



# Slovakia

Population <sup>1</sup>	5,439,232
Area (km <sup>2</sup> ) <sup>1</sup>	49,030
GDP per capita (USD) <sup>1</sup>	17,579.26
TPES (Mtoe) <sup>2</sup>	16.50
Energy intensity (toe/10 <sup>3</sup> 2010 USD) <sup>2</sup>	0.16
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>2</sup>	30.20

Sources:

1. The World Bank 2017

2. ©IEA 2018, [www.iea.org/statistics](http://www.iea.org/statistics)

Slovakia's overall risk level against the assessed areas is **low**.

The risk of *discrimination between foreign and domestic investors* remains unchanged from the last year, whereas *unpredictable policy and regulatory change* has reduced. They are now on the same level. *Breach of State obligations* continues to be the area with the highest risk.

Slovakia has a very good performance on one of the EIRA indicators, and a good performance on three indicators. It has maintained a very good score of 81 on the indicator *regulatory environment and investment conditions*. Its performance on *foresight of policy and regulatory change* has improved by 3 points and now stands at 80. The score on *management of decision-making processes* has increased from 76 to 77 points. On *rule of law* it has the same score as last year (68).

On a more detailed level, Slovakia's sub-indicator performance is good. *Restriction on FDI* continues to be the highest-scoring sub-indicator with 90 points. On *robustness of policy goals and commitments* the score has improved by a point, and now stands at 88. On *transparency* (78) and *institution governance* (75), it has retained the scores from last year. The performance on *communication of vision and policies* has gone up by 6 points and is at 72. The score for *regulatory effectiveness* (72) is unchanged. The sub-indicator *management and settlement of investor-State dispute* has once again received a good score of 70. *Respect for property rights* remains the lowest-scoring sub-indicator with 67 points.

Slovakia provides attractive conditions for investors and is working in the right direction. Attention should be given to reinforcing the respect for property rights.

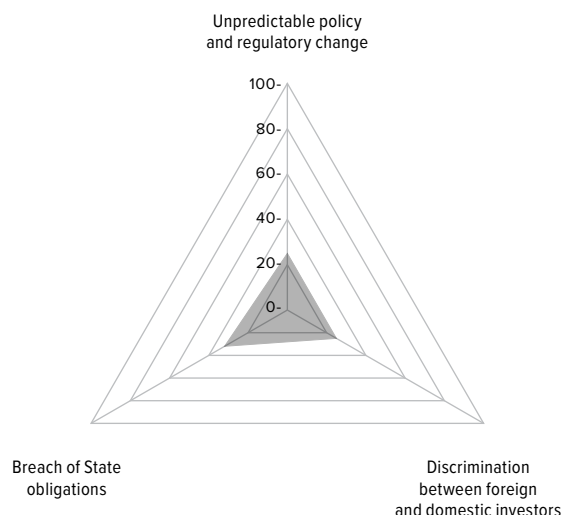
## YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019
Unpredictable policy and regulatory change	26	25
Discrimination between foreign and domestic investors	25	25
Breach of State obligations	32	32

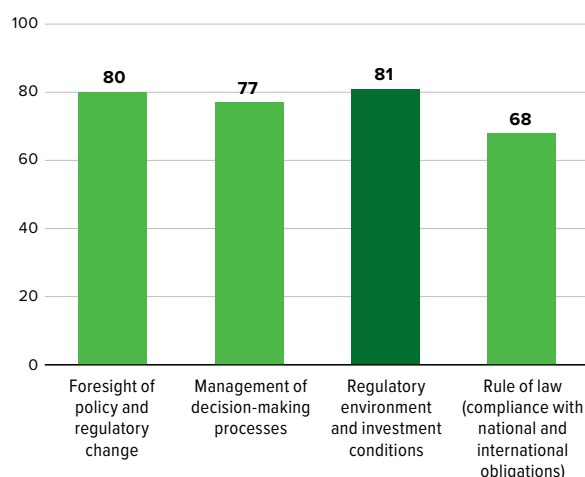
  

INDICATORS	2018	2019
Foresight of policy and regulatory change	77	80
Management of decision-making processes	76	77
Regulatory environment and investment conditions	81	81
Rule of law	68	68

