



Mitigating energy costs

Czech Republic: State intervention in the energy market

Government measures to mitigate the impact of the energy crisis on business

Last week, the Czech government introduced a series of measures to support energy consumers affected by the sharp rise in electricity and gas prices. First, it set maximum electricity and gas prices for households, sole traders and small and medium-sized companies, then approved and published a support programme for large energy consumers. Proposals for further measures can be expected once they have been discussed and approved at EU level. Below we summarise the ways of helping individual consumers that have been confirmed so far:



Retailers

- This group includes households, natural persons and small and medium-sized enterprises consuming electricity **from the low-voltage level or having an annual gas consumption of up to 630 MWh.**
- On the basis of the amendment to the Energy Act and the Act on the Competence of the Authorities of the Czech Republic in the Field of Prices, the Government will be empowered to issue a regulation through which it will be able, in particular, to set electricity or gas prices and, in extreme cases, to impose an obligation to produce or supply electricity or gas, to impose an obligation to supply electricity or gas or to limit trading in electricity or gas.
- To speed up the process, the amendments to both laws will be discussed in a state of legislative emergency. The regulation will then cap prices as follows:
 - power electricity – 6 CZK/kWh (app. 0,24 EUR/kWh) including VAT, excluding the price for distribution,
 - gas – 3 CZK/kWh (app. 0,24 EUR/kWh) incl. VAT, excluding the price for distribution.



Wholesalers

- The Ministry of Industry and Trade will launch a subsidy programme for large consumers called "*Programme of Support for Increased Costs of Natural Gas and Electricity due to Exceptionally Sharp Increase in their Prices*".
- A large consumer is considered to be a business entity from the agricultural, forestry, fishing, mining and quarrying and manufacturing sectors that is a gas consumer with an annual consumption of **more than 630 MWh** or has a contract for connection of electrical consumer equipment to the high voltage (HV) or very high voltage (VVN) distribution system.
- In addition, in the case of energy-intensive businesses, it must be demonstrated that
 - (i) is an energy-intensive undertaking within the meaning of Article 17(1)(a) of the first part of Council Directive 2003/96/EC or an energy-intensive undertaking operating in a sector or subsector as defined in Annex I of the EC Temporary Crisis Framework,
 - (ii) is in an operating loss position; and
 - (iii) at least 50% of this loss is due to increased natural gas and electricity costs associated with Russian aggression in Ukraine.
- Support in the form of a grant for eligible expenditure will be available from 1 November to 31 December 2022.
- The government has allocated a total of CZK 30 billion (app. 1,23 billion EUR) for this subsidy, with a maximum of CZK 45 million (app. 1,8 million EUR) per applicant and a maximum of CZK 200 million (app. 8,1 million EUR) for energy-intensive enterprises.
- The capping of prices for wholesale customers did not take place due to a conflict with European legislation.



Further support

- The approval of the European Regulation on crisis measures to reduce high energy prices will be followed by further support of CZK 30 billion (app. 1,23 billion EUR).
- The expected date of approval of the European Regulation by the EU Council is 30 September.
- According to the available information, this would be support for small and medium-sized enterprises, regardless of their energy intensity, up to 80% of the highest energy consumption in the last five years.
- However, neither the form nor the detailed conditions of the support are yet known.



Windfall tax

- The European Commission is proposing to limit the revenues of non-gas electricity producers by allowing countries to tax up to 100% of profits above a threshold of €180 (about €4,400) per megawatt hour (MWh). A national windfall profits tax could be imposed by EU countries on profits from energy already sold.
- The Government of the Czech Republic has not yet decided on its setting, while
 - in the case of energy companies and refineries, awaiting the results of negotiations at European level,
 - In the case of banks, it prepares its own procedure, while some banks should not be affected by the tax at all.

As a further support measure, an extension of the **reduction of excise duty on diesel** by CZK 1.5 per litre (app. 0,06 EUR per litre) until the end of 2023 was approved.

