gov.ua/eng/results/general/nationality/> (accessed 18 January 2024).

62 J. Spike, “Hungary’s Orban accuses EU of prolonging war in Ukraine”, *Associated Press*, February 18, 2023. Available at <https://apnews.com/article/russia-ukraine-politics-government-european-union-viktor-orban-a404e437593bddf-9b0e8b23482f2872e> (accessed 18 January 2024).

63 Economic and Financial Affairs Council, 6 December 2022”, Council of the EU. <https://video.consilium.europa.eu/event/en/26451> (accessed 18 January 2024).

#### 4. The Russian Aggression against Ukraine: Hungary and Slovakia Caught between Energy Security and Geopolitical Interests

In early February 2022, when the situation in Ukraine became critical, Viktor Orbán went to Moscow on a “peace mission”. He stated

*We can see from history that in times of conflict between East and West, central Europe always lost out. [...] What we can offer is the Hungarian model. Hungary is a member of both NATO and the European Union while enjoying excellent ties with Russia based on mutual respect.*<sup>64</sup>

Orbán’s mission did not work out, revealing the asymmetry in Hungary’s relationship with Russia, but neither did the war change the attitude of the Hungarian government towards its “partner”. While no Western minister or prime minister has put a step in Russian territory since the escalation in Ukraine, Hungarian Foreign Minister Szijjártó travelled to Sochi to attend the Energy Expo in November 2022 and then met with Rosatom chief Alexei Likhachev in Uzbekistan at a meeting of the Organization of Turkic States to discuss the expansion of the Paks nuclear project.<sup>65</sup>

Overall, following the full-scale invasion of Ukraine, not much changed for Slovakia and Hungary in terms of energy supply.<sup>66</sup> As mentioned earlier, the most important changes in the EU-Russia relations following the Russo-Ukrainian war in February 2022 concern bigger countries rather than small ones. Not to mention that the victory of SMER-SD and of its leader Robert Fico in the parliamentary elections in September 2023 means the return of Russophile tendencies that were “hidden” in the aftermath of the Russian aggression. While there has been a more intense debate on energy security in Europe and on how to diversify the energy supply, the Hungarian government has not shown any interest in this; the situation in Slovakia has been more complex. When Fico and Pellegrini were in power, there was no real political intention to diversify the gas and oil supply and reduce dependency on Russia. Since February 2022, however, initiatives have been put in place, but their results are questionable.

There have been several negotiations at the ministerial level to gain access to liquefied natural gas (LNG) from Qatar, Asia, Africa, and the US (the latter approximately twice as expensive than Russian gas, a problem that goes in favour of those advocating for continuing relations with Moscow) diversification efforts have continued, and the Slovak Gas Industry (*Slovenský Plynárenský Priemysel*, SPP) signed a Memorandum of Understanding (MoU) with Italian companies ENI, Snam, Enel, and the German RWE on commercial

64 Orbán after Putin Meeting: “Wide Gap” between Russia’s “Security Demands” and Willingness of NATO Members Can Be Bridged, February 2, 2022. <https://hungarytoday.hu/orban-putin-meeting-russia-nato> (accessed 18 January 2024).

65 J. Spike, “Hungary’s Foreign Minister Travels to Russia for Energy Expo”, AP News, 21 November 2022. <https://apnews.com/article/europe-business-hungary-moscow-black-sea-a42cab10e661b4b86f1712cb316d24e8> (accessed 18 January 2024).

66 The Russian supply to Poland and the Baltic states was cut, but the escalation in Ukraine was not enough to convince the Hungarian government to seek other suppliers.

cooperation in the gas and LNG sector. The MoU was also discussed during the visit of the Italian president, Sergio Mattarella, in Slovakia with his Slovak counterpart, Zuzana Čaputová. However, no significant alternatives allowed to replace Russian gas.

