Croatia: Employers' obligation to improve energy efficiency

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Croatia

Phase: Anticipation

Type: Employers' obligation to improve energy efficiency

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Native name:	**Zakon o obnovljivim izvorima energije i visoko učinkovitoj kogeneraciji (OG 100/15, 123/16, 131/17 i 111/18) Odluka o naknadi za obnovljive izvore energije i visokoučinkovitu kogeneraciju (OG 087/17) Uredba o kvotama za poticanje proizvodnje električne energije iz obnovljivih izvora energije i visoko učinkovite kogeneracije (OG 57/20) Zakon o uspostavljanju infrastrukture za alternativna goriva (OG 120/16)**
English name:	**Law on renewable energy sources and highly effective cogeneration (OG 100/15, 123/16, 131/17 and 111/18); Decision on the fee for renewable energy sources and high-efficiency cogeneration (OG 087/17) Decree on the quotas for incentivising the production of electricity from renewable energy sources and highly efficient cogeneration (OG 57/20); Law on the establishment of infrastructure for alternative fuels (OG 120/16)**

Article

Various articles, by Zakon o uspostavljanju infrastrukture za alternativna goriva (The Law on the establishment of infrastructure for alternative fuels - OG 120/16) particularly Article 4.

Description

The Law on renewable energy sources and highly effective cogeneration aims to establish a regulatory framework to create incentives for producing electricity from renewable energy sources and high efficiency cogeneration, and for consuming energy from renewable sources. Energy suppliers can purchase renewable energy production facilities at a rate consisting of a market premium and a guaranteed price for installations with a power rate below 30 kW.

Other purposes of the same Law include the promotion of efficient energy use and reducing the impact of fossil fuels on the environment. This is stipulted in Article 2(4).

The Decision on the fee for renewable energy sources and high-efficiency cogeneration (OG 087/17) defines the issues of fee for renewable energy sources and high-efficiency cogeneration.

In addition, a Decree on quotas for incentivising the production of electricity from renewable energy sources and high efficiency cogeneration has been introduced. The decree determinates the quotas for the subsidised production of electricity from renewable energy sources and cogeneration.

The Law on the establishment of infrastructure for alternative fuels includes decarbonisation and contains measures to improve the environmental efficiency of the transport sector.

Croatia has approved the new Energy Development Strategy which covers the period up until 2030 with a view to 2050. The main goal of mentioned document is to enable energy independence, a safe and long-term sustainable supply, as well as the development and competitiveness of the energy system. The strategy's main aims are to reduces dependence on energy imports and strengthening the supply of energy products by developing modern and efficient strategic infrastructure. One of the most important projects is the liquefied natural gas (LNG) terminal on the island of Krk. The strategy is grounded on growing and sustainable energy production, expansion of new infrastructure and alternative energy supply routes. Croatia also plans improvements in energy efficiency, with the intention to support the EU's climate neutrality by 2050. The document contains two conceivable scenarios – the more ambitious scenario (S1) and a conservative development scenario (S2). S1 forecasts the same share of renewable energy in overall gross consumption of energy by 2030, but significant improvement for the period until 2050, by when it envisages a renewable share of 56.2% (CMS, Renewable energy law and regulation in Croatia, 2020).

Recently, Croatia moved away from fossil sources and generated more electricity from renewables. The effectiveness of this depends on hydrological conditions, since most electricity in Croatia is produced from large hydropower plants. Croatia has already surpassed its target

of 20% renewable energy in final energy consumption. In year 2011, 45% of electricity was generated from renewable energy sources (RES), including large hydropower plants. Mentioned share grew to 49.5% in 2012, rose to 65.2% in 2013, and reached 74.2% in 2014. However, there was a decrease to 68% in 2015, and an additional decrease to 47% in 2017. In these years, large hydropower plants participated between 42% and 67.3% in the total energy production, while their share in the total RES production was between 80% and 90%. Other renewable energy sources – small hydropower plants, wind energy, solar energy, biomass, biogas and photovoltaic systems – increased their share from 3% to 19.6% of annual RES electricity.

In January 2016, a new Act on Renewable Energy Sources and Highly Effective Cogeneration came into force (OG 100/15, later amended OG 123/16131 /17, 96/18 and 111/18). It contains a new incentive system for RES and highly effective cogeneration in Croatia, featuring a market premium and a guaranteed purchase price for RES facilities up to 500kW. The incentive system foresaw that an eligible electricity producer would sell electricity on the electricity market and receive a market premium from the electricity market operator (HROTE) for the net electricity delivered from the production plant to the power grid.

Eligible producers with production plants of installed power up to and including 500kW can conclude a power purchase agreement with the HROTE which is responsible for the purchase of electricity with a guaranteed purchase price. The right to the incentive depends on the outcome of tenders conducted by the HROTE. Since the introduction of the new law in January 2016, the Croatian government adopted secondary legislation regarding the tender procedures and percentage of RES energy that distributors of electric energy are required to buy from the HROTE. It is a Decree on the quotas for incentivising the production of electricity from renewable energy sources and highly efficient cogeneration (Uredba o kvotama za poticanje proizvodnje električne energije iz obnovljivih izvora energije i visokoučinkovitih kogeneracija). New quotas were enacted (OG 57/20) in 2020 and with them the regulatory framework for the new incentive system has been finalised. These quotas cover the period from 2020-2022. Solar power plant quotas are set at 625MW of connecting power, while wind turbine quotas are set at 1.05GW of connecting power. These quotas cover market premium and guaranteed purchase price incentives. By the end of 2021, the Croatian Energy Market Operator (HROTE) will proclaim Annual Programs for tendering quotas. Alongside these, HROTE will issue public calls for expression of interest for incentives.

