



The proposal for the transitional free allocation for the modernization of electricity production would in practice make it possible only for ČEZ, as the strongest energy producer on the Czech market, to qualify for free carbon credits after 2013, according to analysts.

by SANJA KUPREŠAK

The free carbon credit proposal made by Martin Říman (Civic Democrat, ODS) and Milan Urban (Social Democrat, ČSSD) set conditions for Czech power producers to get most of their carbon allowances for free after 2013, but ČEZ's competitors are crying foul, saying that the amendment was made to measure

for ČEZ. Moreover, as the European Commission (EC) has not issued rules on trading carbon emission credits—expected by the end of this year—there can be no guarantee that the plan proposed in the Czech Parliament will meet all the criteria.

Jan Fousek, country manager for the Czech Republic and Slovakia at Dublin-based investment firm **Carbon Warehouse Int.** and a partner at emission-

trading focused investment banking firm **Pravda Capital in Prague**, told *CBW* that this is a serious problem of the Czech legislative process and a typical example of ČEZ's power to influence the Czech political scene. "No member of our Parliament is willing to support such a proposal from ČEZ publicly, but most of them vote for it. It only shows that Czech officials are somehow, and you can imagine how, linked to ČEZ," he added. Fousek explained that if the ministry wanted to draw up an effective proposal that would take the environmental impact into account, they could create a public initiative by inviting other companies, including those outside of the electricity sector, to help prepare the draft. Furthermore, it would also be an improvement if they would propose it publicly as a single bill as opposed to concealing it in another legislative proposal. "This proposed bill is not in accordance with the Kyoto protocol, post-Kyoto negotiations and especially the EU Emission Trading Scheme (ETS), neither from ČEZ, which is the biggest polluter in the Czech Republic, nor, which is much worse, from the Czech Parliament's officials," Fousek said.

The proposal asks for a list of new technological installations that are predicted to be in operation from 2013 to 2020 and that were already in operation by the end of 2008. However, the proposal provides free allowances only to those companies that submit an investment plan to modernize technology by the end of March next year, and a significant proportion of the investment must be made by the end of 2011. In dealing with energy-climate package of the European Union, Czech producers fought last year for the possibility of allocating emission permits for free after 2013. While in Western Europe power producers have to auction all allowances as of 2013, in the Czech Republic it can be arranged by law up to seven years later.

ČEZ's competitors are mainly concerned with the speed with which the application is received in Parliament. Furthermore, the united support of both the ODS and ČSSD on the issue also raises some questions.

Deadline removes competitors

Radek Stavěl, director of corporate communications and human resources at **Czech Coal**, told *CBW* that this is quite a quick and surprising move in the Parliament, especially considering that the EU's guidelines how to proceed with the ETS have not been issued yet. Moreover, nobody discussed it with energy industry associations, which should be standard procedure when preparing a law.

The other power companies probably would not have time to submit the required investment plans by the end of March 2010 and carry out much of the investment in

new technologies by the end of 2011, so they would have to buy carbon credits after 2013. Industrial companies in the region may now find it hard to raise the necessary funds because of the crisis, which may also force many to limit their investments in environmentally friendlier technologies.

Marek Hatlapatka, head of research at Brno, South Moravia-based brokerage **Cyrus**, said that with this proposal everybody will have the same conditions. The problem is the March 2010 deadline for projects of technological modernization. "There are not many companies that are able to do so in such a short period. On the other hand, ČEZ is quite well-prepared and of course one can have some doubts if it is fair to give such a short time for projects to be done. ČEZ is now in the middle of a very high investment period, with many projects of modernization of their portfolio in the process and this can be some advantage for them," he explained.

Analysts at European energy consulting service **Point Carbon** estimate that the permit for one ton of CO₂ will cost €30 in 2013 compared with the present price of €13 (Kč 345). Medium-size coal-fired power stations would have to buy allowances for roughly Kč 2 billion annually.

"The obligation to spend 50 percent of investments before 2012 could create mar-

ket distortions and strong companies could possibly profit from this," said Jiří Vecka, an expert from the Czech Ministry of the Environment.

