

Quo vadis energy ?

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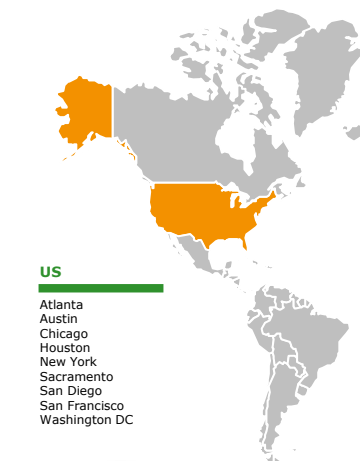


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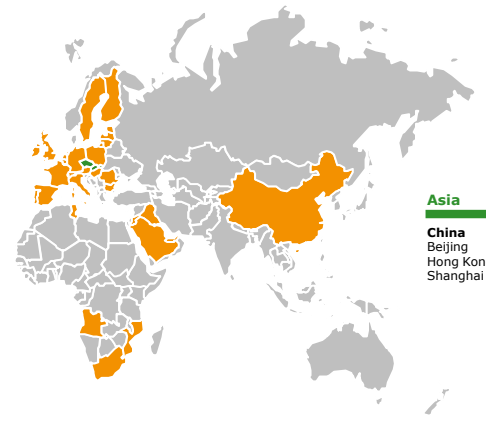


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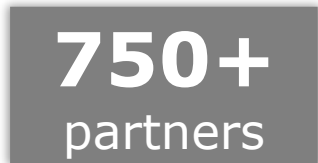


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Subsidies for 2022



Aid scheme under 2.1 of the Temporary Crisis Framework in 2022

- subsidies have been granted for the eligible period from **1 August 2022 to 30 September 2022**, when energy was most expensive
- disadvantage - **short application time**
- subsidies for the period from **1 October 2022 to 31 December 2022 will no longer be covered by this type of state aid**
 - the problem with the approval of the state budget

Subsidies for 2022

How did the applications for 2022 subsidies turn out ?

- available resources - **EUR 360 million**
- applications received - **19 280**
- approved applications (as of 30.12.2022) - **13 631**
- percentage success rate - approximately 70%
- average subsidy amount per application - **EUR 5 655**
- the cost of the approved applications - approximately **EUR 77 million**



Energy subsidies for the first quarter of 2023

Ministry of Economy published a call for applications for the provision of energy subsidies following point 2.1 of the Temporary Crisis Framework:

- <https://energodotacie.mhsr.sk/Pvyzva.html>
- **price caps** for the net commodity, namely **199** EUR/MWh for electricity and **99** EUR/MWh for gas
- **eligible costs** - 80 % of the difference between the amount actually paid and price caps
- Deadline: 1 month in arrears and no later than **30 June 2023**
- the maximum amount of the subsidy in total is **EUR 600 000**
 - 1. 200 000 EUR / January 2023**
 - 2. 200 000 EUR / February 2023**
 - 3. 200 000 EUR / March 2023**



Energy subsidies for the first quarter of 2023

Eligible applicant:

- **an economic operator**, regardless of size or legal form
- **the final energy consumer**
 - the applicant cannot be the entity that has taken energy for the production of heat and electricity
- the obligation to have **its own off-take point** (point of consumption), otherwise the entity is not an eligible applicant:
 - 1. EIC code** (electricity)
 - 2. POD code** (gas)
- **tenants** without their own off-take point **are not** eligible
- **eligible period** - 1 January 2023 - 31 March 2023

Energy subsidies for the first quarter of 2023

Other specific conditions that apply only in certain cases

- if the amount requested exceeds EUR 100 000:
 - 1. Register of public sector partners**
 - 2. identification of ultimate beneficiar owners (UBO)**
- **EUR 279 820 623** is earmarked
- it is not known at this stage whether the Ministry will continue this type of State aid beyond 31.3.2023

Support for small energy consumers

Small customer

- **Act on regulation in the network industries**
 - non-household electricity customer with total annual electricity consumption for the preceding year not more than **30 000 kWh** and
 - non-household gas customer with total annual gas consumption for the preceding year not more than **100 000 kWh**
- so-called **Crisis Regulation**
- **the net price of commodities**, according to the regulation of the Government:
 - maximum price for part of the regulated electricity supply - **199 EUR / MWh**
 - maximum price for part of the regulated gas supply - **99 EUR/MWh**
- **energy suppliers are compensated**, not small consumers

Energy prices for households

- so-called **general economic interest**
- the price ceiling for electricity for households is 61.2 EUR/MWh (price from 2022), where the above amount is increased by the coefficient determined by the Regulatory
 - the resulting amount - maximum **67,3 EUR/MWh**
- the gas price is made up of the monthly payment for the off-take point in the amount of EUR 1,50 and a maximum gas tariff to be determined separately for the tariff type (D1 - D6, or D7 - D8)
 - the resulting amount of gas for households compared to 2022 will thus be **increased by a maximum of 15%**



New support scheme

New aid scheme under 2.4 of the Temporary Crisis Framework

- a more complex aid delivery system

Preliminary information:

- valid throughout 2023
- aid targeted in particular at larger and more energy-intensive businesses
- various factors that will be considered as part of the application, such as:
 - year-on-year decline in EBITDA
 - energy consumption in recent years, etc.