The war in Ukraine started in 2014 and escalated in 2022, showing differences in the EU on both occasions about how it should respond to the actions of the Russian Federation. Although all the EU member states (including Hungary and Slovakia) have agreed on sanctions, energy remains a complex matter to address. There are international sanctions packages concerning the import of Russian oil and gas, but there are also business activities that are not in violation of the sanctions, although taking them up seems inopportune – such as the Paks II project. According to *Le Monde* in April 2023, the French government “approved Framatome’s participation in the construction of two new reactors at the Paks power plant, arguing that the nuclear industry [was] not affected by international sanctions against Russia”.<sup>67</sup>

At the same time, the public debate on including energy in the sanctions packages – as requested by the Baltic governments<sup>68</sup> – becomes embroiled in the complex discussions over carbon neutrality in the EU and which energy resources should be banned in order to achieve carbon neutrality.<sup>69</sup> There are two main sides in this discussion: an informal pro-nuclear alliance led by France, as most of its electricity is produced with nuclear energy, and a pro-gas alliance led by Germany, which completed the shutdown of its nuclear power plants on 15 April 2023 and relies more on natural gas.<sup>70</sup> Both “alliances” are the result of previous conflicts and compromises in the EU. However, the Russian aggression against Ukraine in February 2022, along with the EU sanctions and shutdown of several gas pipelines from Russia while transiting to carbon neutrality has made the divergences more critical than ever.

EU countries have to find other suppliers to replace Russian fossil fuels in a relatively short period,<sup>71</sup> but Hungary also finds itself in the middle both of EU-agreed efforts to cut Russian supply and of tensions on which resources to use to achieve carbon neutrality (nuclear power or natural gas). While supporting the import of Russian gas and oil and while aligning with Germany, Poland, and Italy in opposing the EU 2035 combustion engine ban, the Hungarian government joined the “nuclear alliance”, as French Energy

67 J.-B. Chastand, A. Pécout, and P. Ricard, Paris Approves the Building of Russian-led Nuclear Reactors in Hungary, *Le Monde*, 28 April 2023. [https://www.lemonde.fr/en/international/article/2023/04/28/in-hungary-paris-is-willing-to-help-build-russian-led-nuclear-reactor\\_6024637\\_4.html](https://www.lemonde.fr/en/international/article/2023/04/28/in-hungary-paris-is-willing-to-help-build-russian-led-nuclear-reactor_6024637_4.html) (accessed 18 January 2024).

68 G. Sorgi, Baltic countries urge more support for Ukraine ahead of EU foreign ministers’ summit, *POLITICO*, 23 January 2023. <https://www.politico.eu/article/baltic-countries-lithuania-gabrielius-landsbergis-urge-support-ukraine-eu-foreign-ministers-summit> (accessed 18 January 2024).

69 For more on the development of EU climate policy, see K. Bäckstrand, Towards a Climate-Neutral Union by 2050? The European Green Deal, Climate Law, and Green Recovery, in: A. Bakardjieva Engelbrekt et al., *Routes to a Resilient European Union – Interdisciplinary European Studie*, London 2022, pp. 39–61.

70 The Nuclear Phase-Out in Germany, Federal Office for the Safety of Nuclear Waste Management, 19 April 2023. [https://www.base.bund.de/EN/ns/nuclear-phase-out/nuclear-phase-out\\_node.html](https://www.base.bund.de/EN/ns/nuclear-phase-out/nuclear-phase-out_node.html) (accessed 18 January 2024).

71 REPowerEU is the comprehensive EU plan to replace Russian fossil fuels by 2030. See REPowerEU: A Plan to Rapidly Reduce Dependence on Russian Fossil Fuels and Fast Forward the Green Transition [press release], European Commission, 18 May 2022. [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_22\\_3131](https://ec.europa.eu/commission/presscorner/detail/en/IP_22_3131) (accessed 20 July 2023).

Minister Agnès Pannier-Runacher called it, to support nuclear energy as “one of many tools for achieving our climate targets”.<sup>72</sup> In other words, the Hungarian government insists on keeping both nuclear energy and natural gas as supplies for the future and also out of the EU sanctions list.

