

Assessment of country performance and opportunities from the Energy Union

Czech Republic shows mixed performance along the five dimensions of the Energy Union:

- Energy Security is the most pressing issue for Czech Republic as it imports all its gas from Russia. Although gas infrastructure would allow for good diversification of sources and routes, the Czech Republic thereby remains one of the most vulnerable EU countries to possible gas disruptions.
- Concerning the Internal Energy Market, the successful coupling of the day-ahead markets between the Czech Republic, Slovakia, Hungary and Romania has improved price stability in the region. Electricity interconnections capacity in Czech Republic (17% in 2014) is already above the 2020 and 2030 targets. However, market integration of renewables and cross-border electricity loop flows remain a challenge.
- Energy Efficiency: the Czech Republic is on track to meet its 2020 energy efficiency target, but important energy savings potential remains especially with regard to energy renovation of buildings. Investing in energy savings would also downscale the investment challenge for modernising the Czech Republic's energy infrastructure.
- Decarbonisation: the country is on track to meet its 2020 targets for greenhouse gas emission reductions and renewable energy. The Czech economy however remains highly carbon intensive. The support for renewables has not been stable due to retroactive changes in its support scheme thereby undermining investors' confidence.
- Research and Innovation: the ageing electricity infrastructure (including the generation portfolio) and high network costs require strong efforts towards modernisation and investments.

The Energy Union Strategy can provide potential benefits for Czech Republic:

- Energy Security: the Energy Union will reduce the Czech Republic's energy dependence through (i) the diversification of EU gas sources, suppliers and routes, (ii) a better coordination of emergency response mechanisms among Member States and (iii) the development of north-south infrastructure and reverse flow options .
- Internal energy market: Market integration of renewables and regional cooperation among Member States' support schemes will benefit Czech customers and businesses. Five Projects of Common Interest (PCI) in the electricity sector aim at increasing capacity at Czech Republic's North-Western and Southern borders and will contribute to addressing the issues of loop power flows between Germany – Czech Republic – Austria and Slovakia. Regional cooperation on generation adequacy with neighbouring countries will enhance security of electricity supply.
- Energy Efficiency: The Energy Union supports investments in particular in the buildings sector by strengthening the targeted use of financial instruments. In the Czech Republic, significant contributions can be expected from the European Structural and Investment Funds, the European Fund for Strategic Investment and revenues from auctioning of ETS allowances. Increased energy efficiency will improve energy security, reduce energy bills and contribute to reducing energy poverty.

- Research and innovation: The Energy Union will provide an integrated research strategy as well as more targeted funding along common goals and propose an upgraded Strategic Energy Technology Plan and a strategic transport R&I agenda in 2015-2016. Besides EU research funding programmes, the European Fund for Strategic Investments (EFSI) will facilitate investments in energy infrastructure, which needs to be modernised, in the expansion of renewable generation and in energy efficiency. This can only benefit the Czech Republic in its transition to a less carbon and energy intensive economy.