

# **SLOVAK ENERGY POLICY IN SECTOR'S RESTRUCTURALIZATION AND THE MARKET LIBERALIZATION**

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## **PROGRAM ANNOUNCEMENT OF THE GOVERNMENT OF SLOVAK REPUBLIC**

(National Council's Resolution of December 2, 2002 – selected parts of Energy sector)

- Accelerated restructuralization of Slovak economy is a prerequisite of economic growth's sustainability ...
- Government will develop new energy policy of Slovak Republic that will be in accordance with recommendations of European Commission and International Energy Agency/OECD...
- We will prepare a complex electroenergy sector's transformation...
- We will create conditions for Slovak transmission system's integration to European transmission system UCTE and for its connection to all neighboring countries...
- Government will assure Slovak gas industry's strengthening, with aim to achieve positive impact in relation to incomes of foreign currency from the natural gas transit. Government will also guarantee an effective involvement in integration and globalization processes within international European gas system...
- With interest of privatization's of state companies and organizations in economy sectors completion, including propriety shares of National Property Fund in stock companies, the government will revalue and redefine strategic interest and the state's contribution in energy, telecommunication, machinery, transport and other sectors, aiming to guarantee efficient enforcement of state's rights and commitments...

## Three pillars of Slovak energy policy

(Resolution of Government of Slovak Republic n° 5/2000)

### 1. PREPARATION FOR INTERNAL EU MARKET INTEGRATION

- Legislation's approximation
- Transformation
- Restructuralization
- Privatization
- Cross-subsidies' in energy prices elimination
- New regulatory framework
- Liberalization: internal, external

### 2. ENERGY SUPPLY'S SECURITY

- Plan to achieve emergency oil supplies and oil products
- Fuel and energy sources' diversification

### 3. SUSTAINABLE DEVELOPMENT

- Energy efficiency's increase and broader use of renewable energy sources
- Nuclear security's increase

## TRANSFORMATION, RESTRUCTURING A PRIVATIZATION OF ELECTROENERGY SECTOR IN SLOVAK REPUBLIC

<i>company</i>	<i>transformation</i>	<i>restructuring</i>	<i>privatization</i>
<b>SE</b>	11/1999	12/01/2002 – establishment of: - SEPS, a.s. - TEKO Košice, a.s. - "new" SE, a.s.	<ul style="list-style-type: none"><li>• Consultant's selection by 31.12.2001</li><li>• Investor's selection by 31.12.2002 ?</li></ul>
<b>ZSE</b>	01.11.2001	01.11.2001 – establishment of : - ZSE, a.s. - Bratislavská teplárenská, a.s. - Trnavská teplárenská, a.s.	<ul style="list-style-type: none"><li>• Call for proposals by 31.12.2001</li><li>• Investor's selection by 03/2002</li></ul>
<b>SSE</b>	01.01.2002	01.01.2002 – establishment of : - SSE, a.s. - Žilinská teplárenská, a.s. - Martinská teplárenská, a.s. - Zvolenská teplárenská, a.s.	<ul style="list-style-type: none"><li>• Call for proposals by 31.12.2001</li><li>• Investor's selection by 03/2002</li></ul>

<b>VSE</b>	01.01.2002	01.01.2002 – establishment of : VSE,a.s.	<ul style="list-style-type: none"> <li>• Call for proposals by 31.12.2001</li> <li>• Investor's selection by 03/2002</li> </ul>
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## **TRANSFORMATION, RESTRUCTURING AND PRIVATISATION OF SE, a.s.**

### **TRANSFORMATION**

**11/1999** establishment of the SE, a.s.

### **RESTRUCTURING**

<b>September 8, 1999</b>	Proposal for framework model of electroenergy sector transformation in Slovak Republic (Government Resolution n° 762/1999).
<b>September 27, 2000</b>	Proposal for electroenergy sector's transformation in Slovak Republic and for means of privatization of electroenergy companies' property (Government Resolution n° 758/2000).
<b>June 20, 2001</b>	Proposal for change of the Resolution n° 758/2000 (Resolution n° 569/2001).
<b>July 11, 2000</b>	Proposal for restructuring and privatization of the SE, a.s. after separation of heating plants and distribution grid (Resolution n° 644/2001).
<b>December 13, 2001</b>	Decision of the <b>MVZ</b> to cancel SE, a.s. without liquidation, by division on: SE, a.s., SEPS, a.s. and TEKO, a.s., the December 31, 2001.
<b>January 12, 2001</b>	Establishment of (new) SE, a.s., SEPS, a.s. and TEKO, a.s.

### **PRIVATISATION**

<b>September 19, 2001</b>	Actualization of the timetable of privatization's acceleration (Resolution n° 870/2001).
<b>December, 2001</b>	Selection of the privatization advisor, which will process INFO MEMORANDUM and will declare tender.
<b>2002</b>	Investor's selection selling of 44,79% of shares (A1, V1, VDG, Stranded).

