

Croatia: Electricity suppliers lobby against feed in tariff which will influence final consumer price

Categories : [SEE Energy News](#)

Date : December 30, 2016

While the Government looks for a solution to prevent a price increase due to increased feed-in tariffs (FiT) for renewable energy sources (RES) as of January 1 next year, there are mutual accusations of competing electricity producers and traders.

Obviously, their goal is to determine their position shortly before the Government's decisions, or to influence that the burden of feed-in tariff increase is shifted to someone else and which from the current 0.46 euro cents for a kilowatt hour should rise to 1.59 euro cents.

Therefore on Thursday, energy suppliers, led by German RWE threatened to leave the market if they are obliged to purchase electricity from wind power plants and solar power plants at prices determined by the producers.

Although the regulation that does not foresee mandatory purchase of electricity from wind and solar power plants should enter into force as of January 1, 2017 suppliers sensed that the Government will change this regulation in order to meet the needs, first of all, of the wind farms owners.

No extra profit

- We urge the Government not to change the provisions of the Law on renewable energy sources and thus re-impose to suppliers the mandatory purchase of electricity from renewable energy sources at three times higher prices than the market price. This decision would be very harmful for the entire electricity market and would consequently lead to a significant increase in electricity prices for end-users - warned the CEO of RWE Energy Zoran Milisa.

He reminded that electricity prices have decreased by 30 percent since the liberalization of the electricity market or since HEP Supply has a competition.

- Misinformation is deliberately launched that electricity suppliers have extra profit, while we actually do business with minimum profit or even loss. At the same time, producers of electricity from renewable sources have a guaranteed huge profits and employ only several people, while Croatian suppliers employ thousands of people - said General Manager of "ProEnergy" Marko Cosic.

According to Cosic and Milis, suppliers are willing to accept FiT increase to maximum of 0.80 euro cents in the next year. They calculated that the guaranteed purchase of "green" energy per kilowatt hour for 1.59 euro cents would imply annual cost for suppliers of EUR 159 million to EUR 199 million.

The Enormous amounts

- Looking at the period from 10 to 15 years, Croatian citizens would subsidize the producers of electricity from RES with EUR 1.9 billion to EUR 2.6 billion. For this money ten Peljesac bridges could be constructed! Croatian citizens and industry must not be pay huge amounts to subsidize suspicious contracted projects - warns Zoran Milisa, reminding about repeated suspicions in the public regarding favoring producers of "green energy".

If it is insisted on mandatory purchase of "green energy" at prices determined by the producers, only HEP could remain in the supply market, claims Milisa. He adds that it would then return the prices for the citizens to the levels prior to competition.

Producers of electricity from RES, on the other hand, accuse the suppliers that by avoiding the obligation to purchase "green energy" they will make a profit of EUR 53 million next year.

While, according to producers of "green energy", the burden of FiT increase will fall to an independent operator in the Croatian electricity market, which will have to increase tariffs in order to have enough to purchase electricity produced from the wind and sun.

Cent per kilowatt hour

- All electricity suppliers achieve a profit of EUR 132 495. Earnings are cents per kilowatt hour - says Zoran Milisa.

The suppliers agree the State should not have increased the purchase of "green energy" as it was determined in 2012. Namely, it was then decided that purchase of electricity from the sun and wind is 400 megawatts per year, while two years later, by decisions of the same Government led by Prime Minister Zoran Milanovic, but with other Minister in charge of Energy (Ivan Vrdoljak instead of Radimir Cacic), the scope of purchase was increased to 744 megawatts.

- A State Attorney's Office (DORH) and the Office for the Suppression of Corruption and Organized Crime (USKOK) should investigate whether this increase was unintentional.

I do not believe in coincidences - said Zoran Milisa

Suppliers claim that it is possible to reach agreement in the triangle of countries - producers of electricity from RES - electricity supply, and there are a lot of possible solutions that would not cost much.

What are we waiting for?