FOSSIL FUEL SUPPORT COUNTRY NOTE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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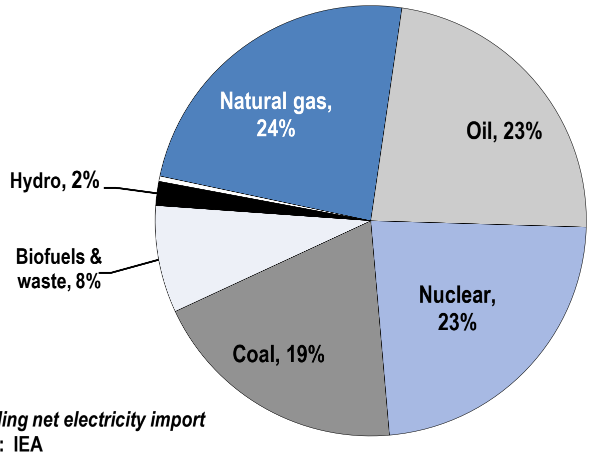
Slovak Republic

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, eight partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

After decades of production, the Slovak Republic's coal output has consistently decreased in recent years with 2018 production at 38% of year 2000 levels. In light of this, the country has been steadily shifting away from its domestic coal consumption and towards renewable energy – this trend 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 2018



**excluding net electricity import*
Source: IEA

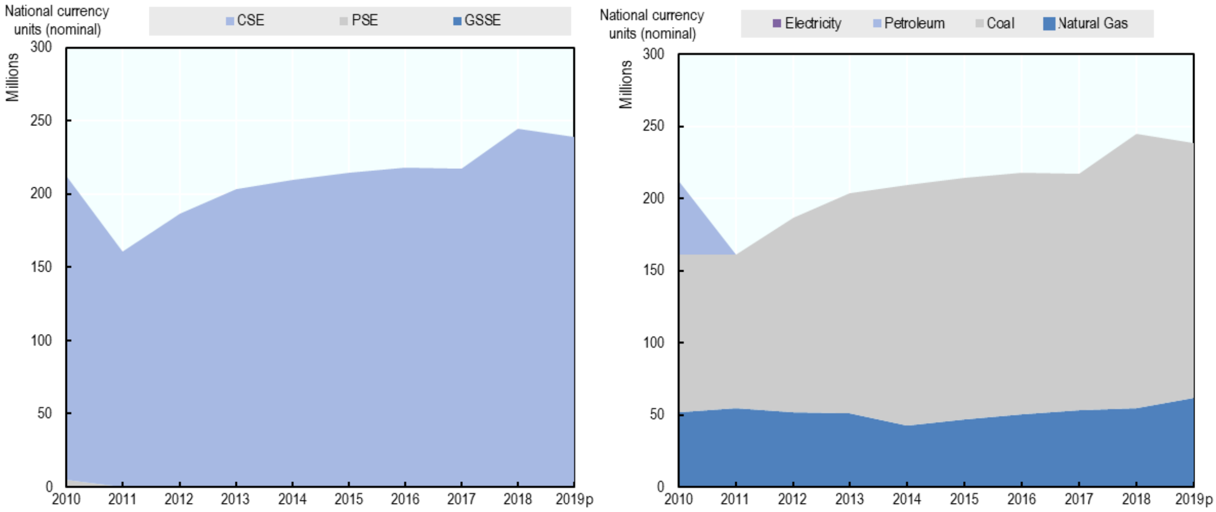
In 2018, coal was being mined by the country's only coal company, privately owned Hornonitrianske Bane Prievidza (HBP), primarily to supply lignite to the Novaky power plant in central Slovakia. In November 2018, the government has announced to end public support for the production of electricity from lignite by 2023.

Gas imports are held by the key natural-gas importer SPP (Slovensky Plynarensky Priemysel).Taking advantage of the country's geographic location, Eustream is one of the largest transmission system operators (TSO) 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 legal unbundling, the five biggest energy companies have been privatised, either partially or entirely. For this reason, every consumer has the right to freely choose their electricity and natural gas supplier.

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, by virtue of Act no. 250/2012. 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.

Value-added Tax (VAT), set at 20% since 2011, is levied at the same rate for all commercial energy products but is refunded for purchases of commercial purposes.

Recent developments and trends in support

A significant part of the movement in Slovak Republic's total support estimate can be traced to the increasing trend of the feed-in tariff support for domestic lignite (see measure description below for more details). There are also measures for the consumption of coal sets out tax exemptions when used for specific purposes (e.g., for electricity generation, metallurgical purposes, residential heat generation). 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 as final energy prices (electricity, gas or heat) are then subject to VAT.

Examples of measures	
Feed-In Tariff for Domestic Lignite (2005-)	Since producing electricity from domestic lignite is significantly more expensive than electricity production from other energy sources (e.g. imported coal), 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 under EU Law (EU Directive 2009/72/EC)).Support under this measure benefits only a single power plant in the country which is scheduled to close by 2023.