The energy industry and energy price issues in Slovakia during recent years[1]

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Continued from issue no. 5/2007

ENERGY PRICE DEVELOPMENTS IN SLOVAKIA DURING RECENT YEARS

Price regulation change as a key step towards eliminating price distortions

The process of price liberalization is, in general, one of the objective preconditions for the functioning of a sound market mechanism. In order to achieve the necessary balance between the interests of sellers, on the one hand, and consumers, on the other, the independent Regulatory Office for Network Industries (RONI)[2] was set up and tasked with setting energy prices on an objective basis.

By adopting the Act on regulation in network industries and establishing the RONI, Slovakia included itself among those countries that have fundamentally changed the regulatory framework for their network industries. This was done through the following steps:

- The Slovak government relinquished powers to intervene in the regulation of energy prices and delegated that regulation to an independent institution so as to provide for the transparent and consistent regulation of business in regulated industries and to ensure a fair allocation of the income from regulated activities.
- The setting up of an independent regulator was a key step in the overhaul of energy industry regulation and the elimination of price distortions caused by cross-subsidies, as well as in the creation of realistic conditions for the liberalization of energy trading.

The elimination of price and tariff distortions in network industries was essential for the aligning of energy production costs and for making the further development of their prices easier to predict, as well as for the liberalization of energy trading.

It was in 2002 that RONI began the demanding process of transforming energy price regulation, when it approved a methodology for price regulation on the basis of which individual decisions on maximum prices and tariffs in all regulated industries were issued over an exceptionally short timespan and within the continuing transformation and privatization of the energy industry and the liberalization of trading in electricity and gas.

The changeover to a new system of energy price regulation in 2003 was aimed at eliminating the price distortions caused by cross-subsidies, which had resulted in the long-term lag of prices behind the real costs for the production, transmission and supply of energy. Under the Act, regulated prices are to be set objectively so that they cover economically eligible costs and a reasonable profit on the performance of regulated activities. The prices should be fair and should not be disadvantageous to either the supplier or the customer.

The transformation of price regulation in 2003 had the following results[3] in the individual fields of:

- **electricity** – with the end-user prices raised by an average of 19.82%, cross-subsidies were removed in all customer categories of the electricity companies Západoslovenská energetika, a.s. and Východoslovenská energetika, a.s., and remained only to a small extent in the household customer category of Stredoslovenská energetika, a.s.;
- **natural gas** – with end-user prices raised by an average of 32.7%, cross-subsidies were eliminated in all customer categories;
- **heat from central sources** – the price of heat was set as competitively as possible at 480 SKK/GJ (including VAT), which in comparison with 2002 represented an increase of 100 SKK/GJ in the end-user price;
- **water and wastewater** – with end-user prices raised by an average of 35% for drinking water supply and 30% for the removal and treatment of wastewater, cross-subsidies between the consumer categories of households and industry were reduced only slightly and it was not until these prices were put up by a similar amount in 2004 that cross-subsidies were eliminated.

Prices of gas and electricity for households and industrial consumers in the V4 countries and Slovenia

The process of raising regulated energy prices for industrial consumers and households was subsequently reflected in greater convergence of electricity and gas prices for households and industrial consumers towards the average prices for all EU-25 countries.[4]

An objection to the household prices of gas and electricity could be that they are subject to different tax conditions across the countries com-

1 The information and conclusions presented by the author in this article do not represent the official standpoint of the National Bank of Slovakia.

2 On 14 June 2001, the Slovak Parliament approved a Government bill on regulation in network industries, on the basis of which the RONI was established with effect from 1 August 2001. As of that date, the RONI assumed the competences of the Slovak Ministry of Economy in the field of technical regulation, and as of 1 January 2003, it took over the price-regulation competences of the Slovak Ministry of Finance. The RONI thereby assumed responsibility for the regulation of the energy industry, while the Government retained responsibility for economic policy in network industries and for the exercise of ownership rights in regulated enterprises. The RONI's task is to regulate prices in an environment where there is an absence of competition and where producers and suppliers of energy commodities could abuse their dominant position by setting prices arbitrarily.

