

ERO PRICING DECISION – RES HEAT PROMOTION FOR 2021, INDICATIVE PRICES OF NATURAL GAS FOR Q4

The Energy Regulatory Office (the “ERO”) has released several pricing decisions on its website.

RES promotion for 2021

The first is ERO Pricing Decision No. 7/2020, stipulating the **amount of promotion for promoted energy sources for 2020** (“**CR 7/2020**”). This pricing decision stipulates the promotion for all promoted energy sources.

The feed-in tariffs for existing non-fuel RES energy facilities are adjusted by 2% for 2021.

ERO increased the green bonuses for electrical power plants, which must be (other than CHP and secondary sources) stipulated in accordance with Section 12 of Act No. 165/2012 so that they cover at least the difference between the feed-in tariff and the expected average annual hourly price for the given type of source. The ERO is trying to compensate for falling energy prices by raising the green bonus values.

Please keep in mind that the ERO sets green bonuses using the **equivalent price of energy method** (“**ECSE**”). The ECSE represents the difference between the FIT and green bonuses; the ECSE is set based on the current energy price on the European Energy Exchange in Leipzig. The ECSE as calculated using this method is influenced by the price of energy as well as the EUR/CZK exchange rate.

Given the increased green bonus and rising prices of green electricity on the market, we recommend that producers consider switching over to green bonuses.

Indicative natural gas prices for Q4/2020

The ERO also posted on its website the **indicative prices for natural gas for the fourth quarter in 2020** (“**Q4/2020**”).

Indicative prices for natural gas are non-binding prices recommended by the ERO. The ERO introduced publication of indicative prices for natural gas at the end of 2016 in response to fact that prices for natural gas in offers from natural gas traders were decreasing more slowly than expected, given developments in natural gas prices on world markets. The indicative price is the recommended price of the non-regulated component of natural gas for households, i.e. the part of the price for natural gas stipulated by agreement between the merchant and customer. The total price for natural gas is the non-regulated component plus the regulated component (set by the ERO and legislation) and taxes.

The ERO has set the indicative natural gas prices for households for Q4/2020 as follows:

Nature of consumption

Cooking (consumption 0-1.89 MWh)
 Heating water (consumption 1.89 – 7.56 MWh)
 Heating (consumption 7.56 MWh and higher)

Indicative prices (CZK/MWh)

CZK 847/MWh
 CZK 697/MWh
 CZK 647/MWh

source: www.ero.cz

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Despite rising indicative prices for natural gas from the previous quarter, this is the lowest value of indicative prices for natural gas for Q4 since 2016 when the ERO began publishing indicative prices.

We will be happy to discuss any questions you may have.

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