Orbán has stated his two priorities regarding the war several times, namely, securing Hungary’s energy supply from Russia and protecting its minority living in Ukraine.<sup>73</sup> When the EU governments were discussing the next package of sanctions in May 2022, the Slovak and Hungarian governments remarked they did not support sanctions against Russian energy as their economies relied on gas and oil supplies via pipelines from Russia, and there are no short-term alternatives.<sup>74</sup> Foreign Minister Szijjártó remarked that his government was against sanctions that would “make the transport of natural gas or oil from Russia to Hungary impossible”, explaining that “Hungary’s energy supply cannot be endangered because no one can expect us to allow the price of the war [in Ukraine] to be paid by Hungarians”.<sup>75</sup>

While the Hungarian government criticizes the sanction packages adopted since 2022, does not show any intention of changing the course of its foreign policy towards Russia and continues to prohibit the export and transit of weapons to Ukraine, the Slovak counterpart has adopted an ambiguous position. “We have supported Ukraine in the past, and we plan to support it also in the future, regardless of this risk that exists”, said Slovakia’s then state secretary for energy, Peter Gerhardt. Indeed, the Slovak government has stated its support to Ukraine and used to provide weapons despite the risk of retaliation by the Kremlin.

This risk – as referred to by Gerhardt – was a potential cut in the Russian supply. This approach not only marks a significant difference from 2014, when the SMER and Fico criticized the sanctions following the annexation of Crimea; it also means that the Slovak government did not want to cut off the supply from Russia or adopt sanctions on imports while it was willing to take the risk of being without Russian oil and gas supply should the Russian government and Gazprom cut it.<sup>76</sup> “We are aware of this risk of course”, conceded Gerhardt, but “we have to deal with it”. The “support of Ukraine is a matter of principle”.<sup>77</sup> The new Fico government does not seem keen to take that risk.

72 France among EU Countries Uniting to Boost Nuclear Power, RFI, 28 February 2023. <https://www.rfi.fr/en/europe/20230228-france-among-eu-countries-uniting-to-boost-nuclear-power> (accessed 18 January 2024).

73 Á. Kopper, Hungary’s Pragmatism: Courting Russia, Pleasing the EU, Zentrum für Osteuropa- und internationale Studien, Spotlight 36/2022, 14 December 2022. <https://www.zois-berlin.de/en/publications/zois-spotlight/hungarys-pragmatism-courting-russia-pleasing-the-eu> (accessed 18 January 2024).

74 Ibid.

75 Slovakia, Hungary Won’t Back EU Sanctions on Russian Energy”, Independent, 3 May 2022. <https://www.independent.co.uk/news/hungary-ap-slovakia-charles-michel-ukraine-b2070554.html> (accessed 18 January 2024).

76 Slovakia is almost fully dependent on the Russian oil it receives through the Druzhba pipeline.

77 V. Jack, “You don’t Scare Us: Slovakia Shrugs off Kremlin Energy Retaliation for Arming Ukraine”, POLITICO, 3 April 2023. <https://www.politico.eu/article/slovakia-russia-energy-fossil-fuel-retaliation-war-ukraine-jets/> (accessed 18 January 2024).

The Slovak government has been looking for oil and gas supply alternatives since February 2022 motivated among other reasons by calls from the industry (e.g. Association of the Photovoltaic Industry) for changes in the renewable energy sector.<sup>78</sup> Despite such calls for energy sector reforms and the intention of the government to replace Russian fossil fuels, the process is moving slowly. In theory, Slovakia has good gas connections with all its neighbouring countries because it has a diversification programme supported by Projects of Common Interest (PCI) launched by the European Commission in 2013. According to Veronika Oravcová of the Slovak Foreign Policy Association, “Slovakia installed reverse flows with neighbouring countries (the Czech Republic, Austria, and Ukraine), completed new interconnectors with Ukraine (in 2014), Hungary (in 2015) and then Poland in October 2022, providing access to the LNG terminal in Świnoujście, with the first tender in mid-November.”<sup>79</sup> While there are ongoing discussions to revive dead projects or increase the range of existing ones, there is also strong opposition from political parties (e.g., SMER-SD) and local communities to building new infrastructure (such as wind power projects). Therefore, while there are intentions to diversify the supply, the implementation of projects and reforms is a winding road, especially now that a new government is in power and is determined to mark a change of course from its predecessor.