3 Report on Activities for 2002; RONI, Bratislava 2003, pp. 21-32.

4 In accordance with Eurostat's methodology, prices of energy sources (gas and electricity) for both the household sector and industrial consumers are collected every six months for several types of consumers. Among households, the standard consumer of gas (D3) is deemed to consume 83.7 GJ per year, and the standard consumer of electricity (Dc), 3,500 kWh per year. Among industrial consumers, the standard consumer of gas (I3-1) is deemed to consume 41,860 GJ per year, and the standard consumer of electricity (Ie), 2000 MWh per year. In accordance with the Eurostat approach, the household energy prices under comparison include all taxes, and the energy prices for industrial consumers exclude VAT. It should be noted in this regard that Eurostat's integrated methodology does not have to reflect certain specifics of national methodologies for the setting of energy prices (e.g. it is likely that no other V4 country includes in the price structure the item designated in Slovakia as the 'system operating tariff'). This fact could have a certain effect, albeit not substantial, on the relatively higher prices of the main energy sources in Slovakia in comparison with surrounding countries, as reported by Eurostat.

pared, but even when the price data for gas and electricity is stripped of tax, the relations between the countries and the interpretative context of price developments in energy commodities remain the same. Comparable data on Slovakia's gas and electricity prices for standard industrial and household consumers has only been available from the Eurostat database since 2004, but even in that year Slovakia had the highest electricity prices for standard industrial and household consumers in comparison with the other V4 countries and Slovenia. Gas prices for the standard household consumer in Slovakia are exceeded by those for households in Slovenia and industrial consumers in Hungary.

From the comparison with surrounding countries, it is clear that at the beginning of 2006, too, the prices paid by Slovak households for gas and electricity were the highest among the V4 countries (10.88 EUR/GJ or 14.48 EUR/100 kWh). Electricity prices for industrial consumers are also higher in Slovakia than in the neighbouring countries (7.73 EUR/100 kWh). Only industrial consumers in Hungary paid more for gas (8.18 EUR/GJ) than the price in Slovakia (7.65 EUR/GJ).

At the beginning of 2006, the gas price for the standard household consumer (D3) in Slovakia represented 84% of the EU-25 average, and the gas price for the standard industrial consumer (I3-1) was more than 87% of the average for all the EU Member States. For electricity, the price paid by the standard household consumer (Dc) at the beginning of 2006 was more than 2% higher than the EU-25 average and that paid by the standard industrial consumer (Ie) was more than 91% of the EU-25 average.

In comparison with neighbouring countries, at the beginning of 2006, energy prices in Slovakia for standard household and industrial consumers had generally converged more substantially towards the EU-25 average. Since energy prices are a key inflationary factor, this represents, from a monetary-policy perspective, a good basis for maintaining in coming years the comparatively favourable relations that the overall price development in Slovakia has vis-ą-vis neighbouring countries and Europe.

Even when energy prices are measured in purchasing power standard (PPS), which eliminates price level differences between countries, Slovakia is shown to have the most expensive electricity for both households and industrial consumers (24.76 PPS/100 kWh and 13.13 PPS/100 kWh, respectively), not only among the V4 countries but throughout the EU-25.

Gas prices for households measured in PPS are currently highest in Denmark (26.87 PPS/1 GJ) and those for industrial consumers are highest in Hungary (14.41 PPS/1 GJ). Slovakia, however, is not far behind these countries: its gas price for the standard household consumer (D3) stands at 16.9 PPS/1 GJ, representing sixth place (after Denmark, Slovenia, Poland, Italy and the Czech Republic), and its gas price for industrial consumers is 12.72 PPS/1 GJ, representing third place after Hungary and the Czech Republic.

