



## SLOVENIA: INVENTORY OF ESTIMATED BUDGETARY SUPPORT AND TAX EXPENDITURES FOR FOSSIL-FUELS

### Energy resources and market structure

Fossil fuels accounted for around two-thirds of the Slovenia's total primary energy supply (TPES) in 2010. Oil made up the largest share (34%), followed by coal (20%) and natural gas (12%). Nuclear energy accounted for about a fifth of TPES, while renewable energy and waste accounted for the remaining 15% (hydropower alone accounted for 6%). In 2010, nuclear energy and coal were the primary source of electricity generation (each accounted for 35% of electricity generation), followed by hydropower (31%). Small amounts of electricity were produced from natural gas (3%) and oil (less than 1%).

The indigenous energy sources in Slovenia – domestic coal, electricity produced from nuclear power and hydropower, and renewable energy sources (biomass, biogas, waste) – cover 52% of Slovene energy needs. For other energy sources, such as coal of higher calorific values, petroleum products and natural gas, Slovenia depends on imports. In 2010, final energy consumption in Slovenia increased by 3% compared with 2009. The increase of total final energy consumption was mainly influenced by higher consumption of renewable energy sources (up 10%), heat (up 7%), electricity and natural gas (both up by 6%). For the second consecutive year, the consumption of liquid fuels fell by 2%. While the consumption of diesel in transport remained at about the same level as in the previous year, the consumption of motor gasoline in 2010 was 5% lower.

Slovenia produces negligible amounts of oil and natural gas; it is thus completely reliant on imports of these two fuels. Natural gas is purchased through long-term contracts with Russia, Algeria and Austria. Lignite, on the other hand, has always been an important domestic source of energy. In 2010, a third of all electricity in Slovenia was generated from domestic lignite, currently produced in the Velenje mine, and more than 85% of the demand for coal was met by domestic production. This coal is of very low calorific value and contains high levels of sulphur and ash.

The main electricity producers are three power plants: Krško (nuclear), Šoštajn (thermal) and Dravske Elektrarne (hydro). GEN Energija, which is wholly owned by the state, holds a 50% share of Nuklearna Elektrarna Krško (NEK), the remaining 50% of the shares belonging to the Croatian electricity supplier, Hrvatska Elektroprivreda. NEK thus produces electricity for these two shareholders, each of which has a right and an obligation to use 50% of NEK's total output. Five distribution companies – Elektro Ljubljana, Elektro Maribor, Elektro Celje, Elektro Primorska, and Elektro Gorenjska – supply electricity to all consumers, except for the five largest industrial consumers, for which electricity is directly supplied by the only transmission system operator in the country, Elektro-Slovenija (ELES). ELES transmits all electricity produced by the generating companies and is 100% state-owned.

Slovenia adopted a Strategy of Use and Supply of Energy in 1996. The focus of the document is on energy efficiency and fulfilment of the following energy-policy objectives: phasing out nuclear energy, restoring thermal power stations and constructing new ones, as well as increasing reliance on natural gas and renewable energy. The framework for the energy market in Slovenia is provided by the Energy Act of 1999. The National Energy Programme (NEP), adopted in April 2004, defines diversification of energy sources and ensuring reliability and quality of energy supply as the main energy-policy objectives. The NEP also encourages energy efficiency and

consumption of renewable energy. In 2008, Slovenia adopted its Energy Efficiency Action Plan for the years 2008-16 and, in 2010, the National Action Plan for Renewable Energy Sources for the period 2010-20. Both of these plans are within the EU energy-policy framework.

### **Prices, taxes and support mechanisms**

The national regulator, the Slovenian Energy Agency (SEA), encourages competition in the energy market. The electricity market was opened in 2001 for companies and in 2007 for households, thus currently all consumers can choose their electricity supplier. Electricity prices are set by the electricity distributors.

Unbundling is currently limited to businesses accounts only, as the Energy Act of 1999 stipulates that transmission, distribution and operation of the relevant networks are to be national commercial public services. Electricity produced from renewable energy is given a guaranteed purchase price (feed-in tariffs) in order to encourage production of electricity from renewable-energy sources.