At the end of last year ČEZ started lobbying in the media by telling news agency Reuters that the EU plans to make energy companies buy their emission permits at auctions from 2013 on would delay investments in the power sector and put networks at risk. Companies now get most of their permits for free, but the EC announced plans that from 2013 they would be required to buy them at auctions, which would raise revenues for governments and increase utility costs. EU leaders are hoping to reach a deal on the new climate policy, including the auctions of pollution permits, at a summit in Copenhagen in December.

Petr Novák, an analyst at Czech brokerage firm **Atlantik finanční trhy**, said that this proposal is making calculations based on unclear conditions, as they come before the EC energy-climate package. "If Parliament approves it, it can be revoked after the EU finishes the emission trading law. The Ministry of the Environment expected that in 2013 the Czech energy sector will have to auction approximately 46 percent of the total amount of emission allowances, not 30 percent as was estimat-

ed before, because not everyone can reach those investment goals," Novák said. He clarified that savings and investment are hard to calculate if nobody knows the price of carbon in the future. "It depends on the market value of emission allowances. ... ČEZ still got a lot of capital expenditures and they are planning to spend a lot of money in investments for renewable [energy] over the next three years," he concluded.

The Czech Republic continues to own a majority stake of about 64 percent in ČEZ, which dominates of the Czech generation market with a 74 percent share. Within the overall targets of reducing greenhouse gas emissions by 2020, the 27 EU nations have agreed to bring renewable energy use up to 20 percent of the total and to make 20 percent energy savings. The Czech Republic is expected to raise its share of renewable sources to 13 percent by 2020, from the current level of about 5 percent.

British power producer **International Power** refused to comment on the new proposal despite that it could significantly reduce the sales value of their Czech assets. "It is too early for us to comment on the legislation to which you refer, as it has not yet been finalized," said Beth Akers, financial communications manager at International Power. ■

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The Czech Businesswomen Award – OCP

At the end of May, Agentura Helas and the company Mazars announced the second year of the competition The Czech Businesswomen Award (Ocenění Českých Podnikatelek – OCP). This competition was founded to support Czech businesswomen. It enables appreciating women as personalities and points at significant projects or innovations in various fields, which the Czech firms under their conduct bring onto the Czech or European market.

"We are interested in the life's philosophy, but even in the women's managing and business methods that helped them to reach success. We'd like to express our recognition and use their example as an encouragement for all the women, whether the actively busy ones or those who are summoning up the determination and strength for their first or other new projects," say the founders of the project, Helena Kohoutová and Jana Švenková.

The participant of the competition may be only a person meeting these 3 basic criteria:

a Czech female citizen, she must be a 100% owner the company, and this company has to be founded at latest on January 1st, 2005. The Czech Businesswomen Award can be nominated namely on the basis of a financial analysis of publically accessible data processed by an expert guarantee. The expert guarantee for this year has become the OCB - Czech Credit Bureau company which provides solutions for credit risk, tools for rating/scoring evaluations of various types of subjects and business info about firms.

Within the frame of the competition will be awarded prizes in two categories. In the first category „The Czech female founder of a company she owns and directs“ will be awarded the first place in the subcategories: small firms (10 - 24 employees), medium firms (25 - 99 employees), big companies (100 and more employees). The second category „The Prize of Česká spořitelna – An Outstanding Businesswoman“ is evaluated regardless of the number of employees. The complete evaluation is done by the jury whose members are consisting of significant manager personalities experienced in firm directing, representatives of universities and delegates of specialised organizations.

The competition's benefactress of this year is Eliška Hašková Coolidge who began her career at the White House, where she was working as an Assistant to five U.S. President for 18 years. The other

members of the jury are Ing. Václav Kubota, the Chairman of the marketing department of Česká spořitelna; MUDr. Hana Raková, MBA, the director of Estihé - The Clinic of laser dermatology, s.r.o.; Prof. Ing. Michal Mejstřík, CSc., the director of the Institute of Economic Studies at Faculty of Social Sciences at the Charles University in Prague, and a member of the National Economic Council (NERV). Further Tomáš Sedláček, the main macroeconomist of the economic strategies in ČSOB, and a member of the National Economic Council (NERV); Ing. Pavel Finger, MBA, the member of the Board of the Czech Credit Bureau; Ing. Hana Pavlíčková, the director of Česká informační agentura - CIA (The Czech Information Agency); the profound ballet-master Vlastimil Harapes and both founders, Helena Kohoutová, director of Helas Agency and Jana Švenková, partner of Mazars Audit.

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