

THE GOVERNMENT OF THE REPUBLIC OF CROATIA

1141

Pursuant to the Article 28, Paragraph 1 of the Act on Renewable Energy Sources and High-Efficiency Cogeneration (“Official Gazette”, No. 100/15, 123/16, 131/17 and 111/18), at the meeting held on 14th May 2020, the Government of the Republic of Croatia made a

REGULATION

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

Article 1

- (1) This Regulation defines quotas for the promotion of electricity production using renewable energy sources and high-efficiency cogeneration in order to implement the tender for market premium award and tender for the promotion of guaranteed purchase price.
- (2) Quotas defined in the Paragraph 1 of this Regulation are presented in kilowatts (kW) of the production plants and units which can enter into market premium agreements and agreements on electricity purchase per guaranteed purchase price.

Article 2

- (1) Terms used in this Regulation shall have the meanings as determined by the law defining renewable energy sources and high-efficient cogeneration and as determined by subsidiary regulations.
- (2) This Regulation includes other terms which, for the purpose of this Regulation, have the following meanings:
 1. *Annual quota* – part of the quota for which the electricity market operator publishes and implements the market premium award tender and tender for the promotion of the guaranteed purchase price, at least once per year. The above tenders are published and implemented for certain production plant groups taking into consideration the dynamic which ensures market competitiveness and foreseen inclusion in the production system.
 2. *The Ministry* – central state administration institution which is competent for energy sector.
 3. *Electricity market operator* – legal person with public authorizations, responsible for electricity market organization and having rights and obligations as determined by this Regulation.

4. *State support program* – state support program as defined by the law determining state supports in the area of environmental protection and energy, which is developed in accordance with the valid regulations referring to state supports.
5. *Total quota* – total connection power for all production plant groups for which the electricity market operator can organize the incentives for the electricity production using renewable energy sources and high-efficiency cogeneration. Such connection power is determined considering valid state support regulations referring to the environmental protection and energy and it contributes to the realization of the goals referring to electricity and heat energy production using renewable energy sources and high-efficiency cogeneration.

Article 3

Quotas which are defined by this Regulation have been determined taking into consideration the Energy Development Strategy of the Republic of Croatia by the year 2030 with projections for the period up to 2050 (“Official Gazette” number 25/20) and taking into consideration Integrated National Energy and Climate Plan for the period from 2021 to 2030. The goal is to meet the aims in the field of renewable energy sources and high-efficiency cogeneration which the Republic of Croatia obliged to while implementing environmentally sustainable energy policy.

Article 4

- (1) Total quota for all production plant groups which refers to the incentives for the electricity production using renewable energy sources and high-efficiency cogeneration, and which contributes to the realization of the goals in the field of electricity and heat energy production using renewable energy sources and high-efficiency cogeneration, equals 2.265.000 kW.
- (2) Total quota for certain production plant groups intended for the incentives for the electricity production using renewable energy sources and high-efficiency cogeneration equals:

Production plant groups	Production plant classification	Quota (kW)
a.2	Solar power plants with the installed power greater than 50 kW to, including, 500 kW	210.000
a.3	Solar power plants with the installed power greater than 500 kW to, including, 10 MW	240.000
a.4	Solar power plants with the installed power greater than 10 MW	625.000
b.1	Hydro power plant with the installed power to, including 50 kW	4.000

b.2	Hydro power plant with the installed power greater than 50 kW to, including, 500 kW	10.000
b.3	Hydro power plants with the installed power greater than 500 kW to, including, 10 MW	10.000
c.4	Wind farms with the installed power greater than 3 MW	1.050.000
d.2	Biomass power plants with the installed power greater than 50 kW to, including, 500 kW	6.000
d.3	Biomass power plants with the installed power greater than 500 kW to, including, 2 MW	20.000
d.4	Biomass power plants with the installed power greater than 2 MW up to 5 MW	15.000
e.2	Geothermal power plants with the installed power greater than 500 kW	20.000
f.2	Biogas power plants with the installed power greater than 50 kW to, including, 500 kW	15.000
f.3	Biogas power plants with the installed power greater than 500 kW to, including, 2 MW	30.000
	Innovative technologies in accordance with the classification of the production plant as defined in the energy approval and which have obtained the development incentive within the European Union.	10.000

Article 5

- (1) In accordance with the valid state support regulations, the electricity market operator develops State Support Programs for the system of electricity production using renewable energy sources and high-efficiency cogeneration and delivers them for the approval to the Ministry and the Ministry of Finances as well as to European Commission when applicable.
- (2) The Programs from the Paragraph 1 of this Article determine the annual quota for certain production plant groups for which the market premium award tenders and tenders for the promotion of the guaranteed purchase price are published.
- (3) With the approval issued by the ministry which is competent for the energy sector, the electricity market operator can reorganize and redistribute the remaining quotas for a certain year, in accordance with the certain production plant groups, in order to enable market premium agreements and agreements on electricity purchase per guaranteed purchase price within the funds which are available in a certain Program.
- (4) The remaining quota from the Paragraph 3 of this Article, for which the electricity market operator fails to conclude the market premium agreements and agreements on electricity purchase per guaranteed purchase price, is to be transferred to the next year in accordance with the funds available within a certain Program and until the final Program year.

