

Czech Republic

Population ¹	10,594,438
Area (km ²) ¹	78,870
GDP per capita (USD) ¹	20,379.90
TPES (Mtoe) ²	41.55
Energy intensity (toe/10 ³ 2010 USD) ²	0.18
CO ₂ emissions - energy (MtCO ₂) ²	101.40

Sources:

1. The World Bank 2017

2. ©IEA 2018, www.iea.org/statistics

The Czech Republic’s overall risk level against the assessed areas is **low**.

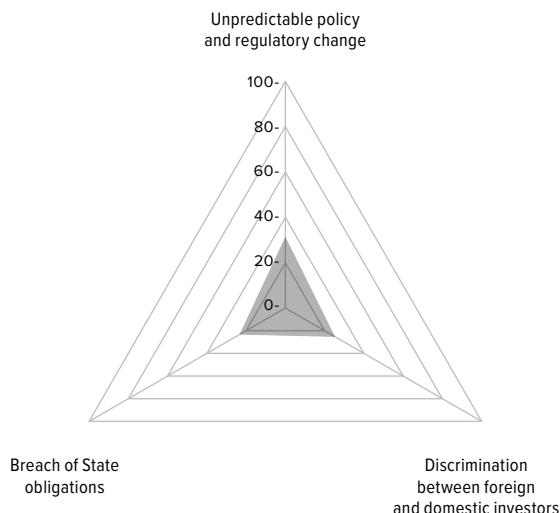
Among the three EIRA risk areas, *discrimination between foreign and domestic investors* is lower compared to *breach of State obligations* and *unpredictable policy and regulatory change*.

The Czech Republic has a very good score on one EIRA indicator, and a good score on three indicators. It has received a score of 81 on *regulatory environment and investment conditions*. The indicators *management of decision-making processes* and *rule of law* are at 77 and 68, respectively. The score for *foresight of policy and regulatory change* is 62.

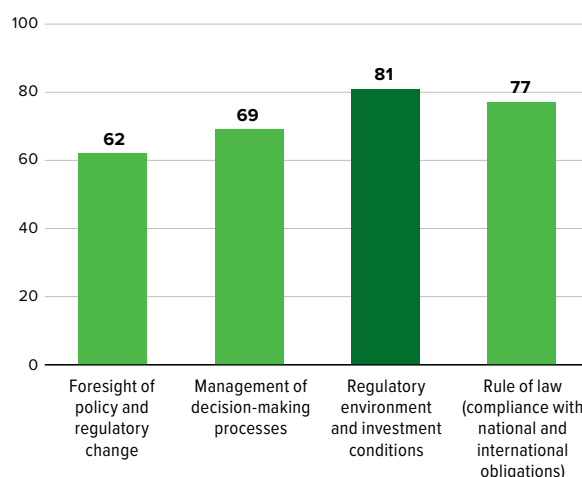
On a more detailed level, the Czech Republic’s overall sub-indicator performance is good. The highest-scoring sub-indicator is *restrictions on FDI* with 95 points. *Respect for property rights* and *transparency* stand at 83 and 75, respectively. On *communication of vision and policies* it has received 73 points, while *management and settlement of investor-State disputes* is at 70. The score for *regulatory effectiveness* is 67, and for *institutional governance* it is 63. The country’s performance on *robustness of policy goals and commitments* is moderate with a score of 50.

Czech Republic provides attractive conditions for investors and is working in the right direction. Attention should be given to strengthening the robustness of its policy goals and commitments.

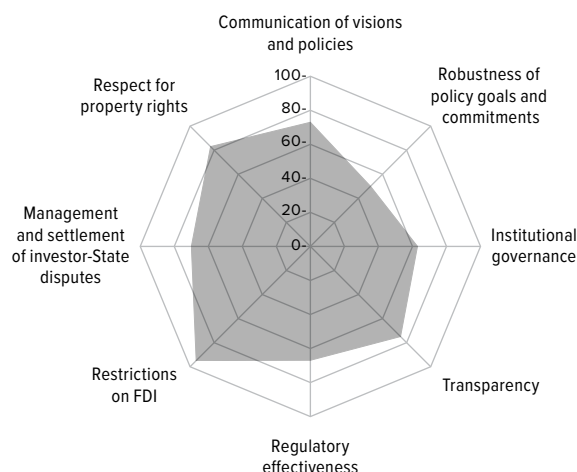
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The key strategy documents for the Czech Republic's energy sector are the State Energy Policy 2015 and the Climate Protection Policy 2017.

