



# Croatia

Population <sup>1</sup>	4,087,843
Area (km <sup>2</sup> ) <sup>1</sup>	88,070
GDP per capita (USD) <sup>1</sup>	15,014.08
TES (Mtoe) <sup>2</sup>	8.51
Energy intensity (toe/10 <sup>3</sup> 2015 USD) <sup>2</sup>	0.16
CO <sub>2</sub> emissions - energy (MtCO <sub>2</sub> ) <sup>3</sup>	15.3

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021<sup>4</sup>

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	2 new projects 3 acquisition deals 1 minority stake deal	Czech Republic: 2 RE projects of 55 mEUR China: 1 RE deal of 32 mEUR Viet Nam: 1 RE deal of 15.4 mEUR Values of 2 RE deals (Austria and France) are N/A

Sources:

1. The World Bank 2018
  2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
  3. ©IEA (2021), CO<sub>2</sub> Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
  4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Croatia is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.
- RE: Electricity generation from renewable resources

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

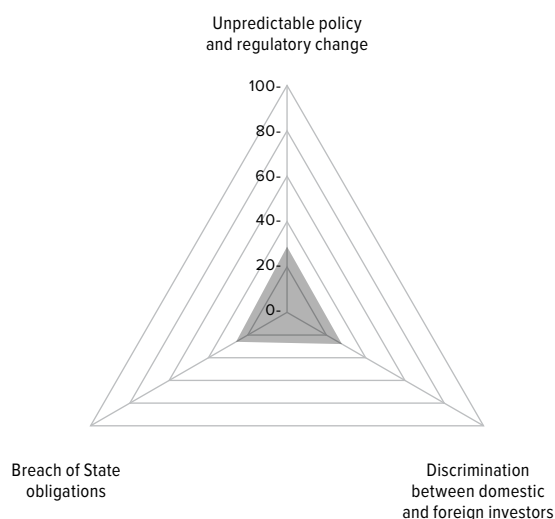
Of the three risks assessed in EIRA, *breach of State obligations* is lower compared to *discrimination between domestic and foreign investors* and *unpredictable policy and regulatory change*.

Croatia has a good performance on all the EIRA indicators. It has maintained its score from EIRA 2020 on the indicator *rule of law* (74) and the indicators *management of decision-making processes* (71), and *regulatory environment and investment conditions* (71). Its score on *foresight of policy and regulatory change* has increased from 57 to 68.

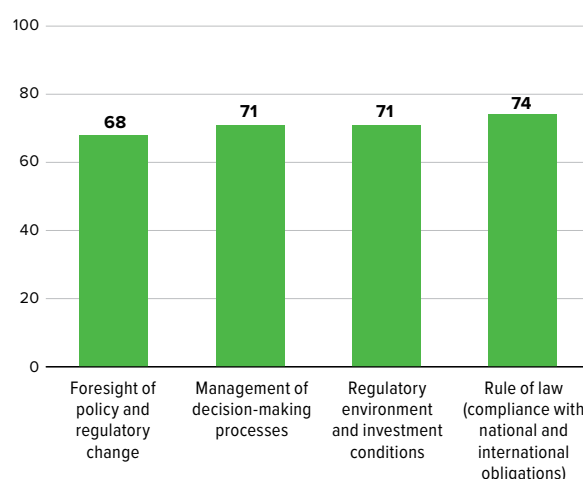
On a more detailed level, Croatia's overall sub-indicator performance is good. The highest-scoring sub-indicator is *respect for property rights* at 83. Its score on *communication of vision and policies* has increased from 59 to 79. It has received the same score as in EIRA 2020 on the sub-indicators *transparency* (79), *regulatory effectiveness* (72), *restrictions on FDI* (70), *management and settlement of investor-State disputes* (65) and *institutional governance* (63). Its score on *robustness of policy goals and commitments* has increased from 56 to 58, although this is the lowest-scoring sub-indicator.

While Croatia has the relevant policies and measures in place, there is potential for improvement. Attention should be given to strengthening the robustness of policy goals and commitments.

