

Croatia could be penalized by the EU if independent electricity suppliers leave the market

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The Croatian Government has extended the obligation of all electricity suppliers to buy electricity produced from renewable energy sources (RES) at regulated prices for another year, which could cause their exit from the Croatian market and subsequent penalties from the European Union.

This obligation was initially supposed to be abolished at the end of 2016, but it was extended to 2017 and now to 2018 as well. The reason for the extension is to prevent the breach of contractual obligation to renewable producers.

It is evident that too many wind farms have entered the RES support scheme in Croatia, which obliges the state to purchase all produced electricity at regulated prices, which are sometimes three times higher than market ones, during the first 14 years of operation. These incentives are financed through the obligation of all suppliers, including state-owned HEP, to purchase RES produced electricity, as well as through the RES fee paid by the customers.

This move has severely cut the profit of most independent suppliers on the Croatian market, some of which are considering leaving the market. This could even result in imposing penalties by the European Union due to failure to implement market liberalization.

This decision surprised independent suppliers who entered Croatian market few years ago and brought 30 % lower electricity prices, which forced state-owned HEP to reduce their prices as well. They claim that —renewables burden|| is becoming more and more unbearable, mostly due to the fact that independent suppliers do not have access to cheap electricity produced at HEP's hydropower plants.