As an EU Member State, the Czech Republic ratified the Paris Agreement in 2017.

STRENGTHS

The main objectives for the energy sector, set by the State Energy Policy 2015, are ensuring the security of energy supplies, increasing the competitiveness of the country's energy sector and promoting sustainable development. To achieve these objectives, articulate and progressive targets have been set for up to 2040. Creating a low-carbon economy is a key priority for the Czech Republic. For this purpose, it has been gradually replacing coal with nuclear power in the electricity mix. The country also intends to increase the share of renewables and has made great strides on this front. The Climate Protection Policy 2017 was adopted to reach the country's climate change targets.

The State Energy Policy 2015 provides for data collection and monitoring mechanisms. It introduces key performance indicators that allow the assessment of progress made on each target. The Policy also identifies the source of data to be collected and allocates the responsibility for its compilation and analysis to the most appropriate authority. Reports on the Implementation of Instruments of the State Energy Policy are prepared on an annual basis by the Ministry of Industry and Trade and published online. Monitoring of the Climate Protection Policy 2017 falls under the Ministry of the Environment.

AREAS FOR IMPROVEMENT

To achieve its national targets, the Czech Republic has developed a framework of policies and action plans. These documents aim at providing details on the implementation process. However, the large number of documents may result in overlapping responsibilities and actions. It is essential that ex ante and ex post evaluation mechanisms are employed so that the Government can identify any potential gaps and overlaps. This will allow a coherent implementation and will ensure that all measures are aligned with the overarching targets. Close cooperation of the responsible authorities is also advisable to guarantee the coordination of their actions and the consistency of the expected results. It is foreseen that the issue of cooperation will be addressed through the finalisation of the National Energy and Climate Plan of the Czech Republic, which is expected to be submitted to the European Commission by the end of 2019.

Management of decision-making processes

QUICK FACTS

The Czech Republic has a bicameral legislature.

CzechInvest, acting as an investment promotion agency, provides support to investors.

Act no. 106/1999 "On Free Access to Information" regulates the obligation of State bodies to provide access to information.

STRENGTHS

The Constitution vests legislative power in the Parliament. The competences of each ministry are stipulated in the law. The Ministry of Industry and Trade oversees energy and investment policies. The working groups within the Ministry cooperate to ensure consistency in the policies. The Ministry of Environment is responsible for formulating the national climate policies and monitoring the status of the country's NDCs. Inter-ministerial coordination takes place on cross-sectoral issues.

The Constitution guarantees access to information held by State bodies, as well as the right to timely and complete information about the state of the environment and natural resources. To enhance transparency, the Czech Republic enacted Act no. 340/2015 "On the Registry of Contracts" which stipulates the compulsory publication of contracts between the State and private investors. Further, subject to specific criteria under the National Infrastructure for Electronic Public Procurement project, public procurements must be conducted electronically. The Ministry for Regional Development has created a portal that provides comprehensive and transparent information on public procurement. Legislative acts are published in the Collection of Laws, which is also available online. The Ministry of Interior is currently preparing an e-Collection project that will ensure that citizens are easily able to identify the current form of legislation and potential amendments.

AREAS FOR IMPROVEMENT

At present, there is no single window for acquiring all the information needed to establish investments. The creation of such an agency would facilitate the entry of foreign investors in the domestic market and provide greater certainty and security. Additionally, to streamline administrative procedures and reduce the time needed for processing registrations and licence and permit applications, the country should consider the creation of a one-stop approval authority for the energy sector.