Table 3 Overview of gas and electricity prices for households and industrial consumers in the V4 countries and Slovenia

	D3 in EUR/GJ Gas prices for households as at 1 January							I3-1 in EUR/GJ Gas prices for producers as at 1 January						
	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006
EU-25	.	.	.	.	10.47	11.29	12.96	.	.	.	.	5.85	6.65	8.77
EU-15	10.01	11.65	11.43	11.49	10.93	11.75	13.43	4.57	6.46	6.16	6.03	5.93	6.86	8.93
CZ	4.36	5.50	7.08	6.35	6.57	7.49	10.03	3.01	3.88	4.68	4.14	4.20	5.11	7.34
HU	3.32	3.58	4.35	4.41	4.76	5.10	5.28	2.74	4.09	4.91	5.20	5.63	6.03	8.18
PL	.	6.45	8.10	7.20	6.34	7.55	9.46	.	5.60	6.15	5.59	4.26	5.30	6.77
SL	7.19	10.57	9.81	9.87	9.64	10.33	12.99	5.30	8.37	7.28	5.28	4.80	5.89	7.96
SK	.	.	.	.	7.27	8.14	10.88	.	.	.	.	5.33	5.08	7.65

	Dc in EUR/100 kWh Electricity prices for households as at 1 January							Ie in EUR/100 kWh Electricity prices for producers as at 1 January						
	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006
EU-25	.	.	.	.	13.20	13.54	14.16	.	.	.	.	7.04	7.59	8.47
EU-15	13.22	13.17	13.36	13.55	13.58	13.85	14.44	6.72	6.95	6.76	7.34	7.21	7.75	8.66
CZ	5.78	6.58	7.83	7.97	8.07	8.68	9.85	4.67	4.73	5.18	4.99	4.92	6.01	7.31
HU	6.97	7.10	8.09	8.21	9.92	10.64	10.75	5.10	5.20	5.95	6.04	6.61	7.09	7.61
PL	.	8.66	10.66	10.05	9.04	10.64	11.90	.	4.92	5.85	5.66	4.88	5.55	5.96
SL	9.88	9.96	10.29	10.00	10.10	10.33	10.49	6.04	6.03	5.99	5.82	6.09	6.11	6.51
SK	.	.	.	.	12.18	13.38	14.48	.	.	.	.	6.83	7.03	7.73

Source: Eurostat
Note: The points in the table indicate that the respective data are not available.

The measurement of gas and electricity prices in PPS confirms that Slovakia has the dearest electricity for both households and industrial consumers (24.76 PPS/100 kWh and 13.13 PPS/100 kWh, respectively), not only among the V4 countries, but also within the EU-25. Gas prices in Slovakia for standard household and standard industrial consumers are, respectively, the sixth and third highest in the EU-25 (at 16.9 PPS/1 GJ and. 12.72 PPS/1 GJ).

On the one hand, Slovak energy companies have in recent years ranked among the most effective in terms of value added creation and have been reporting above average profitability in the context of the whole EU. On the other hand, available global data indicate that they have been investing gradually less in further development.

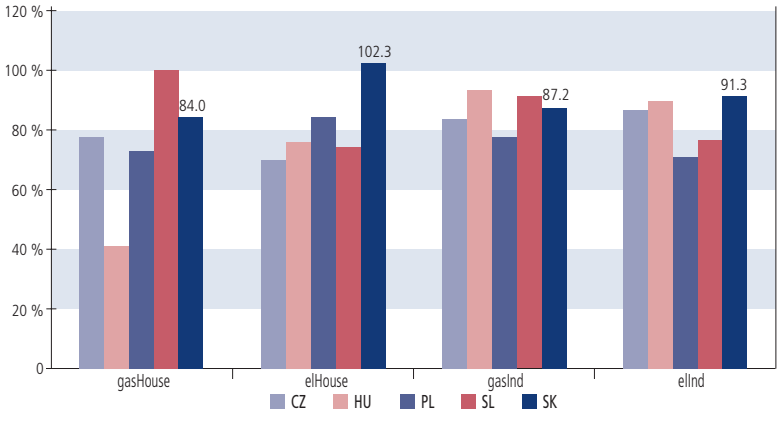
Growth in energy prices for producers and for households in the HICP

The previously stated information on specific prices of gas and electricity for the standard industrial consumer and household consumers also includes the following:

- more comprehensive information on the development of energy prices for producers (comprising in addition to the generation and distribution prices of electricity and the production price of gas and pipeline distribution price of gaseous fuels, the price of steam and hot water supply and the price of water treatment and distribution);
- information on the development of energy prices included in the harmonized index of consumer prices (HICP) since 1999.

