

REPUBLIC OF CROATIA
MINISTRY OF ENVIRONMENTAL PROTECTION AND ENERGY
DRAFT

**PROPOSED REGULATION ON QUOTAS FOR THE PROMOTION OF THE PRODUCTION
OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND HIGH-EFFICIENCY
COGENERATION**

Zagreb, March 2020

Proposal

Pursuant to Article 28 paragraph 1 of the Act on Renewable Energy Sources and High-Efficiency Cogeneration, Official Gazette 100/15, 123/16, 131/17 and 111/18, the Government of the Republic of Croatia in its session of _____ 2019,

has adopted the following

REGULATION ON QUOTAS FOR THE PROMOTION OF THE PRODUCTION OF ELECTRICITY FROM RENEWABLE ENERGY SOURCES AND HIGH-EFFICIENCY COGENERATION

Article 1

(1) This Regulation establishes quotas for the promotion of the production of electricity from renewable energy sources and high-efficiency cogeneration for the purpose of conducting tenders for the award of market premiums and tenders for the promotion of guaranteed purchase prices.

(2) The quotas referred to in paragraph 1 of this Regulation shall be expressed in kilowatts (kW) of generating plants and generating units for which market premium contracts and purchase agreements may be concluded.

Article 2

(1) The terms used in this Regulation shall have the meanings laid down in the law governing the field of renewable energy and high-efficiency cogeneration, as well as subsidiary regulations.

(2) This Regulation also uses other terms that have the following meanings within the meaning of this Regulation:

1st annual quota - the part of the quota for which the electricity market operator at least annually announces and conducts tenders for the award of market premiums and tenders for the promotion of the guaranteed purchase price for individual groups of generating plants, with dynamics that ensure competitive bidding and anticipated entry into the production plant system,

2. Ministry - the central body of state administration competent for energy,

3. electricity market operator - a legal entity with public authority, which is responsible for organizing the electricity market, with the rights and duties set out in this Regulation,

4. State aid program - a state aid program defined by the law governing state aid in the field of environmental protection and energy and which is prepared in accordance with the applicable state aid rules;

4. total quota - the total connection capacity of all groups of generating plants for which the electricity market operator can announce the promotion of electricity production from renewable energy sources and high-efficiency cogeneration, determined taking into account the applicable state aid rules governing the environment and energy sector to the end 2022,

which contributes to the achievement of goals in the production of electricity and heat from renewable energy sources and high-efficiency cogeneration.

Article 3

The quotas set out in this Regulation have been determined taking into account the Energy Strategy of the Republic of Croatia until 2030 with a view to 2050 (Official Gazette 25/20) and the Integrated National Energy Climate Plan adopted at the session of the Government of the Republic of Croatia on 27 December 2019, which includes national plans for renewable energy and energy efficiency by 2030, to meet the targets for renewable energy and high-efficiency cogeneration, to which the Republic of Croatia is committed to implementing an environmentally sustainable energy policy.

Article 4.

(1) The overall quota of all groups of generating plants for the production of electricity from renewable energy sources and high-efficiency cogeneration, which contributes to the achievement of the goals in the production of electricity and heat from renewable energy sources and high-efficiency cogeneration is 2.255.000 kW.

(2) The total quota allocated to individual groups of generating plants to encourage the production of electricity from renewable energy sources and high-efficiency cogeneration is:

	Classification of power generation installations	Quota (kW)
a.2	Solar power plants with installed capacity above 50 kW to incl. 500 kW	210,000
a.3	Solar power plants with installed capacity above 500 kW to incl. 10 MW	240,000
a.4	Solar power plants with installed capacity above 10 MW	625,000
b.1	Hydropower plants with installed capacity of up to and incl. 50 kW	4,000
b.2	Hydropower plants with installed capacity above 50 kW to incl. 500 kW	10,000
c.4	Wind farms with installed capacity above 3 MW	1.050,000
d.2	Biomass power plants with installed capacity above 50 kW to incl. 500 kW	6,000
d.3	Biomass power plants with installed capacity above 500 kW to incl. 2 MW	20,000
d.4	Biomass power plants with installed capacity above 2 MW to incl. 5 MW	15,000

e.2	Geothermal power plants with installed capacity above 500 kW	20,000
f.2	Biogas power plants with installed capacity above 50 kW to incl. 500 kW	15,000
f.3	Biogas power plants with installed capacity above 500 kW to incl. 2 MW	30,000
	Innovative technologies in line with the classification provided in the renewable energy approval that have received EU development aid	10,000

Article 5

(1) The electricity market operator shall, in accordance with the applicable state aid rules, prepare State aid programs for the system of electricity production from renewable energy sources and high-efficiency cogeneration and submit them for approval to the Ministry and the Ministry of Finance and to the European Commission for the programs it approves.

(2) The programs referred to in paragraph (1) of this Article shall set an annual quota for individual groups of production plants for which a market premium and tendering tenders shall be issued.

(3) The electricity market operator, with the consent of the ministry responsible for energy, may redistribute the remaining quota determined for each year according to individual groups of generating plants, in order to be able to conclude market premium contracts and purchase purchase contracts with guaranteed purchase price within the limits of the funds available under the Program.

