# COUNTRY POLICY PROFILE

## Czech Republic

**February 2015**

**LOG FILE OF CHANGES IN SUPPORT POLICIES AS COMPARED TO LATEST MEMBER STATES PROGRESS REPORT**

EurObserv'ER

# The EurObserv’ER project

The EurObserv'ER Barometers monitor the renewable energy progress in each Member State of the European Union. Every two months a barometer dedicated to one particular renewable energy technology is published. Moreover, once a year an *Overview Barometer* collects the main indicators published during the year and completes these with additional renewable sectors which have not been detailed in the individual Barometers. Finally, the Overview Barometer also reports on socio-economic aspects: employment and turnover in the field of renewables, and the renewable energy investment climate. The country policy reports monitor policy developments by providing an overview of policy changes compared to the Member State Progress Reports.

All Barometers are available for download at http://www.eurobserv-er.org/. An overview of direct links to Barometers is available in Annex A.

New Barometer releases are announced on Twitter (https://twitter.com/eurobserv_er).

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# Abstract

In the Czech Republic, RES electricity is supported through FITs and FIPs called green bonus. Plant operators can choose between these two options.

RES heat is generally supported through subsidies; however, the subsidy cohesion program for the programming period 2014-2020 has not been adopted jet. A very important incentive is an Exemption from Real Estate Tax. Currently, the Czech Republic has only introduced a building obligation for the use of renewable heating and the exemplary role of public authorities.

The main incentive for renewable energy use in transport is a quota system. Biofuels are exempt from consumption tax.

# Abbreviations

| | |
|---|---|
| BTL | Biomass-to-Liquids |
| CHP | Combined heat and power plant |
| EEAG | Environmental and energy aid guidelines |
| EU-27 | European Union, 27 Member States (excludes Croatia) |
| EU-28 | European Union, 28 Member States (includes Croatia) |
| FiP | Feed-in premium (scheme) |
| FiT | Feed-in tariff (scheme) |
| GHG | Greenhouse gas(es) |
| GHG | Greenhouse gas |
| ktoe | Kiloton oil equivalent |
| MSW | Municipal solid waste |
| NREAP | National Renewable Energy Action Plan |
| PV | Photovoltaic energy |
| RE | Renewable energy |
| RED | Renewable Energy Directive |
| RES | Renewable energy sources |
| RMSW | Renewable Municipal solid waste (renewable fraction in MSW) |
| RQS | Renewable quota scheme |
| TSO | Transmission system operator |

# Renewable energy mix and 2020 target

Source: EurObserv'ER, 2014, www.eurobserv-er.org, Presentation of Czech RE Agency (http://iet.jrc.ec.europa.eu/remea/sites/remea/files/files/documents/events/czech_republic.pdf)

The 2012 share of renewable energy in the Czech Republic amounted to 11.3%; the target for 2020 has been defined as 13% (source: 'The State of Renewable Energies in Europe', 2013 edition). Main renewable source in Czech Republic is solid biomass representing 63 %, followed by biofuels with 10 %. Others sources arranged in decreasing manner are biogas (8 %), hydro (7 %), municipal waste and geothermal (each 2 %) and wind (1 %). Largest increase in renewable energy consumption has been observed for biofuels, solid biomass, solar PV and biogas.

**Table** *Renewable energy production in the 27 Member States of the European Union (EU-27) and the corresponding figures for the Czech Republic. Data have been expressed in ktoe and refer to the year 2012*

| [ktoe, 2012] | European Union (27 countries) | Czech Republic | Contribution of the Czech Republic to EU-27 |
|---|---|---|---|
| Hydro* | 29408 | 187 | 0.6% |
| Wind* | 17089 | 36 | 0.2% |
| Solar PV | 5732 | 187 | 3.3% |
| Solar thermal** | 2116 | 13 | 0.6% |
| Solid Biomass*** | 74804 | 1798 | 2.4% |
| Biogas | 6212 | 234 | 3.8% |
| MSW**** | 4426 | 64 | 1.4% |
| Geothermal | 7825 | 66 | 0.8% |
| Biofuels | 11711 | 281 | 2.4% |
| Ocean energy | 44 | 0 | 0.0% |