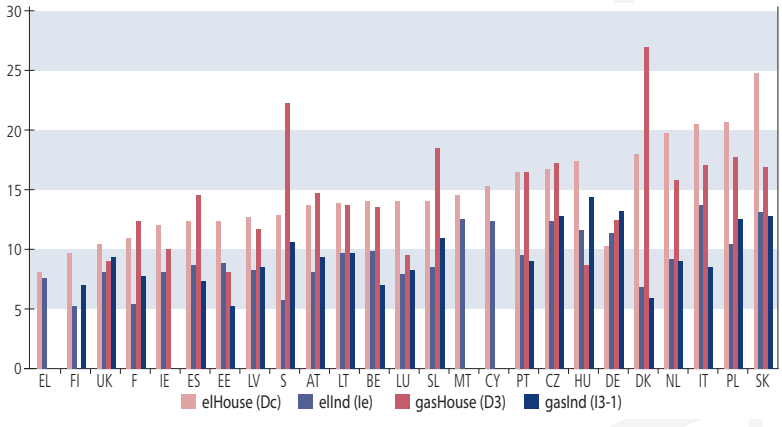
Looking at the time series of basis indexes of energy prices for producers in neighbouring

Chart 4 Convergence rate of energy prices in the V4 countries and Slovenia at the beginning of 2006 in relation to the EU-25 average



Source: Eurostat and NBS calculations.

Chart 5 Energy commodity prices in EU-25 countries in PPS



Source: Eurostat and NBS calculations.

Table 4 Basis and year-on-year indexes of energy prices for industrial producers and energy prices in the HICP in selected countries

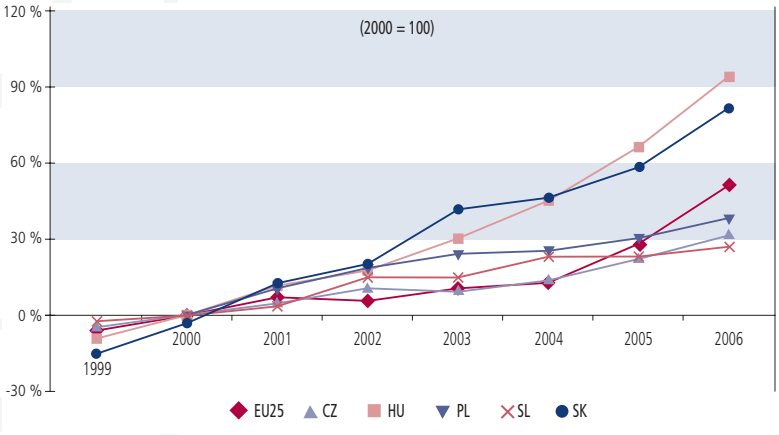
	PPI_{energy} (2000=100)								$HICP_{energy}$ (2000=100)							
	1999	2000	2001	2002	2003	2004	2005	2006	1999	2000	2001	2002	2003	2004	2005	2006
EU-25	93.9	100.0	106.9	106.2	110.6	113.0	128.5	151.1	91.6	100.0	106.2	107.0	110.9	114.9	125.3	138.7
CZ	95.9	100.0	105.3	110.2	109.4	113.7	121.8	131.1	.	100.0	116.1	122.4	120.8	123.2	130.9	147.3
HU	91.4	100.0	111.6	117.8	130.9	146.1	166.6	194.1	.	100.0	109.0	115.0	123.3	140.3	149.3	160.1
PL	.	100.0	111.3	119.0	124.2	126.3	130.9	138.9	92.0	100.0	110.7	117.2	121.1	124.5	129.2	138.0
SL	97.9	100.0	103.4	115.4	115.7	123.5	124.0	127.5	.	100.0	111.2	113.2	117.7	125.0	140.5	151.9
SK	85.4	96.7	112.6	120.1	141.6	146.2	158.3	181.3	67.9	100.0	118.9	123.2	152.1	175.4	190.3	218.6

