

A solar scandal in the Czech Republic and its implications

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For three weeks now a heated debate has been under way in the Czech Republic concerning a scandal involving solar power plants. It has been claimed that the state has lost hundreds of millions of euros due to this. The results of the audit commissioned by the Czech Energy Regulatory Office (ERU) were presented on 4 February and they indicated that certain ERU employees inflated the guaranteed prices for purchasing energy from solar farms. Prime Minister Petr Necas declared his support for the ERU management and said that a group of “aggressive solar barons” had been responsible for the scandal. The Czech industry and trade minister announced that the government should disclose who has benefited from this scandal. The support system for renewable sources of energy was introduced in 2005. Between 2009 and 2010 it led to a sharp rise in the number of solar power plants from 1,500 to nearly 13,000 with the total installed power rising from nearly 66 MWe to almost 2,000 MWe. As the transmission network was not prepared and because the expenditure on renewable sources of energy in 2010 was too high, parliament limited the support system for solar power plants. The form this should take is, however, still under discussion.

Commentary

- The support system for alternative sources of energy has caused great controversy as it leads directly to high prices of energy for both households and companies (currently it is approximately 23 euros more for 1 MWh). Thus the generous support for solar power plants, the largest of which are often owned by the state-owned energy giant CEZ or rather unidentified bearer shareholders, directly affects the competitiveness of the remaining Czech companies. For example, the Czech refinery company Unipetrol, which is controlled by PKN Orlen, will pay 25 million euros more this year due to the support for alternative sources of energy (mainly solar energy).
- The discussion about the support system for solar energy is for many politicians, above all those from the ruling Civic Democratic Party (ODS), an opportunity for critical comments about renewable sources of energy. The promotion of this topic is probably meant to put the Czech people off renewable sources of energy and to muster support for the construction of new nuclear reactors in Temelin. However, the scandal surrounding solar power plants has reflected badly on CEZ (which is responsible for the nuclear tender) as it turned out to be one of the largest beneficiaries of solar subsidies.
- The fact that the solar scandal has been publicised may be an element of the government's negotiating strategy in its talks with CEZ on possible guaranteed prices for purchasing energy from new nuclear reactors. CEZ is concerned that the investment in

new reactors will not be feasible and is thus demanding establishment of a stabilisation mechanism under which the company would receive funds from the government should market prices fall. These funds would be paid back to the budget when market prices rise. The Ministry of Industry and Trade has not ruled this idea out but it does not want to guarantee that the investment in Temelin's new reactors will make profit and accepts only a short-term stabilisation of prices. The lack of agreement on this issue will halt the construction of the new nuclear reactors in the Czech Republic.