* Normalised electricity generation

** Including electricity generation from Concentrated Solar Power

*** Including liquid biomass

**** Municipal Solid Waste only regards the renewable fraction in the waste

Source: EurObserv'ER, 2014 (www.eurobserv-er.org)

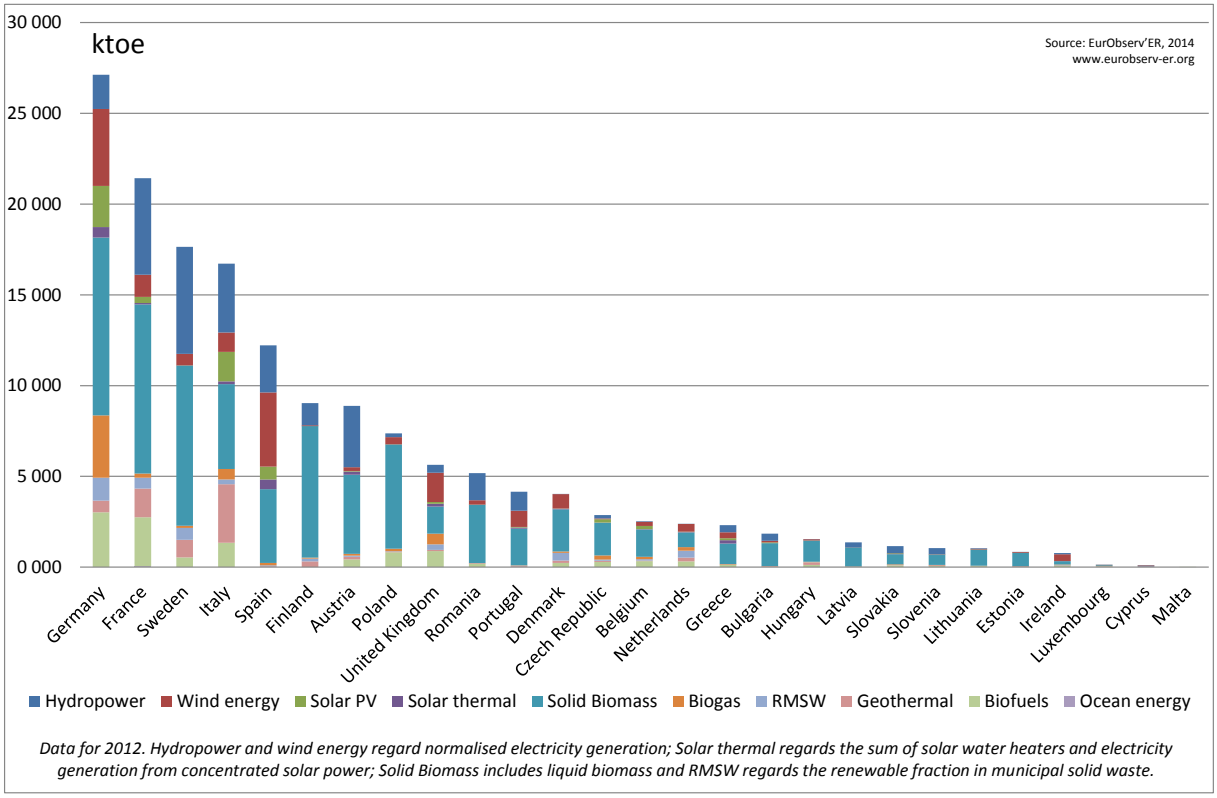


**Figure** *Renewable energy production in the European Union Member States. Data have been expressed in ktoe and refer to the year 2012. Source: EurObserv'ER, 2014 (www.eurobserv-er.org)*

# Recent RES Policy Developments

The current EurObserv'ER policy profile is listing recent policy changes in the EU Member States. Starting point for this monitoring is the situation as it has been described in the country's Progress Report (which were due end of 2013). All Renewable Energy Progress Reports are available in English language from www.eurobserv-er.org (translated versions).

