

## Czech 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

The Czech Republic is the fourth-largest net electricity exporter in the EU in 2018, after France, Germany, and Sweden. Most of its exports flow into Austria, the Slovak Republic and Germany. In 2018, electricity was mainly generated from coal (50%) and nuclear energy (34%). Small amounts of natural gas (4%) were used as a complement in multi-fired units and in peaking units. Roughly one-third of the country's electricity produced from coal is generated in combined-heat-and-power plants.

In the Czech Republic, fossil fuels have always played a big role in the energy mix and still account for the bulk of total energy supply and domestic energy production. This is due to the substantial coal resources available in the country. Ostravsko-Karvinské Doly (OKD), the country's sole hard-coal producer and one of the largest employers, operates four deep bituminous coal mines in the Moravian-Silesian Region. There have been ongoing re-organisation in the country's mining industry in light of recent insolvency procedures in OKD, with the government announcing a gradual phasing out of mining by 2030 at the latest.

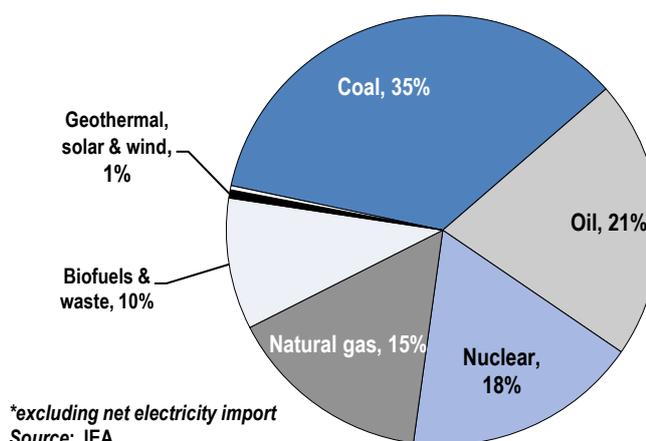
The Czech Republic is highly dependent on imported crude oil and natural gas, as indigenous oil and gas production is negligible. In 2018, virtually all of the country's natural-gas supply originated from Russian imports under long-term contracts with Gazprom (which extend until 2035), after contracts with Norwegian suppliers expired in 2014-15. It is important to note however that approximately 30% of imported natural gas in the country are purchased through the European spot markets and may therefore come from sources other than Russia or Norway. Almost all of the crude oil supplied to the Czech Republic is imported from Former Soviet Union countries, namely Russia (56%) and Azerbaijan (33%), complementing the country's small domestic production from Southern Moravia.

The use of renewable energy in the Czech Republic increased from only 2% of its total primary energy supply in 2000 to about 10% in 2018. Though renewable energy has been promoted to increase energy security and reduce GHG emissions, the 2015 Update to the State Energy Policy indicates nuclear power as an essential element of the diversification strategy.

### Energy prices and taxes

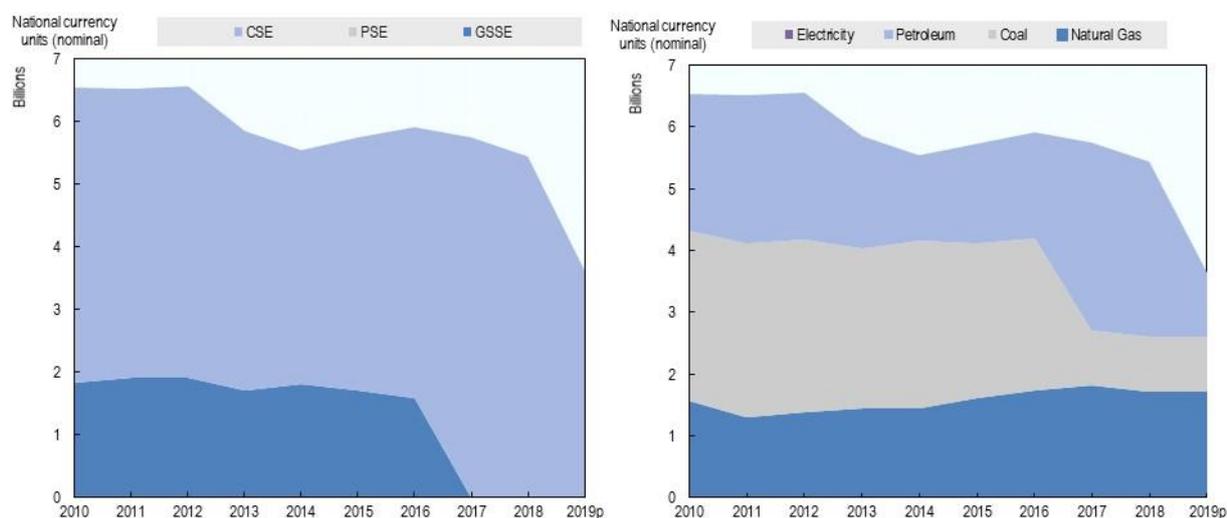
In the Czech Republic, the Energy Regulatory Office (ERO) regulates the energy sector while the State Energy Inspection oversees compliance. The prices for coal and end-use natural gas are set freely by the

Total Primary Energy Supply\* in 2018



market. However, some aspects of natural gas and electricity pricing are regulated, particularly in transmission and distribution. Exemptions to the energy or excise tax exist depending on the type of fuel, use, or source of electricity. Since 2011, the Czech Republic has been following Council Decision 2010/787/EC, which only allows state aid for the purposes of mine closure, the treatment of health damage to miners, and the remediation of environmental liabilities related to past mining.

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



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

### Recent developments and trends in support

In the Czech Republic, support is mostly provided through exemptions from the energy tax targeting certain fuels (e.g., natural gas, solid fuels or oil products) for qualified purposes (i.e. heating, agriculture, certain industrial use) and the refunds of excises taxes for diesel fuel used for agricultural purposes.

The bulk of direct transfers are granted to mining companies to fund environmental remediation programmes and to provide social benefits support to the affected workforce.

Latest figures indicate that the fossil-fuel support measures in the country benefit the commercial, industrial and agricultural sectors (39% of total support estimate (TSE)), residential sector (33%) and the electricity generation sector (27%).

#### Examples of measures

##### Excise-Tax Refund for Diesel Fuel Used in Agriculture (2000-)

This measure, amounting to about CZK 2.5 billion in 2017, was initially terminated in January 2014 only to be re-introduced in September 2014.

##### Use of national sources subsidies for the phase-out of mining and to erase consequences of mining and mandatory social health expenses (1993-)(2009)

Czech Republic's coal mining industry started undergoing major restructuring after 1989 with uneconomic coal mining leading mining companies to privatise. State funds have been used for technical work for remediating environmental consequence of these mining operations and providing social health benefits support to the affected workforce.