## RISK LEVEL



## INDICATOR PERFORMANCE



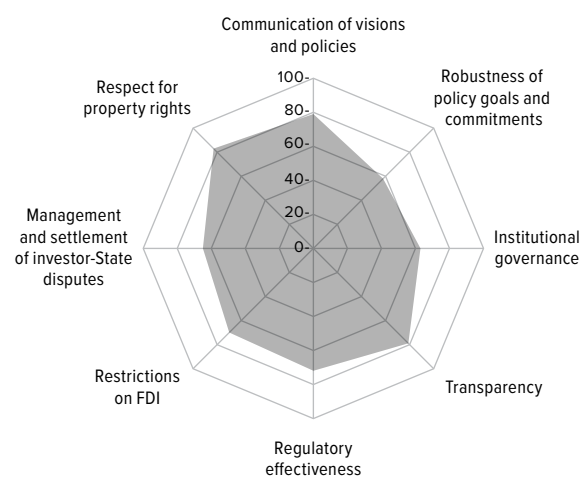
## YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	35	34	33	29
Discrimination between domestic and foreign investors	28	28	28	28
Breach of State obligations	26	26	26	26

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	49	52	57	68
Management of decision-making processes	71	71	71	71
Regulatory environment and investment conditions	71	71	71	71
Rule of law	74	74	74	74

## SUB-INDICATOR PERFORMANCE



## Foresight of policy and regulatory change

### QUICK FACTS

In 2020, the Croatian Parliament adopted the new Energy Sector Development Strategy until 2030 with a view to 2050 (Energy Strategy) and the Climate Change Adaptation Strategy (Climate Strategy) for the period until 2040 with a view to 2070.

In 2020, Croatia adopted the Integrated National Energy and Climate Plan for the period 2021-2030 (NECP).

### STRENGTHS

Croatia is developing its energy policy in line with the five dimensions of the EU. To ensure a sustainable environment and energy sector development, the Energy Strategy sets policy measures to reduce GHG emissions, increase the share of renewables in the electricity generation mix and promote energy efficiency in end-use sectors. The new Climate Strategy also aims to reduce the impact of climate change on the environment, strengthen the resilience of climate-vulnerable sectors and ensure swift mitigation responses. The Government is currently drafting the Long-Term Strategy for National Stock Building Renovation by 2050. Once implemented, it will help increase the country's energy renovation rate to over 3% per year from 2021 to 2030 and allow for an efficient and decarbonised building stock by 2050. The Government is also developing the draft Low Carbon Development Strategy until 2030 with a view to 2050.

The Ministry of Economy and Sustainable Development (MGOR), the Energy Institute Hrvoje Požar (EIHP) and the Croatian Energy Regulatory Agency (HERA) monitor the implementation of the country's energy targets. In 2020, the Croatian Bureau of Statistics published monthly reports on the short-term energy indicators. The Government reported to the United Nations Framework Convention on Climate Change Secretariat on the national GHG emissions inventory in April 2020. From January to December 2020, the Croatian Energy Market Operator (HROTE) monitored the generation and installed capacities of renewable energy producers operating within the Renewable Energy Sources Incentive System (OIEiK) and published monthly reports on this data. In February 2021, the independent transmission system operator (HOPS) published data on electricity generated from wind power plants in 2020. Private and public entities operating in the energy sector submitted their financial statements to HERA throughout 2020.

### AREAS FOR IMPROVEMENT

The Government is encouraged to further develop the legal regime on biofuels by adopting the relevant primary and subsidiary legislation as soon as possible. It should also consider increasing the primary and final energy consumption targets set in the NECP to reach the EU's 2030 targets under the Energy Efficiency Directive 2018/2002/EU.

## Management of decision-making processes

### QUICK FACTS

The MGOR is responsible for implementing the national energy policies and goals.

In February 2021, the Croatian Parliament approved the National Development Strategy 2030 (National Strategy).

### STRENGTHS

In 2020, the public sector's coordinated approach contributed to the successful development of cross-sectoral policies and regulations. In December 2020, the Government of Croatia, with support from the Croatian National Bank, prepared and approved the adoption of the National Plan for the Replacement of Croatian Kuna with the Euro. Following this, it established six coordinating committees on cash exchange, general State adaptation, legislative adjustments, the financial system, the economy and consumer protection, and communications. The introduction of the Euro will benefit foreign investment by eliminating exchange rate risk and lowering interest rates for investment loans to the eurozone level. The MGOR's online Start Portal supports businesses by shortening the time needed for procuring permits, eliminating third-party certifications and reducing administrative fees. In 2020, the Start Portal facilitated the registration of more than 20,000 business entities.