	PPI_{energy} (year-on-year)								$HICP_{energy}$ (year-on-year)							
	1999	2000	2001	2002	2003	2004	2005	2006	1999	2000	2001	2002	2003	2004	2005	2006
EU-25	.	106	106.9	99.35	104.1	102.2	113.7	117.6	.	109.2	106.2	100.8	103.6	103.6	109.1	110.7
CZ	.	104	105.3	104.7	99.27	103.9	107.1	107.6	.	.	116.1	105.4	98.7	102.0	106.3	112.5
HU	.	109	111.6	105.6	111.1	111.6	114.0	116.5	.	.	109.0	105.5	107.2	113.8	106.4	107.2
PL	.	.	111.3	106.9	104.4	101.7	103.6	106.1	.	108.7	110.7	105.9	103.3	102.8	103.8	106.8
SL	.	102	103.4	111.6	100.3	106.7	100.4	102.8	.	.	111.2	101.8	104.0	106.2	112.4	108.1
SK	.	113	116.4	106.7	117.9	103.2	108.3	114.5	.	147.3	118.9	103.6	123.5	115.3	108.5	114.9

Source: Eurostat and NBS calculations.
Note: The points in the table indicate that the respective data are not available.

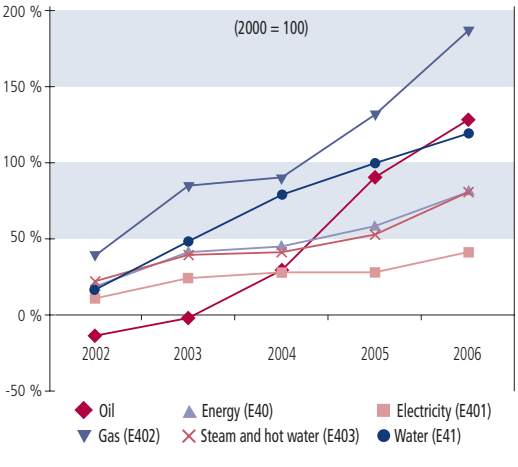
countries since 1999, it can be seen that energy prices for producers have been gradually rising in all countries (and also in the EU as a whole), but these prices have been increasing most sharply in Slovakia and Hungary. This is illustrated in Chart 6.

Chart 6 Basis indexes of energy prices for producers in selected countries



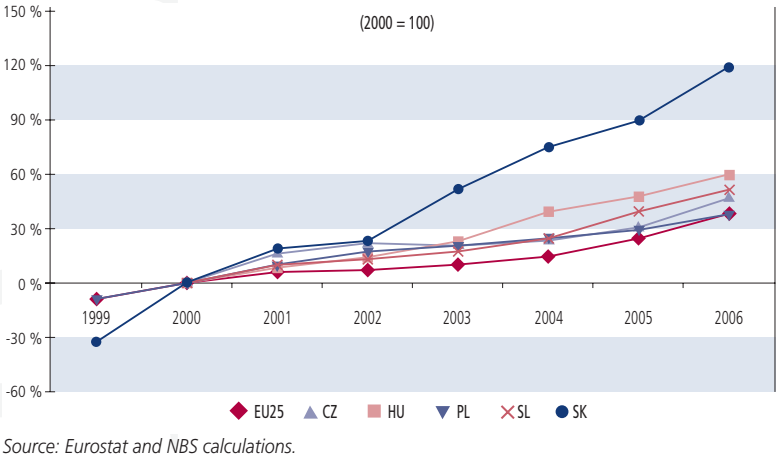
Source: Eurostat and NBS calculations.

Chart 7 Basis indexes of oil prise rises in individual energy groups in Slovakia



Source: Bloomberg, Statistical Office of the Slovak Republic, and NBS calculations.

Chart 8 Basis indexes of energy prices in the HICP within the EU-25 and selected countries



Source: Eurostat and NBS calculations.