Government bodies generally engage the public in the decision-making process. However, while conducting consultations is mandatory for ministries and other central government bodies, details such as the procedure and timelines should be included in a generally binding normative legal act, such as law, government order or decree. This will ensure that the interested parties are given due consideration and will demonstrate the State's commitment to transparency.

Regulatory environment and investment conditions

QUICK FACTS

The Energy Regulatory Office (ERU) is the administrative authority that exercises regulatory powers in the energy sector.

The State Office for Nuclear Safety (SUJB) is responsible for the administration and supervision of nuclear energy.

The Charter of Fundamental Rights and Freedoms provides protection of property irrespective of nationality.

STRENGTHS

The ERU's primary functions are stipulated in Act no. 458/2000 "the Energy Act" as amended. These include licensing, market surveillance in the energy sector and protection of consumer interests. Additionally, the ERU regulates prices for the services in the electricity and gas sectors. The ERU has a dedicated budget within the State budget. Act no. 18/1997 "the Atomic Act" as amended, stipulates the powers and duties of the SUJB. The SUJB is responsible for licensing the construction, commissioning and operation of nuclear installations. While the new Act no. 263/2016 "the Atomic Act" came into force on 1 January 2017, the earlier Act regulating the subject is concurrently applicable until 31 December 2019.

The Czech Republic's legislation reflects a liberal and non-discriminatory approach towards the entry and establishment of foreign investments in the energy sector. While the law does not explicitly provide equal treatment between domestic and foreign investors, it does not contain any discriminatory provisions either. Majority foreign ownership is permitted in energy projects, and there is no obligation to partner with the State. No local content requirements or restrictions on the transfer of investment-related capital, payments and profits exist.

AREAS FOR IMPROVEMENT

The Government may consider re-evaluating the ERU's financial and institutional autonomy. At present, the members of the ERU and its Chairman are appointed and discharged by the Government based on the proposal of the Minister of Industry and Trade. Moreover, ERU's budget could be separated from the State budget and preferably sourced from the regulator's revenues.

Rule of law

QUICK FACTS

The Czech Republic ratified the Energy Charter Treaty in 1996.

The Czech Republic ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1993.

The Act no.184/2006 "On Expropriation" as amended provides protection against unlawful expropriation.

STRENGTHS

Act no. 99/1963 "Civil Procedure Code" stipulates the general jurisdiction for hearing contractual disputes. There is a system of administrative tribunals in place, dedicated to deal with acts of the administration. Arbitration is governed by the Act no. 216/1994 "On Arbitration Proceedings and on Enforcement of Arbitration Awards". The national laws and International Investment Agreements do not mandate the exhaustion of local judicial remedies before recourse to international arbitration. Recognition of foreign judgments is governed by EU legislation, international agreements or domestic legislation, depending on the country where the judgment was delivered. There have been no retroactive changes to laws in the last five years.

The Charter of Fundamental Rights and Freedoms establishes the right to own property and provides that expropriation or any other mandatory limitation of property rights is permitted in the public interest, based on the law, and after compensation. Court decisions further specify the criteria for expropriation. The Civil Code also contains provisions for the protection of property against expropriation. These provisions apply to both tangible and intangible property. Expropriation in certain cases is dealt with by special laws, such as Act no. 416/2009 "On Acceleration of the Construction of Transport, Water and Energy Infrastructure". BITs signed by the Czech Republic define and protect intellectual property rights as a form of investment. There are currently no restrictions on the transfer of technology.

AREAS FOR IMPROVEMENT

The Government may consider improving current mechanisms providing support for foreign investors operating in the Czech Republic or establishing a new dedicated state agency, such as an investment ombudsman, for addressing the concerns of foreign investors and mediating with the public authorities. An ombudsman or a similar agency could help with the quick resolution of conflicts, and eventually prevent costly and lengthy administrative procedures.

At present, the law stipulates the general rules and conditions for conducting an expropriation. The competent court decides the timeframe for the payment of the compensation. The Expropriation Act may be revised to include specific timeframes within which the expropriation procedure should be completed, and the compensation paid.