In 2020, the EIHP, the Ministry of Justice and Administration (MPU) and HERA published their annual report on implementing the Act on the Right of Access to Information 2013. The Government's Open Data Portal offers an annual catalogue of the legislation, international treaties and official documents of local governments that came into effect in 2020. The Croatian Parliament's e-Doc platform published more than 400 legal acts, including draft laws, amended and approved bills, and parliamentary committees' opinions. Throughout 2020, HERA made its decisions on tariff rates publicly available. In February 2020, it approved the tariff rates for the public gas supply service from 1 April to 31 December 2020 and from 1 January to 31 March 2021. In November 2020, it published its decision on the tariff rates for the reception and shipment of LNG. In March 2021, HERA informed citizens of a public debate regarding the proposal to amend the methodology for determining the tariff rates for gas transport.

### AREAS FOR IMPROVEMENT

Foreign investors would greatly benefit from a one-stop shop or agency that could help them navigate the country's multi-layered administrative procedures and procure the necessary permits and licences to operate in the country. The Government could also require this agency to act as a single window in responding to inquiries of potential domestic and foreign investors.

## Regulatory environment and investment conditions

### QUICK FACTS

HERA is the authority in charge of regulating energy activities.

The Strategic Investment Project Act 2018 regulates the criteria and application procedure for strategic investment projects.

### STRENGTHS

The Government and its agencies took various measures in 2020 to strengthen the energy sector's policy planning and regulatory framework. HERA published 124 decisions issuing electricity and natural gas permits and licences. In December 2020, it also approved the 10-year development plan of the gas transport system (2021-2030) to increase the existing interconnection capacities and decrease the average transmission costs. Moreover, the Government approved the Regulation on Hydrocarbon Exploration and Exploitation Fees that sets the methodology to determine the level and ratio of compensation for the exploration and exploitation of hydrocarbons, geothermal waters and natural gas storage. In May 2020, the Government approved the Regulation on Quotas for Encouraging Electricity Production from Renewable Energy Sources and High-Efficiency Cogeneration, aiming to reach the Energy Strategy's policy targets for renewable electricity. The Regulation requires the market operator, HROTE, to allocate renewable electricity production quotas through the State-aid scheme with the MGOR and the Ministry of Finance's approval.

In January 2021, the European Investment Bank and the MGOR signed a Memorandum of Understanding to develop joint projects in renewable electricity generation, the transmission and distribution infrastructure, energy efficiency, and transition to a green economy. This cooperation aims to support investments in energy and climate change adaptation and mitigation. In December 2020, the Government introduced new excise duty rates for some products through the Regulation on the Amount of Excise Duty on Energy and Electricity. In May 2020, the Croatian Power Exchange allowed the trading of Linked and Profile block products on the Day-Ahead market, giving electricity trading companies more flexibility in their trading activities. In 2020, the MGOR published the Investment Guidelines providing data and analysis on the business climate, investment conditions, labour market, potential project partners, investment locations and investment incentives.

### AREAS FOR IMPROVEMENT

Final decisions on whether a project is of strategic significance should be made available to the public and include detailed information on the evaluated parameters such as its economic, human resource, and environmental feasibility.

## Rule of law

### QUICK FACTS

Croatia ratified the ECT in 1997.

Croatia ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1998.

Provisions against the expropriation of immovable property are stated in the Expropriation and Determining of Compensation Act 2014 (Expropriation Act).

### STRENGTHS

The Government is implementing measures to promote an efficient judiciary, good governance and the rule of law. For instance, the National Strategy mandates the MPU to prepare and implement a new National Plan for the Development of the Public Administration 2021-2027 and a National Plan for the Development of the Justice System 2021-2027. The Croatian Arbitration Act 2001 regulates domestic arbitration, the recognition and enforcement of judgements and the courts' competence vis-à-vis arbitration. Croatia grants foreign investors the option to resolve disputes with the State through international arbitration without exhausting local dispute resolution mechanisms. The Mediation Act 2011 regulates voluntary mediation in civil disputes, including commercial, labour and other disputes. The Act applies to cases where, among others, one of the parties is domiciled, habitually resident, or seated outside Croatia.