| Date | Technology | Policy change |
|---|---|---|
| January 2014 | | *No policy change* |
| March 2014 | | *No policy change* |
| May 2014 | All, mainly PV and wind | European Commission declares: "Czech scheme supporting the production of electricity from renewable energy sources is in line with the EU state aid rules.<br><br>Just one day after the Commission issued its finding that the "Czech scheme supporting the production of electricity from renewable energy sources is in line with the EU state aid rules," the Czech Ministry of Industry made public a draft amendment to the scheeme introducing radical changes to the support for renewables that had been just approved by EC.<br>The proposed amendments are:<br>- An introduction of a new mechanism intended to establish a ceiling for the amount of energy eligible for the support;<br>- An introduction of a new obligation to producers of electricity to contribute to costs for operating the electricity distribution and transmission system and costs associated with providing support for renewable energy;<br>- An introduction of review mechanism that would retroactively adjust the guaranteed investment conditions individually for each project after 10 years in operation and level the return on investment for all projects to about 3.5% p.a |
| July 2014 – January 2015 | | *No policy change* |

Note to the reader: the above overview had been compiled with care. However, in case you miss recent developments please be invited to inform EurObserv'ER on policy changes in a Member State. For communication use e-mail (policy@eurobserv-er.org) or Twitter (https://twitter.com/eurobserv_er).

# Glossary

| | |
|---|---|
| Auctions for granting renewable energy support | An auction is a process, organised by a governmental renewable energy implementation agency, of granting production or investment support to a specified volume of eligible renewable energy (or renewable energy generation capacity) based on the lowest bids per unit of renewable energy (or renewable energy generation capacity) by eligible renewable project developers. |
| Degression rate | See under 'Sliding feed-in tarif' |
| Feed-in tariff (FiT) | A technology-specific support scheme which provides for a technology-specific remuneration per unit of renewable energy payable to eligible renewable energy producers, typically for a period of 10-20 years. The FiT level is set *ex ante* by the National Regulatory Agency (NRA). It is to cover all future production costs including a *normal* rate of return to capital invested. In many schemes priority network access is offered to eligible renewable electricity generators, whilst a designated third party - e.g. the transmission or distribution network operator concerned - is being mandated to pay the FiT remuneration due. A proper, periodic review of FiT rates is often undertaken with the aim to prevent both too high FiTs so as to minimise regulatory rents, i.e. supra-normal returns and too low FiTs to preclude below-target market uptake because of FiT levels that are perceived by market participants to be less attractive. |
| Feed-in premium (FiP) | A technology-specific support scheme which provides for a technology-specific subsidy level per unit of renewable energy to eligible renewable energy producers, typically for a period of 10-20 years, at a pre-set fixed or floating (see under 'Floating FiP') rate, projected by the National Regulatory Agency (NRA) to enable renewable energy generation investments deemed commercially attractive by project developers without yielding supra-normal profits. |
| Floating FiP | A feed-in premium, which is periodically adjusted to exactly offset the change in the average energy wholesale market price, based on a pre-specified benchmark market price. A floating FiP may move freely or may only be allowed to move within a pre-set interval. |
| Grants | Grants are non-repayable funds disbursed by one party (grant makers), often a government department, corporation, foundation or trust, to a recipient, often (but not always) a non-profit entity, educational institution, business or an individual. (Source: Wikipedia.org) |
| Green public procurement | In Green public procurement contracting authorities take environmental issues into account when tendering for goods or services. The goal is to reduce the impact of the procurement on human health and the environment. (Source: Wikipedia.org) |