(4) The remaining quota referred to in paragraph 3 of this Article for which the electricity market operator fails to conclude market premium contracts and purchase repurchase agreements with guaranteed purchase price, within the limits of the available funds determined by the Program, shall be carried forward to the following year until the final year of the Program.

Article 6

The electricity market operator shall conduct a public tender for the award of a market premium, ie a public tender for the conclusion of a contract on the purchase of electricity at a guaranteed purchase price, in such a way that it announces a tender at least once a year in which it determines the annual quota for individual groups of generating plants.

Article 7

The electricity market operator shall publish a public call to tender with all the conditions for participation in a public tender, including maximum benchmarks and / or guaranteed purchase price for certain groups of generating plants and quotas referred to in Article 2 of this Regulation, in which, in addition to the minimum conditions determined by the regulation governing the promotion of electricity production from renewable energy sources and high-

efficiency cogeneration, the criteria for timing projections for entry into permanent operation and the beginning of payment of incentives for production plants of the tenderers should be defined.

Article 8

This Regulation shall enter into force on the eighth day following its publication in Official Gazette.

Class:

Reg.no.:

Zagreb,

President

MSc Andrej Plenković

Explanation of the Proposed Regulation on quotas for the promotion of electricity from renewable energy sources and high-efficiency cogeneration

The entry into force of the Act on Renewable Energy Sources and High-Efficiency Cogeneration (hereinafter referred to as: Renewables Act) stipulated the adoption of a Regulation laying down the quotas for the promotion of the production of electricity from renewable energy sources and high-efficiency cogeneration, for the purpose of the conduct of the tender for the award of the market premium and the tender for the granting of the guaranteed purchase price. The provisions of the Renewables Act have been brought into compliance with the possibility of granting state aid for the development of projects using renewable energy sources and high efficiency cogeneration that have been provided by the Commission Regulation (EU) No 651/2014. Given the extension of the said Commission Regulation (EU) No 651/2014 until 2022 a State aid scheme for the support of the production of electricity from renewable energy sources and high efficiency cogeneration has been worked out.

The State aid scheme for the support of the production of electricity from renewable energy sources and high efficiency cogeneration that must be worked out in compliance with Article 27 paragraph 1 of the Renewables Act must include the projections of entry of particular quotas at the annual level, which is in itself the basis for the establishment of the amounts of the granted incentives concerned.

The quotas laid down under this Regulation constitute the total connection capacity expressed in kilowatts (kW) of the power generation installations and power generation units for which the market premium agreements and the guaranteed purchase price (off-take) agreements can be concluded.

The installations that meet the criteria of innovation technologies and that have received the EU development aid are included in the filling of the quota. The agreements can be concluded with these installations in compliance with the classification provided in the renewable energy approval.

The reaching of the quota shall not include the valid power purchase agreements that have been concluded under Tariff system for the production of electricity from renewable energy sources and cogeneration, Official Gazette 33/07, the Tariff system for the production of electricity from renewable energy sources and cogeneration, Official Gazette 63/12, 121/12 and 144/12, and the Tariff system for the production of electricity from renewable energy sources and cogeneration, Official Gazette 133/13, 151/13, 20/14, 107/14, given the fact that the Renewables Act clearly stipulates that the quotas are adopted for the purpose of the conduct of the tendering procedure for the award of the market premium and the tendering procedure for the granting of a guaranteed purchase price, which cannot include the quotas that have been previously assigned to project holders and on the basis of which the power purchase agreements pursuant to tariff systems that ceased to be in effect have been concluded in the first place.

Taking into account the dynamics of the process in which certain agreed technologies can be implemented or realized in a shorter or a longer time periods, which in no way can be longer than four years starting from the year in which the premium was agreed and considering the objectives that have to be achieved in a most optimized cost effective way, the electricity market operator (HROTE) has been assigned and empowered to set up the dynamics in

opening of the particular quotas, in other words, to closely monitor the dynamics of the implementation of the projects.

In accordance with the above mentioned, the electricity market operator shall conduct a public tender for the award of the market premium and the public tender for the conclusion of the guaranteed purchase price (off-take) agreements by annually setting up the level of quotas allocated to a particular technology following the dynamics that ensures competition in the market and the foreseen entry into the power generation installation system.

The open call for tenders shall define the time line projection criteria regarding the start of the permanent load (operation) and the commencement of payment of the incentives to the power generation installations – the winning bidders, with the view to achieving the objectives in a most optimized cost effective way.

The quota referred to under Article 3 paragraph 1 of the Regulation shall include the innovative technology agreements that are concluded provided that they have received the EU development aid (as referred to under Article 27 paragraph 2 of the Renewables Act) and that have participated in the public tender for the award of the market premium or the public tender for the conclusion of the guaranteed purchase price (off-take) agreement where the total electricity capacity is 10 MW (which does not exceed the 5 % of the overall assigned quota for all the power generation installation groups for the promotion of the production of electricity from renewable energy sources and high efficiency cogeneration within the meaning of Article 42 paragraph 4 of the Commission Regulation (EU) No 651/2014.