A full VAT (currently 20%), excise-duty and CO<sub>2</sub>-tax rates are levied on all fossil-fuel products. Since February 2010, an energy-efficiency fee has been imposed on the consumption of fossil fuels and electricity. In line with the EU regulation, companies involved in the EU emission trading schemes (ETS) are exempt from the energy-efficiency fee payments. All energy-intensive companies are exempt from the CO<sub>2</sub> tax. Also, some uses and users of fuel are exempt from the excise duty that is normally levied on fuel consumption, e.g. for motor fuel used in machinery or in public transport.

### **Data documentation**

#### *General notes*

The fiscal year in Slovenia coincides with the calendar year. The conversion into EUR for the estimates in the period prior to 2007 was made by the Ministry of Finance, which kindly provided all estimates and fuel allocations.

#### *Producer Support Estimate*

##### *Market Price Support for Domestic Coal (data for 2001- )*

In order to ensure security of electricity supply, the government may, according to the Energy Act, specify the quantity of the primary energy from domestic sources to be used by electricity producers for electricity production in a given year. In any given year, the quantity of primary energy from domestic sources may not exceed 15% of total primary energy needed for the production of electricity consumed domestically in this given year.

If the price at busbars of electricity generated from the domestic sources exceeds the market price of electricity generated from comparable generation units, the producers who took up the obligation to produce from the domestic energy sources (every year there is a call for tenders, after which one or more such producers are selected) receive a reimbursement of the additional costs incurred.

Since this measure benefits domestic coal producers, the payments are allocated to the PSE.

Sources: Ministry of Infrastructure and Spatial Planning.

Tag: SVN\_dt\_01

## ***Consumer Support Estimate***

### *Feed-In Tariff for Natural Gas Used in CHP Plants (data for 2002- )*

Use of natural gas in CHP plants is encouraged through provision of a feed-in tariff for this particular fuel. The value of the feed-in tariff is determined by the reference cost of electricity production.

Sources: Ministry of Infrastructure and Spatial Planning.

Tag: SVN\_dt\_02

### *Exemption from Excise Duty for Certain Uses of Energy Products (data for 2000- )*

The measure came into force in July 1999. Article 55 of the Excise Duty Act stipulates that some certain uses of energy products are exempt from excise-duty payments. This exemption is granted to, e.g. energy products used as motor fuel in commercial air, maritime transport; in power plants for combined heat and power generation and in production facilities for further processing or production of other non-excise products or other energy products and electricity, except if they were used as motor fuels for means of transport.

The estimates pertain to coal, diesel oil, motor gasoline, kerosene and natural gas. In accordance with the provisions of the Excise Duty Act the excise duty is levied on mineral oils, since the definition of “mineral oils” in the period 2000-2004 did not include coal, this type of excise duty on energy products has not been accounted for until 2005. The estimates also do not include excise-tax exemptions granted to international air and maritime transport. Neither do they include exemptions from excise duty on fuels used in fishing boats (see SVN\_te\_02).

Sources: Customs Administration of the Republic of Slovenia, Excise Duty Act, Ministry of Finance, Taxation in Slovenia 2011.

Tag: SVN\_te\_01

### *Exemption from Excise Duty on Fuels Used in Fishing Boats (data for 2000- )*

From 1999 onwards, use of energy products and electricity is, according to the Excise Duty Act, exempt from payment of excise duty when energy products are used as fuels in fishing boats, except if used for private purposes.

Annual payments have been allocated to motor gasoline.

Sources: Customs Administration of the Republic of Slovenia, Excise Duty Act, Ministry of Finance, Taxation in Slovenia 2011.

Tag: SVN\_te\_02

### *Exemptions from Excise Duty on Fuel for Diplomatic Missions, etc. (data for 2000- )*

The scheme was introduced in July 1999. According to Article 31 of the Excise Duty Act, certain goods, including petrol, are exempted from payment of excise duty, including those intended for export or for delivery in the context of diplomatic or consular relations, for international organisations,

personal needs of foreign staff of diplomatic and consular missions or international organisations, or the needs of armed forces of other state parties to international alliances.

Annual payments have been allocated to diesel oil.

Sources: Customs Administration of the Republic of Slovenia, Excise Duty Act, Ministry of Finance, Taxation in Slovenia 2011.

Tag: SVN\_te\_03

*Partial Refund of Excise Duty on Fuel Used in Stationary Working Machinery (data for 2000- )*

If a user of motor fuel can prove that the fuel was used e.g. in stationary working machinery, machinery used in construction engineering and for powering mechanised tools in railway transport or in cable cars, this user is entitled to a 50% refund of the excise duty normally applied to motor fuel. This partial refund of excise duty was introduced in 1999 by §7 of Article 54 of the Excise Duty Act.