In 2019, the Ministry for Environment and Energy prepared the Integrated National Energy and Climate Plan for the Republic of Croatia for the period 2021-2030, which follows various national strategies and plans. This document provides an overview of the current energy system and the energy and climate policy. It furthermore contains an overview of the national targets for each of the five key dimensions of the Energy Union and the suitable policies and measures to achieve those targets. In the implementation of the Integrated Energy and Climate Plan, an adequate attention is dedicated to the targets to be achieved by 2030, which include the reduction in greenhouse gas emissions, energy from renewable sources, energy efficiency and electricity interconnection. It should be ensured that the Integrated Energy and Climate Plan is consistent with and contributes to the Sustainable Development Goals.

In recent years, Croatian local authorities and the Environmental Protection and Energy Efficiency Fund have encouraged and co-financed many residential (off-grid) projects for solar energy and biomass boilers to produce heat and/or electricity. There has also been the European Commission-approved co-funding of the Croatian and Slovenian transmission and distribution system operators for the SINCRO.Grid project. Phase 1 of the project is to provide for more efficient use of the existing electricity grid in Slovenia and Croatia, which will enable the existing infrastructure to accept larger quantities of electricity from renewable sources and ensure more reliable electricity supply.

The Law on Establishing Infrastructure for Renewable Energy Sources (OG 120/16) and highly effective cogeneration aims to establish a regulatory framework to create incentives for producing electricity from renewable energy sources and high efficiency cogeneration, and for consuming energy from renewable sources. The Act defines the Common Framework of Measures for the development of the market for alternative fuels in the transport sector and for the installation of appropriate infrastructure as determined by the National Policy Framework. It has been adopted for the period after 2016 until the objectives for the development of the market for alternative fuels in the transport sector and for the installation of appropriate infrastructure. The Article 4 of the Law stipulates the National Policy Framework (hereinafter: NPF). The NPF among others consists of:

1. Assessments of the current state and future development of the alternative fuels market in the transport sector, including their possible simultaneous and combined use and the development of alternative fuels infrastructure, considering, where possible, uninterrupted cross-border coverage.

2. National individual and group targets for setting up infrastructure for alternative fuels, which can be revised on the basis of a demand assessment, while ensuring compliance with the minimum infrastructure requirements.

3. The measures necessary to achieve the national individual and group objectives, including measures to encourage and facilitate the setting up of filling points which are not available to the public.

4. Measures that can promote the installation of infrastructure for alternative fuels as part of public transport services.

5. Designation of settlements, construction areas of settlements, i.e. urban/suburban agglomerations, other densely populated areas and networks which, in accordance with market needs, will be equipped with publicly available filling points.

6. Determination of settlements, construction areas of settlements, i.e. urban/suburban agglomerations, other densely populated areas and networks which, in accordance with the needs of the market.

(3) The NPF enables the satisfaction of the needs of various types of transport that exist in the Republic of Croatia, including those for which there is a limited availability of alternatives to fossil fuels.

(4) The NPF is harmonised with the acts of planning in the field of transport, energy, physical planning and environmental protection.

(5) The NPF enables the satisfaction of the interests of public sector bodies, as well as the interests of interested stakeholders.

(6) The NPF shall make use of the results of international cooperation through consultations or common policy frameworks, to ensure the consistency and coherence of measures.

...

(10) The report on the implementation of the NPF shall contain a description of measures taken to support the construction of infrastructure for alternative fuels.

Comments

Croatia has great potential to transform to an energy-efficient, sustainable, renewable-based economy. Its small population, relatively low energy demands, ample sun and wind resources, large areas of forest and large existing hydropower plant capacity are all positive factors. However, Croatia is not yet fully exploiting its potential in renewables, especially in solar and wind energy. The geographical location of the Croatian coast has significant advantages for using solar and wind energy sources. To date, however, there have not been any projects for offshore wind power plants. Nationwide projects to improve the energy efficiency of buildings are proceeding at a fast pace, with HRK 1.5bn (€ 200m) contracted to date, translating into improved energy efficiency of 1,300 public buildings and 17,000 households.

By implementing the energy policy of encouraging renewable energy sources in the Republic of Croatia, the target set by 2020, which was stabilised at 28% of renewable sources in total final energy consumption was more than achieved. The desired target was set at 20% of renewable sources in total final energy consumption. In the incentive system, 1030 MW of new production plants for renewable energy sources and high-efficiency cogeneration were built. However, the still large share of energy sources for heating and cooling is based on the use of heated wood in households. Therefore, for such purposes, it is necessary to make a step forward in greater reliance on new technologies that use renewable energy sources.

Cost covered by

National government

Involved actors other than national government

Regional/local government

Thresholds

No, applicable in all circumstances

Sources

- Law on renewable energy sources and highly effective cogeneration
- Decree on the quotas for incentivising the production of electricity from renewable energy sources and highly efficient cogeneration
- Law on the establishment of infrastructure for alternative fuels
- Law on renewable energy sources and highly effective cogeneration (in Croatian)
- Law on renewable energy sources and highly efficient cogeneration (in Croatian)
- Law on the establishment of infrastructure for alternative fuels (in Croatian)
- Decision on the fee for renewable energy sources and high-efficiency cogeneration (Odluka o naknadi za obnovljive izvore energije i visokoučinkovitu kogeneraciju) (OG 87/17)
- Renewable energy law and regulation in Croatia

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