| | |
|---|---|
| NRA | National Regulatory Agency |
| Renewable quota scheme (RQS) | A renewable quota scheme mandates certain market actors (typically retail suppliers or large energy end-users) to respect a pre-set minimum share or amount of their total energy procurements from renewable sources of energy. Typically a tradable green certificate (TGC) scheme is operated to enable the obligated parties to prove their compliance with the prevailing renewable quota target by means of TGCs. Typically the renewable quota target is increased gradually over time. Renewable quota systems are also known under terms such as quota (obligation) schemes or renewable portfolio standards. |
| Request for tenders (RFT) | A request for tenders (RFT) is a formal, structured invitation to suppliers, to bid, to supply products or services. In the public sector an official fee is needed to fortify and secure the tender bid engagement/win documents, such a process may be required and determined in detail by law to ensure that such competition for the use of public is open, fair and free from bribery and nepotism. For example, a government may put a certain level of MW of offshore wind energy at a pre-defined location 'out to tender'; that is, publish an invitation for other parties to make a proposal for the construction of offshore wind farms, on the understanding that any competition for the relevant government contract must be conducted in response to the tender, no parties having the unfair advantage of separate, prior, closed-door negotiations for the contract. An evaluation team will go through the tenders and decide who will get the contract. (source: adapted from Wikipedia.org) |
| RD&D funding | The funding of research, development and demonstration activities and programmes. For technologies far remote from commercial maturity, government grants or subsidies might be considered. For technologies close to commercial maturity which are not taken up for commercial research any way, instruments such as fiscal instruments (tax credits, accelerated depreciation, etc.) and public-private partnerships may be considered, based on shared public and private RD&D funding. |
| Sliding feed-in-tariff | A FiT scheme which pre-sets technology-specific declining feed-in tariffs for certain prospective vintages in line with the technology-specific learning curve, as projected by the National Regulatory Agency (NRA). Often a degression rate is used indicating the %/annum decrease in the rate level. |
| Soft loans | Loans at concessional (below market-based) terms, for example at sub-market-conform interest rates, made available in several Member States to stimulate certain renewable energy technologies. |
| Tax credits | These are amounts a tax paying entity is allowed to deduct when declaring payable taxes, for example company tax or income tax, to the tax authorities , for example the producer tax credits (PTCs) used in the United States to stimulate among others wind energy deployment. |
| Tenders | See ‘Request for tenders’ |

# References

EurObserv'ER, 2014, www.eurobserv-er.org

http://www.renewablesinternational.net/czech-republic-to-put-lid-on-green-technology/150/537/79856/

http://www.energypost.eu/retroactive-amendments-investment-conditions-guaranteed-czech-law-threaten-stability-renewable-energy-sector/

http://www.res-legal.eu/search-by-country/czech-republic/

# Annex

EurObserv'ER Barometers published are all available for download. Direct links to all EurObserv'ER publications:

Wind Energy Barometer
(February 2015, PDF, English language, 16 pages):
http://www.energies-renouvelables.org/observ-er/stat_baro/observ/barojde16_WindEnergy_EN.pdf

'The State of Renewable Energies in Europe', 2014 edition
(January 2015, PDF, English language, 218 pages)
http://www.energies-renouvelables.org/observ-er/stat_baro/barobilan/barobilan14_EN.pdf

Solid Biomass Barometer
(December 2014, PDF, English language, 14 pages)
http://www.energies-renouvelables.org/observ-er/stat_baro/observ/baro225_en.pdf

Biogas Barometer
(November 2014, PDF, English language, 14 pages)
http://www.energies-renouvelables.org/observ-er/stat_baro/observ/baro224_Biogas_en.pdf

Renewable Municipal Waste Barometer
(November 2014, PDF, English language, 12 pages)
http://www.energies-renouvelables.org/observ-er/stat_baro/observ/baro224_Dechets_en.pdf

Biofuels Barometer
(July 2014, PDF, English language, 16 pages)
http://www.eurobserv-er.org/pdf/baro216_en.asp

Solar Thermal Barometer
(June 2014, PDF, 27 pages, English/French language):
http://www.eurobserv-er.org/pdf/baro215.asp

Photovoltaic Barometer
(April 2014, PDF, 24 pages, English/French language):
http://www.eurobserv-er.org/pdf/baro-jdp9.asp

Heat Pump Barometer
(October 2013, PDF, English/French language, 18 pages)
http://www.eurobserv-er.org/pdf/baro218.asp