### **EVOLUTION IN THE SPP, a.s.**

<b>May 24, 2000</b>	Approval of the Concept of restructuring and transformation of the gas industry.
<b>July 12, 2000</b>	Discussion of the government on Aim and process of privatization of the SPP, a.s.
<b>September 5, 2000</b>	Discussion of the National Council (legislature) on Aim and process of privatization of the SPP, a.s.
<b>December 22, 2000</b>	Selection of the government's advisor for privatization – Credit Suisse First Boston (among 10 applications in a tender).
<b>April 11, 2001</b>	Government Resolution on privatization of the SPP, a.s.
<b>June 13, 2001</b>	Approval of means of privatization of 49% of the SPP, a.s. by the government.
<b>June 20, 2001</b>	Establishment of the Commission for management and

	coordination of the SPP privatization, headed by the Vice-prime Minister for the Economy Ivan Mikloš.
<b>July 1, 2001</b>	Transformation of the state company on the stock company (a.s.).
<b>August 30, 2001</b>	Publication of the government's proclamation on selling 49% of the shares of the SPP, a.s. in form of Call for proposals.
<b>October, 2001</b>	Offer of the INFO MEMORANDUM to 13 companies.
<b>March, 2002</b>	Investor's selection for 49% of shares of the SPP, a.s.

**APPROVED AIM of RESTRUCTURING of the PORTFOLIO of INTERESTS of the SPP, a.s.**

On the restructuring's beginning, the SPP, a.s. held shares in 34 companies. 19 of them, whose subject of business is not related with the main subject of business of the SPP, a.s., will probably be sold to potential purchasers or will be transferred to newly established subsidiary company INOVA Holding, a.s. These are:

<ul style="list-style-type: none"> <li>❑ Adria LNG, Malta</li> <li>❑ Datagas, Bratislava</li> <li>❑ Naftoprojekt, Poprad</li> <li>❑ VVNP, Ostrava</li> <li>❑ Danube Casinos, Bratislava</li> <li>❑ DMD Holding, Trenčín</li> <li>❑ Slovenská poisťovňa, Bratislava</li> <li>❑ Globe 21, Praha</li> <li>❑ Poľana, a.s. Poprad</li> <li>❑ Slovenská kreditná banka, Bratislava</li> <li>❑ Slovnaft, Bratislava</li> </ul>	<ul style="list-style-type: none"> <li>❑ Priemyselná banka, Košice</li> <li>❑ Slovenská paroplynová spoločnosť, a.s. Ružomberok</li> <li>❑ Paroplynový cyklus, a.s. Bratislava</li> <li>❑ Premagas, a.s. Stará Turá</li> <li>❑ Gasfin, Bratislava</li> <li>❑ Kerametal, Bratislava</li> <li>❑ Oravské ferozliatinové závody, Istebné</li> <li>❑ Slovenské elektrárne, Bratislava</li> <li>❑ Galantaterm, s.r.o. Galanta</li> </ul>
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## CHANGE OF PRICES OF NATURAL GAS AND ELECTRICITY FROM 1991

<i>Date of change</i>	<b>Natural gas</b>		<b>electricity</b>	
	<i>Households</i>	<i>Individuals</i>	<i>Households</i>	<i>Individuals</i>
<b>1.5.1991</b>	<b>+124 %</b>	-	-	<b>+80 %</b>
<b>1.10.1991</b>	-	-	<b>+70 %</b>	-
<b>1992</b>	-	-	-	-
<b>1993</b>	-	-	-	-
<b>1994</b>	-	-	-	-
<b>1995</b>	-	-	-	-
<b>1996</b>	-	-	<b>+10 %</b>	<b>+5 %</b>
<b>1997</b>	-	-	-	<b>+10 %</b>
<b>1998</b>	-	-	-	-
<b>1.7.1999</b>	<b>+50%</b>		<b>+30 %</b>	-
<b>1.1.2000</b>	-	<b>+11% (5%W, 17%R)</b>	<b>+35 %</b>	<b>+4,5 %</b>
<b>1.2.2000</b>	<b>+30%</b>	-	<b>+40 %</b>	<b>+5 %</b>
<b>1.2.2001</b>	<b>+25%</b>	<b>R+15%, W+30%</b>	<b>+15 %</b>	<b>+ 12 %</b>
<b>1.1.2002</b>	-	<b>+19,3%</b>	-	-

where W – wholesaler, R – retailer

VAT: from January 1, 1993 – **5%**, from August 1, 1993 – **6%**, from July 1, 1999 – **10%**

## REGULATORY FRAMEWORK IN THE ENERGY SECTOR

<i>Subject of regulation</i>	<i>yesterday</i>	<i>today</i>	<i>tomorrow</i>
Energy policy, international context, market opening, primary legislation	Ministry of Economy	Ministry of Economy	Ministry of Economy
Material regulation (licenses, authorizations, separated accountability – non-discrimination)	Ministry of Economy	ÚRSO	ÚRSO
price regulation (prices, tariffs, business conditions)	Ministry of Finance	Ministry of Finance	ÚRSO
competition	PÚ SR	PÚ SR	PÚ SR

Where ÚRSO – Office for Regulation in Network Industries, PU SR – Antimonopolistic Office

advantages / inconvenients	proprietor = regulator	partial	full
		separation of proprietor and regulator	
	Non-transparency		Transparen cy
	Unpredictable regulation		Clear rules