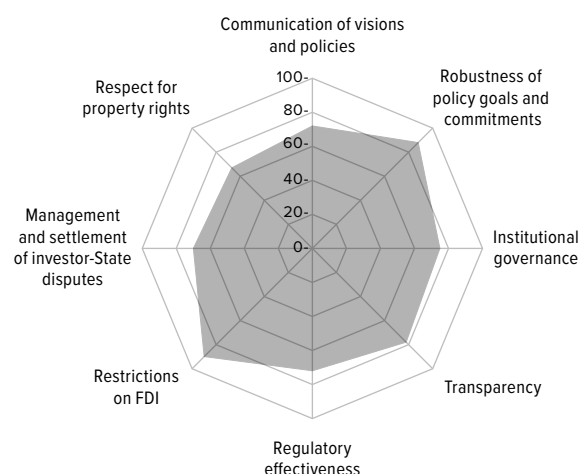
## RISK LEVEL



## INDICATOR PERFORMANCE



## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

The key strategy documents for Slovakia's energy sector are the Energy Policy of the Slovak Republic 2014 and the Energy Security Strategy 2008.

In 2018, amendments were introduced to Act no. 309/2009 Coll. on the Promotion of Renewable Energy Sources and High-Efficiency Cogeneration.

As an EU member state, Slovakia ratified the Paris Agreement in 2016.

### STRENGTHS

Efforts were made to meet the country's decarbonisation, renewable and energy efficiency targets. In 2018, regulatory changes were introduced to make renewable subsidies more market-oriented and to enhance price stability for end-consumers. As of January 2019, new renewable energy producers are supported through auctions for feed-in premiums. The Ministry of Economy decides the producer eligible for support through competitive bidding. The feed-in premiums are guaranteed for 15 years from the date the facility begins operation. Feed-in Tariff support is still available (1) to the new plants with an output of up to 500kW (2) to existing producers already availing it.

Data collection, monitoring and evaluation of the energy priorities and targets was undertaken in 2018. Statistics on emissions, projections of emissions till 2035 (including sectoral break-down for energy, industrial processes, agriculture, and land use and waste) were updated and are available on the website of the National Inventory System. The system includes the 2018 review reports submitted to the UNFCCC and the European Commission. Latest data on the achievement of the national energy efficiency targets is accessible on the website of the Energy Efficiency Monitoring System. Its annual reports are published online and open to the public.

### AREAS FOR IMPROVEMENT

Since the Government is currently updating its energy strategy for 2030, it is a timely moment to consider some critical issues. First, more ambitious targets should be set for the country's energy transition goal. Policy options should be designed for encouraging renewable resources that are currently under-developed or at a nascent stage. Second, the new strategy must be holistic and should take into account parallel agendas and policies set for high-emission sectors, such as transport. Awareness and public support should be raised on the benefits of low-carbon technologies. The Government is encouraged to continue its ongoing innovation and efficiency initiatives in this regard.

## Management of decision-making processes

### QUICK FACTS

The Ministry of Economy is responsible for formulating the energy and investment policies.

The Regulatory Office for Network Industries (URSO) is responsible for the Regulatory Policy (period 2017-2021).

The Slovak Investment and Trade Development Agency (SARIO) was established in 2001 as the investment promotion agency of the country.

Slovakia adopted Act no. 211/2000 Coll. the Freedom of Information Act for governing the conditions, procedures and extent of information access.

### STRENGTHS

Measures were taken to improve coordination and information exchange between public authorities. For instance, Act no. 177/2018 Coll. on Certain Measures to Reduce Administrative Burden through Use of Public Information Systems became effective on 1 January 2019. It relieves citizens and entrepreneurs from the obligation to submit certain categories of information available on public systems. Authorities are mandated, and allowed, to share such information or documents among themselves.

Laws and regulations, adopted in 2018, are available on the websites of the relevant authorities and in the Collection of Laws (Slov-Lex). Certain amendments to Act no. 343/2015 Coll. on Public Procurement came into effect as of 1 January 2019. The changes aim to reduce application problems for potential bidders, simplify the public procurement process and enhance its transparency.