The Expropriation Act describes the process to determine the expropriated property's value. It also guarantees fair compensation for the expropriated real estate within 15 days from the expiration of the expropriation decision or settlement. The BITs signed by Croatia define "investment" to include IP rights, in particular, copyright, industrial property rights and know-how. The State Intellectual Property Office (SIPO) is responsible for protecting IP rights. In May 2020, SIPO issued the New Patent Regulations, which provide for the enforcement of the Patent Act 2020 and define detailed rules, procedures and standard application forms.

### AREAS FOR IMPROVEMENT

The Government should consider introducing provisions in the Civil Procedure Act 2011 (as amended) and the Administrative Disputes Act 2010 (as amended) establishing concrete time limits to deliver final judgements in commercial matters.

As mentioned in EIRA 2020, Croatia should consider establishing an investment ombudsperson in charge of managing foreign investors' complaints. The Government may also seek guidance from the Energy Charter Model Instrument on Management of Investment Disputes, which aims to assist States in handling investment disputes while keeping in mind their particular needs and circumstances.

# IMPLEMENTATION STATUS



## Croatia

### PROPOSED IN

### EIRA AREAS FOR IMPROVEMENT

### IMPLEMENTATION STATUS AS OF 1 APRIL 2021

#### Indicator 1

	Finalise and adopt a long-term energy strategy that sets the overarching framework for future actions and ensure a seamless transition to the new strategy.	<b>Fully implemented.</b> In February 2020, the Croatian Parliament adopted the new Energy Sector Development Strategy until 2030 with a view to 2050 (Energy Strategy). The newly adopted Energy Strategy contains a wide range of initiatives to enhance energy security, gradually reduce energy losses and increase energy efficiency, and reduce dependence on fossil fuels.
2018	Develop action plans that set indicative targets, milestones, measurable progress indicators, and monitoring mechanisms to implement the energy priorities.	<b>Fully implemented.</b> In 2020, Croatia approved its final Integrated National Energy and Climate Plan (NECP) 2021-2030, which describes actions to implement a number of national energy priorities. In 2020, the Croatian Parliament adopted the new Energy Strategy and the Climate Change Adaptation Strategy (Climate Strategy) for the period until 2040 with a view to 2070. The Government is also developing the draft Low Carbon Development Strategy until 2030 with a view to 2050.
2021	Enhance the legal regime on biofuels and conclude the adoption procedure of the Law on Biofuels for Transport as soon as possible. Increase the primary and final energy consumption targets set in the NECP to reach the EU's 2030 targets set in the Energy Efficiency Directive 2018/2002/EU.	<b>Improvement suggested in 2021.</b> Status will be updated in 2022.

#### Indicator 2

	Identify and repeal overlapping or contradictory provisions in energy sector legislation, sub-laws, and rules.	<b>Pending</b>
2018	Publish all the strategic documents and laws in foreign languages.	<b>Work ongoing.</b> Some documents, such as the NECP, the Energy Strategy and the Climate Strategy, are available in foreign languages. Most of the policies and laws are available in Croatian, which is one of the official languages of the EU.
2020	Develop consolidated versions of legal acts that integrate all the successive amendments.	<b>Fully implemented.</b> The Croatian Parliament's e-Doc platform publishes enacted and draft laws, amended and approved legislative bills, and opinions of parliamentary committees.
	Establish a one-stop shop to assist investors in obtaining permits and licences for energy projects.	<b>Pending</b>

#### Indicator 3

2018	Reduce the role of the Government in declaring a project strategic and include detailed information on the evaluation parameters.	<b>Pending</b>
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#### Indicator 4

2018	Set systemised and effective dispute management measures. State the timelines for domestic courts to render decisions in the law and follow these through.	<b>Work ongoing.</b> The Government successfully negotiated with the International Bank for Reconstruction and Development a loan of EUR 100 million for the Justice for Business project that aims to strengthen the country's economic climate. The primary measures under this project include strengthening electronic communication within the administration, expanding the use of electronic services in the judiciary, reducing the number of old court cases, and creating better infrastructure.
	Streamline and reduce fragmentation of the legal framework on expropriation.	<b>Pending</b>
2020	Simplify property registration procedures and expedite the consolidation of the cadastre and land registry.	<b>Fully implemented.</b> The Joint Land Registry and Cadastre Information System (JIS) serves as a single register of cadastre and land books and exchanges data related to real estate. It streamlines both the cadastre and land registry systems and simplifies business processes. The service is implemented online through the One-Stop Shop of the Joint Land Registry and Cadastre Information System (ZIS OSS).