Orbán has instead showed his intention of maintaining energy cooperation with Russia. While Western European governments are working to find alternatives to the Russian supply and the Slovak government has shown a similar intention despite the difficulties, the Hungarian government is still running a 15-year deal signed in 2021, according to which the country will receive 4.5 billion cubic meters (bcm) of gas per year from Russia through the TurkStream pipeline against a national consumption of 11.06 bcm in 2021.<sup>80</sup> On 11 April 2023, the foreign minister said that Gazprom “would maintain an option to supply additional gas to Hungary this year on top of the shipments agreed under a long-term deal”.<sup>81</sup> According to Orbán himself, the reason for not diversifying the supply is that Hungary’s geography and energy infrastructure make a shutdown of Russian oil impossible while banning Russian oil and gas would be an “atomic bomb” for the Hungarian economy and would destroy its “stable energy supply”.<sup>82</sup>

78 S. Otajovicova, Slovakia: The search for alternatives to Russian gas, Deutsche Welle, 15 December 2022. <https://www.dw.com/en/slovakia-the-search-for-alternatives-to-russian-gas/a-64092425> (accessed 18 January 2024).

79 V. Oravcová, Energy Without Russia – The Consequences of the Ukraine War and the EU Sanctions on the Energy Sector in Europe, Friedrich-Ebert-Stiftung, 2023, p. 10.

80 Hungary Agrees Additional Russian Gas Shipments, Oil Transit Fees, Euractiv, 12 April 2023. <https://www.euractiv.com/section/global-europe/news/hungary-agrees-additional-russian-gas-shipments-oil-transit-fees> (accessed 18 January 2024). According to the owner and operator of the Hungarian high-pressure natural gas pipeline systems (FGSZ Ltd.), Data of the Natural Gas System for the Year 2021 Are Available, FGSZ, 27 September 2022. <https://fgsz.hu/en/home/news/data-of-the-natural-gas-system-for-the-year-2021-are-available.html> (accessed 18 January 2024).

81 Hungary Agrees on Option for More Gas Shipments from Russia, Oil Transit Fees, Reuters, 11 April 2023. <https://www.reuters.com/business/energy/hungary-agrees-option-more-gas-shipments-russia-oil-transit-fees-minister-2023-04-11> (accessed 18 January 2024).

82 Why is Hungary Not Backing EU Sanctions on Russian oil? Al-Jazeera, 10 May 2022. <https://www.aljazeera.com/news/2022/5/10/explainer-why-is-hungary-blocking-sanctions-on-russian-oil> (accessed 18 January 2024).

## 5. Rosatom and the Need for Russian Nuclear Fuel

While oil and gas supply are certainly crucial for EU economies, several post-communist countries rely on nuclear power as well. The Paks II agreement and the complexity of its implementation have captured the attention of scholars and analysts not only for the agreement itself but also because it is part of a broader foreign policy in which Russia is considered as a key partner at a time when West–Russia relations are deeply compromised and Hungary is part of the so-called “West” since 2004.<sup>83</sup> As mentioned, Russia has managed to become a crucial energy partner for almost all of Europe since the end of the Cold War. Nuclear power technology is no exception.

The aim here is not to analyse how energy relations in the nuclear industry have changed since 1991 but rather to call attention to the complexity of energy relations in the nuclear sector in light of the full-scale invasion of Ukraine. It helps to understand how and why geopolitical interests can coexist with economic interests even if they can also sometimes diverge (as in the case of Slovakia). The nuclear industry is a clear example of this. Darya Dolzikova of the Royal United Services Institute for Defence and Security Studies since the full-scale invasion of Ukraine in February 2022, states the following:

*Russia’s nuclear energy exports have not come under economic restrictions. The Rosatom State Nuclear Energy Corporation (Rosatom), which has a monopoly over the Russian nuclear industry, has continued exports of nuclear fuel and other goods relevant to the nuclear energy sector. According to Russian customs data, sourced through a third-party commercial trade data provider, Russia has exported just over \$1 billion worth of nuclear energy-related goods and materials since the start of the war in Ukraine.*<sup>84</sup>