Article 6

Electricity market operator implements the public tender for the market premium award or public tender for the agreement on the electricity purchase per guaranteed purchase price in a manner that the tender defining annual quota for certain production plant groups is published at least once a year.

Article 7

The electricity market operator is obliged to publish an invitation for tenders, conditions for public tender participation, including maximal referent values and/or guaranteed purchase price for certain plant group and quotas as defined in the Article 4 of this Regulation. Furthermore, while doing so, the electricity market operator shall define minimal conditions determined by the regulation defining the promotion of electricity production using renewable energy sources and high-efficiency cogeneration as well as the time projections criteria for joining the incentive system and start of the incentive payment for the net delivered electricity obtained from the production plants of the tender winners

Article 8

This Regulation enters into force on the first day of its publication in the “Official Gazette”.

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Zagreb, 14th May 2020

PRESIDENT

Andrej Plenković, MSc
(authentic signature)

EXPLANATION

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

After the Act on Renewable Energy Sources and High-Efficiency Cogeneration (Official Gazette 100/15 and 111/18) (hereinafter: the Act) entered into force, it has been determined that the regulation defining quotas for promoting electricity production using renewable energy sources and high-efficiency cogeneration plants for the period from 2016 to 2020 is made. The regulation is to be made due to the implementation of the tenders for the market premium award and tenders for the promotion of the guaranteed purchase price. Without the subject regulation as of 1 January 2016, it is not possible to award the state support for the promotion of electricity production using renewable energy sources. As the subject regulation was not made and as, in 2018, the Act was amended in a manner that it enables the award of the state support to the production plants with the installed power up to 500 kW in a form of the guaranteed purchase price and to the production plant with greater power in a form of market premium.

Therefore, considering the fact that the existing state support program, which is determined for the period from 2014 to 2020, can be applied to 2022, this regulation has to include the upcoming period from 2020 to 2022 with the expected realization possibility or the possibility of constructing the production plants in the period from 2023 to 2026. Therefore, the difference in the time period in relation to what is defined by law arises from the time period extension for the application of the valid state support regulations defining environmental protection and energy by 2022. The above is conditioned by the continuity in implementing European energy policy and setting new sustainable development goals for the period until 2030.

Pursuant to the Energy Development Strategy for the Republic of Croatia by 2030 and with the projections for the period until 2050 (Official Gazette number 25/20) and pursuant to the Integrated National Energy and Climate Plan which was made at the meeting of the Government of the Republic of Croatia on 27 December 2019 and which includes national plans for renewable energy sources and energy efficiency by 2030, the Government of the Republic of Croatia makes the decision in order to meet the goals the Republic of Croatia obliged to while implementing environmentally sustainable energy policy.

The support program, which is developed in accordance with the provisions of the Article 27, Paragraph 1 of the Act, has to include projected inclusion of certain quotas per year. This is the base for determining the amount of the awarded incentives.

Quotas as defined in this Regulation present total connection power in kilowatts (kW) of the production plants and units which can enter into market premium agreements and agreements on electricity purchase per guaranteed purchase price.

Pursuant to the quota proposal from the Regulation, two state support programs have been developed. One was developed in accordance with GBER procedure approved by the Ministry of

Finances and it was first registered in 2020 for tenders in that year. Second program is sent to the European Commission for the approval and it includes the period from 2020 to 2022. It refers to the approval of the market premium award tender. The programs are applied for by the Croatian Electricity Market Operator Ltd. considering that it is the institution in charge of the support award. Plants which are considered innovation technologies or which were supported for the development within the European Union are also included in the quota. Contracting possibility is applied to them pursuant to the classification defined in the energy approval.

Considering that this is a dynamic process where some agreements per technologies can be realized within shorter or longer period of time, which cannot be more than four (4) years from the premium contracting date, and in accordance with the goals which have to be realized with optimal expenses, Croatian Electricity Market Operator Ltd. is authorized and obliged to determine the dynamics of certain quota or to monitor the project realization dynamic.

Therefore, the market operator implements the public tender for the market premium award or public tender for the agreement on electricity purchase per guaranteed purchase price in a way that the market operator defines annual quota amount for certain production plant technology in accordance with the dynamics that can ensure market competition and foreseen inclusion in the production plant system.

In the tender public invitation/call, it is necessary to define the criteria for incentive system start time and start time of incentive payment for the tender winning plants in order to reach the goals and keep the expenses optimal.