Brief overview

Households - the maximum electricity price will remain at 2022 levels and the gas price will be increased by a maximum of 15%

Small customers - they do not have to submit any applications, as suppliers are obliged to supply electricity to these entities at a price not exceeding 199 EUR / MWh and gas at a price not exceeding 99 EUR / MWh (net commodity)

Other businesses - possibility to apply for a subsidy that will cover 80% of the costs exceeding the electricity price of 199 EUR/MWh and the gas price of 99 EUR/MWh (net commodity)

In addition, **all businesses** will also be able to apply for aid under the new scheme, which has not yet been published

Renewable Energy Sources Act

Support for new installations for RES energy production

- support is being implemented, the effectiveness of this support is questionable

Local source

- an installation for the production of electricity from RES which produces electricity to **cover its own consumption**
- the local sources have an off-take point established as well
- the total installed capacity cannot exceed the **maximum reserved capacity of that off-take point**
- mostly photovoltaics
- spare capacity in the system is questionable



Renewable energy and the Recovery Plan

EU Recovery plan

- Under the Recovery Plan, Slovakia will support the following investments: :
 1. Investments in the **construction of** new sources of electricity from RES
 2. Investments in the **modernisation of** existing sources of electricity from RES (*repowering*)
 3. Investing in **increasing the flexibility of** power systems for higher RES integration
- planned timeframe - **June 2026**
- estimated cost of investment – **EUR 226 million**

Renewable energy and the Recovery Plan

Recovery Plan:

- **Ministry of Economy** regularly publishes on its website various calls for projects
- a call is currently expected to be published in March or April 2023

From the EU Structural Funds:

- **SIEA** - Call for applications for non-refundable financial contribution for the construction of solar energy installations for electricity production

Windfall tax

Legal basis:

- **EU Regulation 2022/1854** on emergency intervention and amendment of the **Energy Act**

"Windfall tax" - A levy (tax) on excess revenue

- **a temporary measure** to mitigate the impact of high energy prices on Member States, consumers or businesses
- this applies primarily to **electricity producers** but also to entities who buy and sell electricity on the territory of the Slovak Republic
- **excess revenue** - the positive difference between market income and the market income ceiling
- **market income** - determined from net revenues from electricity sales
- **market income ceiling** - determined by the Government of the Slovak Republic by regulation
 - up to 250 EUR/MWh (depending on the source)
- Slovakia introduces a **90%** excess revenue tax

Windfall tax

"Windfall tax" - A levy (tax) on excess revenue

- levy period - every month from 1 December 2022 to 31 December 2024
- Excluded are certain electricity generation facilities, namely:
 - **installations with a power up to and including 0.9 MW,**
 - **selected installations referred to in § 25c(1)(b) to (d)**
- the forms are published on the **website of the Financial Administration**
 - the payer is obliged to submit a levy notice and pay the levy



The future of electricity in Slovakia

Forecasts for the Slovak electricity sector, especially with regard to green energy:

- accelerating the transition to green energy - the European Union's objectives
- the need to reduce energy dependence, particularly on Russia and other suppliers, in the context of the war in Ukraine
- The EU has put forward a **REPowerEU** plan which aims, for example, to:
 - **increase the share of renewable energy sources on EU market** in final energy consumption from 40% to 45% by 2030, or
 - **simplify** permitting processes for renewable energy sources

Thank you for your attention





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Bernhard Hager is an attorney-at-law authorized to practice in Austria, Czech Republic and the Slovak Republic. In his practice Bernhard Hager concentrates on advising industrial sector clients on corporate, energy and infrastructure projects, construction and public procurement law.

Bernhard´s recent experience includes:

- Successful representation of lime and cement producers in court cases for the return of CO2 tax,
- Legal support of the development, construction and financing of a logistic park,
- Establishment, Authorisation and legal services for the operation of take-back systems for packaging waste,
- Legal work for the „waste to energy“ concept of cement plant
- Acting for a bank in green energy projects.

Bernhard Hager graduated from the Faculty of Law at Vienna University and, subsequently, prior to entering attorney practice in 2000, lectured at Kaunas University, Lithuania. Furthermore, Bernhard Hager obtained a postgraduate degree in competition and financial law at the Queen Mary University of London (LL.M.) in 2002.

In addition to his legal practice he also frequently publishes and lectures on various legal topics. He is author of the monographies "Support of alternative energy resources in the Slovak Republic" and "Service provision in Austria" as well as the comprehensive commentary on the Slovak law on public contract). Apart from German, he speaks English, Slovak and Czech.

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