The US even increased the import of nuclear fuel from Russia in 2023 regardless of a proposal to limit imports passed at the House Energy and Commerce Committee in May 2023.<sup>85</sup> This shows ambiguities in US foreign policy towards Russia. Pushing for sanctions while exempting items that are needed.<sup>86</sup>

When it comes to Hungary, a Royal United Services Institute (RUSI) report found that Russian nuclear fuel exports there between March and December 2022 had “far exceeded” those of the previous three years. Although the report does not take Slovakia into account, it shows that countries historically relying on Russian nuclear energy exports,

83 Here, I refer to the EU and NATO memberships which on paper gave Hungary and Slovakia the same status as all other Western member states.

84 D. Dolzikova, Atoms for Sale: Developments in Russian Nuclear Energy Exports, Royal United Services Institute for Defence and Security Studies, 14 February 2023, p. 1.

85 The proposal, which still has to go through several stages before coming into force, includes clauses according to which the US Department of Energy may waive the ban based on national interest in case of a lack of alternatives. See H.R.1042 – Prohibiting Russian Uranium Imports Act, Energy and Commerce Committee, US House of Representatives, May 2023. <https://www.congress.gov/bill/118th-congress/house-bill/1042> (accessed 18 January 2024).

86 M. Mendoza, D. Litvinova, “Putin profits off US and European reliance on Russian nuclear fuel”, Associated Press, 10 August 2023 <https://apnews.com/article/russia-ukraine-war-us-europe-nuclear-exports-4129cbea2aaa69b-1da5d09a41804f745> (accessed 17 January 2024).

such as Ukraine, Bulgaria, and the Czech Republic, have started to diversify their supply. Nevertheless, “contractual obligations and technical challenges make the process slow and complicated”.<sup>87</sup> One of the main technical challenges is the production and delivery of water-water energy reactor (VVER-440) fuel. There are companies in Europe and the US (e.g., Westinghouse Electric Company LLC and Enusa) working to produce it, but shifting from Rosatom will take years.

The dependence on Russian nuclear fuel and technology has become a “trap” in Europe because diversifying is costly and will take several years. The process of shifting from Russian gas and oil is relatively fast (despite the reluctance of some countries, such as Hungary) due to an intraregional network; in the nuclear industry, there are specific technical difficulties. Also, Russia earns less from its exports of nuclear fuel and technology than those of natural gas and oil, so sanctioning Rosatom or the entire Russian nuclear industry could actually be self-defeating for the EU.

## 6. Conclusion

The full-scale invasion of Ukraine in February 2022 was a wake-up call for Europe, which realized how dependent it had become on Russian gas and oil. European governments had not sufficiently diversified their supply before the war escalated for several reasons including Merkel’s Russian policy to economically integrate Putin’s Russia in Europe. Therefore, it was the Russian government that decided to reduce the flow or even cut it (e.g. to Poland in 2022) on several occasions over the last 20 years. At the EU level, there were several reasons for delays in diversifying the energy supply, including divergences and the different priorities of the national foreign policies of the EU member states and different perceptions of Russia in East Central Europe, usually as a partner (in Slovakia and Hungary) or as an enemy (in Poland). Therefore, while some countries like Germany and Poland have managed to replace Russian gas with more expensive alternatives in 2022/2023, smaller countries like Slovakia and Hungary found themselves “trapped”. Whereas almost every EU government is working to find and secure new suppliers Hungarian Prime Minister Viktor Orbán has openly supported more imports of Russian gas, even after the escalation in Ukraine. Since his re-election in 2010, Orbán has never questioned the increasing reliance of Hungary on Russia, unlike when he was an opposition leader (2002–2010). On the contrary, while other EU states have been trying to find new sources, he has made new deals, posing the question of the extent to which this is economic cooperation or political preference. The escalation of the war in Ukraine to the point of turning into the worst war in Europe since 1945, has resulted in the end of energy cooperation with Russia of many EU countries. Countries like Germany shifted from a historical tradition of friendly foreign policies towards Russia (since

