

Sustainable Energy Policy of the Czech Republic

The Czech Republic did a great deal during the review period to reform the institutional framework for the energy sector and made it more consistent with that of other EU countries. The New law Act No. 180/2005 Coll. on Support of Electricity Production from Renewable Sources and institutions (Energy Regulatory Office, State Energy Inspection Board) were put in place and formal energy policies and programmes were adopted. An overarching energy policy document, the State Energy Policy, was approved in 2000 and reviewed in 2004.

The new Czech renewable energy law defines a dual pricing system offering a choice of either fixed feed-in tariffs or green bonuses under strictly defined conditions. For electricity generated from so-called clean biomass a higher price will be warranted than for electricity generated from co-firing of biomass with fossil fuels. A passage regarding the admixing of biofuels with fossil fuels has been added. The aim of this act is to guarantee a return on investment within 15 years. This will be achieved by fixed feed-in tariffs for each kW of electricity generated from renewable energy sources.

The Renewable Act should ensure an 8% share of renewable energy in the Czech Republic's gross domestic electricity consumption by 2010, a target laid down in the Czech Republic's accession treaty with the EU. The new act transposes the [2001/77/EC](#) directive into the Czech legal system. The adopted support scheme provides a 15-year guarantee of solid feed-in tariffs, differentiated by technology. It is estimated that today's new legislation will lead to the creation of 4,000 new jobs in fuel (mainly biomass) production and maintenance and about 23,000 new jobs in the development of associated technologies and engineering. The act also has weak points. Its success partly depends on what practice the Energy Regulatory Office (ERO) will use for setting prices which are not stated directly in the text of the law. The ruling states that it should be in such a fashion that the pay-back time of installations is less than 15 years. There is also a rule that for new installations the price cannot drop less than 95% against the level of those installations which started in the previous year. As each type of renewable energy source has different per unit investment cost as well as a rate of return on investment, the ERO should take this fact into consideration. The aim of this Act is to support all renewable sources and to boost development of the associated technologies, even those which are currently not cost effective. The fixed feed-in tariffs differ for each technology in order to ensure the future technological development, which may bring more cost effective solutions.

A sustainable supply requires the harmonization of economic, environmental and social aspects. To support activities favoring the sustainable supply of energy, it is necessary to create a suitable legislative and economic environmental framework. The Czech Republic will continue to support activities for the effective use of energy through the State Program of Support for Energy Savings and Use of Renewable Energy Sources.

The Energy Regulatory Office of the Czech Republic has issued the feed-in tariffs for electricity from Renewable Energy Sources (RES) and Combined Heat and Power (CHP) as well as the green bonuses for the year 2006 according to the law on promotion of electricity from renewable energy sources that had come into force in August this year.

With the equivalent of 93 Euro/MWh for wind power from plants commissioned in 2005 and 85 Euro/MWh for plants commissioned after January 1st, 2006, the tariffs for wind power in 2006 are higher than in the neighboring countries of the Slovak Republic and Austria.

Tariffs for electricity from biomass - depending on the type of fuel- range from 90 to 100 Euro/MWh and the respective green bonuses from 45 to 67 Euro/MWh. Electricity from landfill gas and sewage gas will be bought out for 77 Euro/MWh, while the feed-in tariff for biogas has been set at 103 Euro/MWh. Tariffs for small hydropower range from 57 Euro/MWh for plants commissioned before 2005, and from 73 to 81 Euro/MWh for new and reconstructed small hydro power plants - with additional regulations for high- and low-tariff bands. The producers of electricity from RES may choose between the tariff and the green bonus system. The choice between these two systems, however, does not apply to co-firing of biomass with fossil fuels, where only the green bonus system is applicable.

Long-term objectives in the area of energy efficiency:

- 1) Acceleration and follow-up stabilization of the annual level of decrease of the energy demands for the creation of GDP within the range of 3.0 – 3.5 % (indicative objective).
- 2) Long-term avoidance of the increasing absolute level of the consumption of primary energy sources. Economic growth shall be ensured especially by increasing energy efficiency.
- 3) Acceleration and follow-up stabilization of the annual level of decrease of the electro-energetic demands for the creation of GDP within the range of 1.4 – 2.4 % (indicative objective).

Long-term objectives in the area of the efficient level and structure of the consumption of primary power sources:

- 1) By 2030, the following structure of consumption of primary power sources shall be achieved:

Solid fuels: 30-32%	Nuclear fuel: 20-22%
Gaseous fuels: 20-22%	Renewable sources: 15-16%
Liquid fuels: 11-12%	

- 2) The following extreme limits of import energy dependence should not be exceeded:

By 2010 max.: 45%	By 2010 max.: 45%	By 2010 max.: 45%
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- 3) Legislative preparation of minimum reserves of crude oil as agreed upon in the EU.
- 4) Support operation ability of national energy systems.
- 5) Up-date complex crisis management.

Long-term objectives in the area of environmental friendliness:

- 1) Achievement of binding emission ceilings of the EU by 2010 (SO₂ 256 thousand tons, NO_x 286 thousand tons, VOC 220 thousand tons).
- 2) Fulfillment of international obligations from the Kyoto Protocol and from other follow-up agreements.
- 3) Create conditions for greater implementation of renewable energy sources – by the establishment and fulfillment of the national indicative objectives of production of electricity from RES with respect to the gross consumption of electricity.
- 4) Create conditions for gradual increase of contribution of renewable energy sources to domestic consumption of the primary power sources to the level of 15-16% by 2030.
- 5) Create conditions for higher exploitation of secondary energy sources and for increasing the contribution of alternative fuels in transportation.

The implementation of material and system measures of the State energy policy together with stimulation and better communication between the public and business sphere and the power management should contribute to a high valuation of energy inputs and to the aforesaid structure of consumption of primary energy sources and the production of electricity.