Annual payments have been allocated to diesel oil as it accounts over 99% of the payments.

Sources: Customs Administration of the Republic of Slovenia, Excise Duty Act, Ministry of Finance, Taxation in Slovenia.

Tag: SVN\_te\_04

*Partial Refund of Excise Duty on Motor Fuel Used in Agricultural and Forestry Machinery (data for 2000-2010)*

The scheme was introduced in July 1999 by §9 of Article 54 of the Excise Duty Act. If a user of motor fuel can prove that the fuel was used in agricultural and forestry machinery (including tractors), this user entitled to a partial refund (in the period from 2000 to 2009 the refund was 50%, since then it was raised to 70%) of the excise duty normally applied to motor fuel.

Annual payments have been allocated to diesel oil.

Sources: Customs Administration of the Republic of Slovenia; Excise Duty Act; Ministry of Finance; Taxation in Slovenia 2011.

Tag: SVN\_te\_05

*Refund of Excise Duty on Diesel Used as Fuel for Commercial Purposes (data for 2009- )*

From 2009 onwards, diesel used commercially as fuel is granted a refund up to amount of EUR 330 per 1 000 litres, which is the EU minimum, according to the Energy Directive (Article 7).

That scheme is stipulated by §19 of Article 55 of the Excise Duty Act.

All payments have been allocated to diesel oil.

Sources: Customs Administration of the Republic of Slovenia, Excise Duty Act, Ministry of Finance, Taxation in Slovenia 2011.

Tag: SVN\_te\_06

### *CO<sub>2</sub> Tax Reimbursement for Companies Participating in the Emission Reductions Programme (2005-2009)*

Those companies outside the EU ETS that signed an agreement with the Ministry of the Environment on reducing their carbon emissions were entitled to a reimbursement of the CO<sub>2</sub>-tax payments for fuel combustion in the period from 2005 until 2009. As of 2010, the companies are no longer entitled to reimbursements.

The estimates pertain to coal, natural gas and diesel oil.

Sources: CDET (2011), Customs Administration of the Republic of Slovenia, EC (2005); Ministry of Agriculture and the Environment.

Tag: SVN\_te\_07

### ***General Services Support Estimate***

#### *Closing of Trbovlje – Hrastnik Coalmine (data from 2001- )*

Special attention was given to the Zasavje region, where direct regional incentives were given on the basis of the Regulating the Gradual Closure of the Trbovlje-Hrastnik Mine Act. The financing is defined as a granted state aid and has been prepared in accordance with the European Commission Regulation.

Sources: Ministry of Infrastructure and Spatial Planning.

Tag: SVN\_dt\_03

### **Sources**

#### ***Policies or transfers***

CDET (2011), *Regulation on the Carbon Dioxide Emission Tax* (OJ RS No. 43/05, 58/05, 87/05, 20/06, 78/08, 39/10, 13/11).

EC (2005), *European Commission Decision of 23 November 2005 on the State Aid Schemes Implemented by Slovenia in the Framework of its Legislation on Carbon Dioxide Emission Tax* (OJ EU L 268/19, 27.9.2006).

*Excise Duty Act*, Ministry of Finance, Available at:

[www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Davki\\_in\\_carine/Sprejeti\\_predpisi/Zakon\\_o\\_tro%C5%A1arina\\_h/Excise\\_duty\\_act-unofficial\\_translation.pdf](http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Davki_in_carine/Sprejeti_predpisi/Zakon_o_tro%C5%A1arina_h/Excise_duty_act-unofficial_translation.pdf).

*Taxation in Slovenia 2011*, Ministry of Finance, Available at:

[www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Davki\\_in\\_carine/Angle%C5%A1ki/Taxation\\_in\\_Slovenia\\_2011.pdf](http://www.mf.gov.si/fileadmin/mf.gov.si/pageuploads/Davki_in_carine/Angle%C5%A1ki/Taxation_in_Slovenia_2011.pdf).

#### ***Energy statistics***

IEA (2011), *Energy Balances of OECD Countries*, International Energy Agency, Paris.

Statistical Office of Slovenia, Annual energy statistics, Slovenia, 2010, Available at: [www.stat.si/eng/novica\\_prikazi.aspx?id=4238](http://www.stat.si/eng/novica_prikazi.aspx?id=4238).