87 D. Dolzikova, *Atoms for Sale: Developments in Russian Nuclear Energy Exports*, Royal United Services Institute for Defence and Security Studies, 14 February 2023, p. 10.

the late 1960s and more recently thanks to the benevolent attitude of Gerhard Schröder and Angela Merkel), whereas Slovakia and Hungary are not keen to do the same. So they find themselves trapped. The fact that the German government has abandoned nuclear as source of energy for its economy, that it pushes for sanctioning Russian nuclear fuel and continues to block Siemens from delivering the control system for the new reactor in Paks II (supposed to run with Russian fuel) does not play in favour of the good Hungarian-Russian relations, in which the Paks II project is at the core.

Despite the EU sanctions in many business sectors, energy remains a grey zone due to the reluctance of some European governments to fully ban the supply from Russia and the need to achieve carbon neutrality. This includes both nuclear energy and natural gas as transitional energy sources, allowing Hungary to maintain its gas supply from Russia and to keep the Paks II construction project going at the cost of worsening relations with Germany.

Energy has been at the core of the Hungarian-Russian relationship for a long time, and the Orbán government has shown no interest in changing direction, at least for the time being. Gas imports are a crucial component of Hungary’s foreign policy agenda, and Gazprom has preserved its dominant role. In 2021, the Hungarian government signed a new fifteen-year gas supply deal with Gazprom. A new agreement with Russia in the summer of 2022 was expected to provide an additional 700 million cubic meters of gas. Hungary has also cooperated with Russia in constructing the Balkan Stream pipeline from Turkey, launched in 2021. However, as Csaba Weiner and András Deák wrote in 2022, it is the implementation of the Paks II project, agreed in 2014, that is the symbol “of the close relations between Moscow and Budapest”.<sup>88</sup> In fact, the need for technology and materials from foreign companies (e.g. equipment for the Paks II reactor made by Siemens Energy) as well as permissions from the French and German governments shows that energy relations between Hungary and Russia are a complex matter that also depend on the attitudes of other countries like Germany and France and negotiations between foreign actors.<sup>89</sup>

This paper has provided an overview of energy as a dimension of Hungary’s and Slovakia’s relationship with Russia, intersecting with geopolitical interests and domestic politics. However, some aspects have been left out of the scope of this analysis, whose importance cannot be underestimated. There are multi-level ties between Hungary and Russia that make Hungary a different case to its neighbours, such as Slovakia, the Czech Republic, Poland, or even Ukraine, among others.

88 Cs. Weiner and A. Deák, Hungary: More Business, Less Illiberalism, in: M. Kaeding, J. Pollak, P. Schmidt, *The Future of Europe and Russia: Views from the Capitals*, Cham 2022, pp. 51–54.

89 In mid-May 2023, János Lázár, Hungarian Minister of Construction and Transport, announced the “end of the friendship” between the Hungarian government and Siemens. The reason given was that the control system was being supplied by a German-French consortium, but in line with the current European regulatory environment, national export authorities have to authorize the civilian use, which the French government has done but the German one not, so German-Hungarian economic relations have deteriorated. See *Government to Restrict Business Relations with Siemens*, Hungary Today, 15 May 2023, <https://hungarytoday.hu/government-to-restrict-business-relations-with-siemens> (accessed 18 January 2024).

A main comparison has been made here only between Hungary and Slovakia. Other comparisons could be made; the illiberal shift that FIDESZ initiated in 2010 cannot be observed elsewhere in Europe – except in Poland, but whose people and political elites are historically characterized by a strongly negative sentiment towards Russia and have always perceived Russia as a major threat to their existence. Therefore, while there might be similarities in the shift Poland and Hungary undertook in domestic policy, their foreign policies diverge. At the same time, it should be added, not all foreign policy decisions are coherent and overlap with energy and security policies, as shown by Slovakia's difficult efforts to diversify its gas supply and the decision to omit the nuclear industry from the sanction packages.