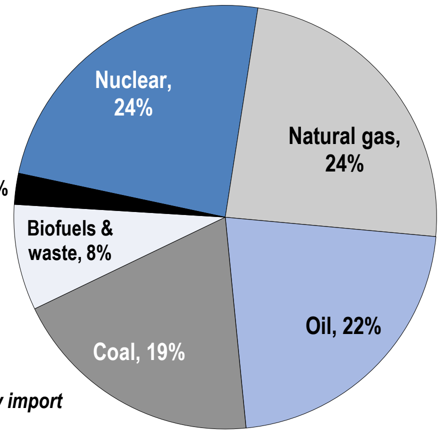
Slovak Republic

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight large partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

After decades of production, the Slovak Republic's coal output has stagnated in recent years. In light of this, the country has been steadily shifting away from its dominant energy source, coal, towards natural gas and nuclear energy – a trend that is expected to continue in the coming years. As oil and natural gas production in the country is negligible, the Slovak Republic's demand for energy is met by imports mainly from the Russian Federation.

Total Primary Energy Supply* in 2016



**excluding net electricity import*
Source: IEA

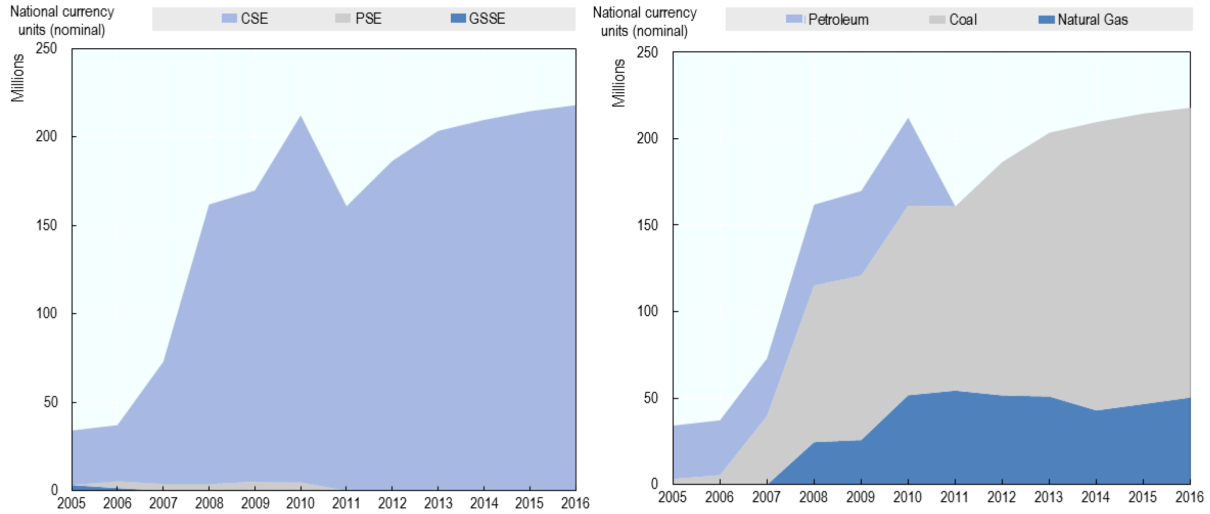
In 2014, coal was still being mined by two companies at four underground mines, meeting 15% of domestic coal consumption. The government is keen on stabilising indigenous coal production but it is becoming increasingly unprofitable.

The Slovak state controls the gas monopoly. Gas imports are held by the key natural-gas importer SPP (Slovensky Plynarensky Priemysel), which is also the parent company of the main distribution system operator, SPP Distribucia, and the transmission system operator, Eustream. Taking advantage of the country's geographic location, Eustream is one of the largest transmission system operators in the continent, transporting Russian natural gas to Western and Southern Europe.

Oil accounts for one of the smallest shares of total primary energy supply of any OECD country. Out of the total volume of crude oil imported, nearly half is refined and exported, mostly as diesel to neighbouring countries. In the oil infrastructure system, two companies command a considerable market position: (i) Transpetrol, which is fully state-owned and is the only operator of the crude-oil pipeline network; and (ii) Slovnaft, which is owned by the Hungarian MOL Group and operates the country's refinery and product-pipeline network and supplies nearly two-thirds of all transport fuels.

The Slovak Republic has made sound progress in introducing a market-based regulatory framework for the energy sector and a programme to restructure state-owned energy enterprises. Following the legal unbundling, the three biggest energy companies have been privatised, either partially or entirely. Despite efforts to liberalize the energy market, the switching of natural gas suppliers has not been fully effective due to the monopolistic nature of the sector. Nonetheless, consumers can freely choose their electricity and natural gas suppliers.

Total support for fossil fuels in the Slovak Republic by support indicator (left) and fuel type (right)



Note: CSE=Consumer Support Estimate: PSE=Producer Support Estimate: GSSE=General Services Support Estimate.

Energy prices and taxes

The Regulatory Office for Network Industries (RONI) is responsible for electricity and natural gas price regulation. End-user prices of both electricity and natural gas for households are regulated by RONI with the objective of attaining cost-effective prices. Cost-effectiveness implies prices that at the same time would secure sufficient maintenance and investment in the country’s energy infrastructure and would protect the rights of the most vulnerable households. Prices of oil products and coal are no longer regulated.

Recent developments and trends in support

After a moderate decline in support between 2010 and 2014, total amount of subsidies for fossil fuels has peaked in 2016, as a result of doubling feed-in tariff support for domestic lignite (see measure description below for more details). Both the consumption and the production of coal enjoy substantial tax breaks or receive direct transfers, in order to compensate for the high cost of mining in the Slovak Republic compared with neighbouring countries. What appears as a decline in support since 2011 can be attributed to the removal of direct grants for exploiting the country’s lignite deposits, which were provided by the state between 2006 and 2010 to Hornonitrianske Bane, Prievidza, a.s., a joint-stock lignite-mining company. Besides coal, natural gas is also fully exempt from taxation for a number of purposes, such as the processing of minerals and in combined-heat-and-power plants.

Examples of measures	
Feed-In Tariff for Domestic Lignite (2005-)	Since producing electricity from lignite is significantly more expensive than electricity production from other energy sources, power plants producing electricity from domestic lignite are compensated for the extra costs incurred (up to 15% of total electricity generation can benefit from this measure).
Reduced Excise Duty on LPG (2008-2010)	For a two year-period this support measure exempted LPG consumers from excise taxes.