



Weekly Briefing

Slovenia Economy briefing:
The most important economic developments in 2018
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Briefing on the most important economic developments in Slovenia in 2018

Marked by the economic growth after a long period of crisis and stagnation, Slovenian economy will in the year to come most probably focus on long-term strategic issues. One of them, which will be of lasting consequences, is the preparation of the document called »Energy Concept of Slovenia«. The aim of the document is to set long-term strategies for the development and orientation of the Slovenian energetics sector. It is especially important for determining the strategies of energy production and consumption and deciding on the future of fossil fuels.

History and background

According to statistics, the biggest energy consumer in Slovenia are traffic (around 39%), industry (around 26%) and households (around 23%) with the consumption growing at few % yearly. There was a significant increase in the consumption of geothermal and solar energy in the last years (at around 12% yearly). Most of the final energy consumption was in the form of fossil fuels and derivatives (almost half), electricity (23%), renewable resources (13%) and natural gas (12%). In households alone, the main energy source was wood and wooden derivatives (together around 42%), followed by electricity (24%), natural gas (10%) etc.

Slovenia has had a diverse production of energy even before 1991. Hydroelectric power stations were built from the early 20th century onwards, especially on Soča and Drava River, but the building especially intensified after the 2nd World War. Currently a hydroelectric power plant is being built on the lower Sava stream, near Brežice. Thermal power stations were also mostly built at the time, although there were also pre-existing thermal power stations. The

main ones are in Ljubljana, Brestanica, Šoštanj and Trbovlje. Nuclear power plant was built in 1981 in Krško, just off the Slovenian-Croatian border and with a 50:50 shared investment and ownership between Slovenian and Croatian Socialist Federal Republic. Despite a growing number of individually owned small power plants and the unsuccessful attempts to set up the first wind power plant in Volovja Reber, the above-mentioned three sources of energy still greatly prevail. The ratio between nuclear power, hydropower and thermo power is currently slightly over 30% each, which makes all three sources equally important. All of the power plants are owned by state owned companies.

There have been several issues concerning the status of the three main energy sources. Plans for additional power plants on the North-East Mura River are facing a strong opposition from the civil society, environmental organizations and several politicians alike. Few days ago this was expressed by the manifestation called »March for Mura« where their joint arguments against the building of power plants on this river were presented. They mostly fear environmental damage and other damaging effects of the project for the agriculture and tourism. The debate about thermal power stations, on the other hand, became politicized around the building of the 6th block of the Thermal power plant Šoštanj. A government(s) decision, made in several steps after 2004, intended to gradually replace the old 5 blocks of the Šoštanj Thermal power plant (2 of these have been closed already) with a more modern and cleaner technology. Corruption scandals accompanied the whole process of the project preparation and the »TEŠ 6« affair became a part of the everyday political struggles. Unclear and growing budget of the investment and the energy source planning, which mostly relied on the production of lignite was also an issue in political debates on all levels. The environmental criticisms were especially strong, claiming that such a big investment in the non-renewable energy sources not only prolongs Slovenia's structural dependence on coal/lignite and their production, but also keeps the workforce in the region greatly employed by this unsustainable sector. The failing operation of the 6th block which has repeatedly

been shut down for repair, makes Slovenia less energy self sufficient, especially in the months of drought, when the hydroelectric power is less available. The nuclear power plant in Krakow is another pressing issue for Slovenian economy. The first source of debates is the shared ownership with Croatia, where Slovenia is represented by Gen Energy and the Croatian side by Hrvatska elektroprivreda. In the current situation of ongoing dispute between the two countries about the border issues, the shared ownership is seen as a potential liability. Debates about the building of a 2nd block of the Nuclear power plant Krško are also ongoing. The advocates of the project mostly stress the energy self-sufficiency Slovenia would get by building it, especially regarding the unstable production of the hydroelectric plants. The critics mostly focus on the environmental issues and possible hazards of this type of energy, but also on the issue of nuclear waste.

Apart from electric energy, the supply of natural gas is another big issue for Slovenian economy, also a pressing issue in the past years, especially with the quickly changing political relations in and between the main providers. After the project of »South Stream Pipeline« (Russia → Black Sea → Bulgaria → Serbia → Hungary → Slovenia → Austria) was abolished in 2014, there were several other strategies on the table, one of them, also a failed projects, was Nabucco, connecting Iraq and Azerbaijan resources with Europe through Turkey. The Germany-Russia connection of »Northern Stream« leaves Slovenia far away from potential close access to the pipeline.

The proposal of the new »Energy Concept of Slovenia«

First presented in summer 2017, the document was prepared by outsourced experts, selected by an open tender. The final draft, which was made public in December 2017, is after the public debate scheduled to be passed in the parliament in March 2018.

The main topic of the document is the strategic orientation of Slovenia for gradual change into a low-carbon economy. The document also aims at

providing the guidelines for balanced relations between the three main pillars of energy policy: climate sustainability, reliable and stable supply and competitiveness of energy providers. The main types of activities will be supported by state funding: green energy sources, sustainable mobility and efficient energy use. The main points in the new energy concept are:

- in order to gradually transform into a low-carbon society, the main measures will be directed at efficient energy use, importance of renewable and low-carbon resources and development of high-tech solutions and services

- gradual abolishment of the nonrenewable fuels, especially coal/lignite, which is scheduled to be completely abolished by 2050

- renovation of older buildings into energy efficient buildings will be encouraged, in private, municipal or state ownership

- the so-called »Eco-fund« will remain and will issue calls for financial support of sustainability renovation activities (sustainable heating systems, insulation and facade renovation etc.)

- Eco-Fund will also finance measures for water protection, efficient water use and waste management systems

- national financial resources will be accompanied by matching European financing programs

- sustainable mobility will be supported by the introduction of sustainable public transport, car-sharing (a new system for electric car sharing was recently introduced in the capital) and the use of alternative fuels – electricity, bio-fuel, and hydrogen

- attempts will be made to better organize the system of energy providers and the way the energy system is co-financed by the users

- better control of the energy distribution

- encouragement of heat pumps and other renewable energy systems and development of a better management system to balance the big and small energy providers

Although the document was generally well received, the critics were also quite a few. The criticisms mostly focused on the hurry with which the document is prepared, and the very short time reserved for public debate about this so important issue. Environmental organizations also criticize the lenient attitude towards nonrenewable sources, which is seen as an unnecessary compromise with the politically powerful thermal energetics lobby. The unclear strategy regarding the nuclear power plant was also brought into debate.