### AREAS FOR IMPROVEMENT

As mentioned in last year's assessment, URSO is encouraged to improve the implementation of its transparency measures. To reduce the perception of opacity among market players, decisions of URSO on methodological guidelines, market indicators and other internal acts should contain all the relevant information. Moreover, administrative proceedings related to the setting of regulated prices, such as tariffs and maximum caps, should explain the evaluation and provide detailed reasoning.

## Regulatory environment and investment conditions

### QUICK FACTS

URSO is responsible for regulating the network industries including the electricity, gas, and heat power sub-sectors.

The general rule of equal treatment for domestic and foreign investors is established in the Constitution.

### STRENGTHS

URSO maintains the level of autonomy it had in the last EIRA assessment year. In 2018, there were new regulations introduced for gas and thermal heating. Under the new gas price regulation, the calculation of eligible costs was adjusted to better reflect real gas prices. The updated thermal heating price regulation revised the calculation of maximum fixed costs to ensure it does not affect thermal energy prices. This change aims at facilitating access to the distribution system by new customers and to increase energy efficiency of thermal energy production and distribution.

The legislative framework remains open and supportive of foreign investment. Measures have been taken to improve the business climate. For instance, the Government introduced amendments to Act no. 5/2004 Coll. on Employment Services, effective from 1 May 2018, for simplifying the process of hiring third-country nationals. New regulations have been put in place for promoting investment in innovation. To increase accountability in business transactions and to transpose the Fourth EU Directive (2015/849), Act no. 297/2008 Coll. Anti-Money Laundering Act has been amended. According to the latest version of the law, from 1 November 2018, it is mandatory for Slovak legal entities to register their ultimate beneficial owner with the Commercial Register.

### AREAS FOR IMPROVEMENT

It is reiterated that the URSO's financial and institutional autonomy may be revisited. At present, the law stipulates that the Chairman of the URSO shall be appointed by the Government. The other members are chosen on the proposal of the Government and the Parliament. They are appointed or dismissed by the President of the Slovak Republic. It must be ensured that appointments to the URSO are independent of market interests, the national Government and all other Government entities that carry our regulatory functions. Moreover, legislation must recognise its right to set the budget without Government approval and to exercise freedom in spending its revenue. This will not only increase URSO's impact but also assist in improving the legislative and regulatory environment of the energy sector.

## Rule of law

### QUICK FACTS

Slovakia ratified the Energy Charter Treaty in 1995.

The Convention on the Settlement of Investment Disputes between States and Nationals of Other States came into effect for Slovakia in 1994.

The Constitution contains provisions protecting property against unlawful expropriation.

### STRENGTHS

The dispute management and settlement processes remain effective. There have been no retroactive changes introduced to laws in the last year. National laws do not mandate the exhaustion of local judicial remedies before recourse to international arbitration. Similarly, International Investment Agreements do not impose such an obligation on investors. Positive measures have been taken to encourage arbitration, voluntary mediation and conciliation.

Slovakia continues to uphold its property right commitments to investors. Its BITs adopt the standard international formulation that compensation against expropriation should be prompt, adequate and effective. Some BITs go a step further and stipulate a timeframe for the payment. For instance, the Slovak-United Arab Emirates BIT, valid as of 5 February 2018, states that the compensation must be paid within 30 days from the expropriation decision. Protection is granted to all investment against any form of expropriation and through the unqualified operation of *most-favoured-nation* and *national treatment* obligations. There are currently no restrictions or limitations imposed on the transfer of technology under any international agreement or under the domestic laws of Slovakia.

### AREAS FOR IMPROVEMENT

As mentioned in EIRA 2018, to resolve issues between foreign investors and public authorities, the Government may consider establishing a dedicated investment ombudsman. Currently, the SARIO and the SIA provide some services, such as assistance with the identification of suitable real estate and with the implementation of investment projects. However, a distinct body with functions including grievance settlement, provision of mediation services and representation of investors' views to the Government could significantly help attract and retain investment.

It is urged that the conditions granting protection against expropriation may be explained further in legislation. For instance, the types of activities that can constitute "public interest" should be defined in the law. At present, the scope of this term is generally interpreted through case laws and legal commentaries. While the right of countries to determine "public purpose" is paramount, it is also important for investors to have clarity on its scope and how it may be applied in the context of expropriation.