

# Do the poor Balkan citizens subsidize the rich West – „Superciuk“

Energy lobbies persistently advocate that BiH, Serbia, Montenegro and Macedonia should follow the Croatian policy of stimulating the renewable energy (RES) producers, but the example of Croatia shows us that citizens needlessly subsidize international RES industry with 250 million dollars annually, while the state is becoming a loser.

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Croatian citizens, energy consumers, pay the fee for CO<sub>2</sub> of 25-30 EUR/ton which is calculated in the price (this will be ignored here for simplification purposes, given that coal energy production in Croatia is insignificant) as well as the fee for renewable sources in the amount of 10,5 Croatian lipas per kWh (the so-called "incentives"). In 2018, the amount collected for renewable sources amounted to 1.602.336.050 KN or **216.531.898 EUR**.

The installed power of plants operated by "privileged producers" in Croatia, who receive incentives for RES is 829 MW.

Suppliers, mainly "Hrvatska elektroprivreda" (HEP), are obliged to purchase all the energy from "privileged producers" at the price of 0,42 kn/kWh (56,7 EUR/MWh (Law on Renewable Energy Sources and Highly Efficient Cogeneration). This price is much higher than the market price, where cheaper electric energy can be found for approximately 25% less money.

In 2018, 2.480.952.380,95 kWh was purchased from "privileged producers" for the amount of 1.042.000.000 kn (140.810.810 EUR) – (source: Annual Report by Croatian Energy Market Operator for 2018. [www.hrote.hr](http://www.hrote.hr)).

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***Therefore, calculation says that Croatian citizens pay slightly above 216 million EURO for "incentives", as well as additional 35 million EURO through the difference in the price paid in relation to actual energy market prices, which in total makes 250 million EURO per year.***

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Nowadays, power plants (wind and solar) can be constructed at the price of about one million EURO per one megawatt of installed power. **Currently, HEP is constructing wind power plant at the price of 1,16 mil. EUR/MW and a solar power plant at the price of 0,86 mil. EUR/MW, without any incentives.**

The above given data indicate that Croatia and/or HEP could construct all the renewable energy sources built so far in the period of just 3,29 years, using the "stimulating" funds collected from citizens !

By far the largest "privileged producers" are wind power plants. Following are the three quotes from the conclusion of the article "**Croatian market of energy produced from wind power plants**" by the Institute of Public Finance, from January 2018.

- The average price of electricity in 2015 paid to eligible producers in the incentive system was three times higher than the annual average price of electricity in Croatia at the nearest electricity stock exchanges.
- Wind power plants employ a minimum number of people because this activity is extremely capital intensive, with no special need for workers, so they usually have only one employee (usually a director), and some of them have no employees at all. Although at first glance it sounds incredible that companies operate without employees, the legislative framework no longer prescribes the obligation to employ any one in order to perform a registered activity...
- Investing in wind power plants is a profitable and safe business, and the incentives paid to eligible producers are generous and high.

The same article states, and it can be verified from publicly published financial reports, that companies ("privileged producers") finance only 14 percent of invested funds from their own sources, on average, and 86 percent are financed from other sources, mostly long-term loans from domestic banks.

From all the above, it follows that Croatian citizens, illogically, with large sums of money (fee for renewable sources) subsidize the development of Western RES industry and financially help, mainly foreign investors (through deposits in banks), who create a small number of jobs in the country.

Citizens lend them 7.14 EURO based on only 1 euro brought by "investors".

Out of a total of 15 active "privileged producers", the most extreme example is "Selan", German company, which shows us that the borrowed portion of the invested funds amounts to as much as 96 percent, with an annual return on own funds (ROE) of an incredible 220 percent!

Now it becomes clear where the title "Superciuk" comes from (the villain from the Alan Ford novel who steals from poor people and gives to rich).

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***So, instead of HEP, i.e. the state, being a "privileged producer" and paying off its investment in only 3.29 years, Croatia concluded 12-year contracts (with guaranteed prices) with "privileged producers". These producers will make huge profit in 12 years, with zero risk, pay off the investment and after that period will continue to operate wind power plants with concessions. Nonsensical.***

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If, from those 12-year contracts, we exclude 3.29 years (required for 828.3 MW to be build), the fee for renewable sources for the remaining years would amount to an enormous € **2.1 billion EURO** (12-3.29) x 250 ), money that Croatian citizens donate mainly to foreign investors.

Should the countries of the region, BiH, Serbia, Montenegro and Macedonia follow the example of Croatia, which energy lobbies persistently promote, or should they learn from the Croatian fiasco and, instead of developing foreign RES industry, turn to developing their own renewable energy industry, and in the case of the Republic of Srpska, above all, use the huge hydro potentials?