The rise in energy prices for producers shows that Slovakia has recorded the second highest increase since 1999 (up by more than 81% in 2006 in comparison with 2000), after Hungary (up by more than 94% in 2006 compared against 2000). For the EU-25 countries, energy prices for producers increased between 2000 and 2006 by an average of more than 51%.

Energy prices for producers in Slovakia rose especially sharply in 2003 (by 17.9% year-on-year) after regulated prices were raised in order to eliminate their distortions inherited from the past. They climbed more slowly in 2004 (by 3.2% year-on-year), but subsequent years have seen energy prices for producers rise more quickly year-on-year in Slovakia than in Poland, Slovenia or the Czech Republic.

By comparing the basis indexes of energy prices for producers in surrounding countries with the same average indicator calculated for countries of the EU-25, it may be seen, for example, that the Czech Republic was until 2005 the only country in which the rise in these prices was kept roughly at the average level for the EU-25, or lower (although, over the period compared, gas and electricity prices for standard industrial consumers were lower in the Czech Republic than in the older EU Member States).

The marked rise in average energy prices for producers over recent years has been caused mainly by the sharp increase in gas prices, related mostly to the development of oil prices on global markets. Within the EU-25, the average gas prices for producers in 2005 reported a cumulative rise of over 50% in comparison with 2000, while in Slovakia the increase was more than 133%, rising to over 180% in 2006. Comparable price data on different kinds on energy or on the production and distribution of water are not available for neighbouring countries.

In Slovakia, gas prices for producers have risen in recent years substantially faster than oil prices on world markets. Since 2002, water production and distribution prices have also increased relatively sharply in Slovakia. The slowest rise in price in recent years has been recorded by prices for the generation and distribution of electricity.

From the basis indexes of energy prices (2000 = 100) in the HICP calculated since 1999, it is apparent in the case of Slovakia that energy prices for households have risen even more sharply than those for producers (comparing the prices in 2006 with 2000, the respective increases were almost 120% and just over 81%). Since 2003, the increase in energy prices for households in the HICP has been markedly greater in Slovakia than in surrounding countries, as Chart 8 shows. When comparing energy prices for households between 2006 and 2000, Hungary reported a rise of over 60%, Slovenia around 52%, Poland 38% and the Czech Republic over 47% (the EU-25 reported an average of almost 40%).

In Slovakia, the year-on-year increase in energy prices in the HICP represented 23.5% in 2003;

it slowed down over the next two years (to 15.3% in 2004 and 8.5% in 2005) and then climbed again in 2006 (to almost 15%). Despite the slowdown in 2004 and 2005, the year-on-year increase in energy prices for households was higher than that in neighbouring countries.

An analysis of the growth in energy prices for producers and energy prices in the HICP, recorded between 1999 and 2006, shows that Slovakia had the second most substantial rise in energy prices for producers during this period (after Hungary) and the steepest increase in energy prices for households. One cause of the relatively sharp rise in energy prices for Slovak households was the fact that the regulated prices of individual energy commodities had been distorted by cross-subsidies up until 2003.

It is, however, also clear from the analysis of these price dynamics that in 2005, for example, just after the culmination of energy price deregulation processes, the year-on-year increase in energy prices for households in Slovakia was the second highest (after Slovenia), even though Slovakia, in comparison with the V4 countries and Slovenia, already had the second highest gas price (8.14 EUR/GJ) and the highest electricity price (13.38 EUR/100 kWh) for the standard household consumer. As the data in Table 4 shows, the year-on-year rise in energy prices for households in Slovakia and in Poland over the last two years has been almost identical to the development of energy prices for industrial consumers.

At the beginning of 2006, the prices of the main energy sources in Slovakia were higher than in neighbouring countries (with the exception of natural gas prices for industrial consumers), but they were not yet up to the EU-25 average (except in the case of electricity for households). To reach that level, the gas prices for the standard household consumer and standard industrial consumer would need to rise by, respectively, 15% and 12%, and the electricity price for the standard industrial consumer would have to go up by almost 10%. The electricity price for the standard household consumer in Slovakia began 2006 more than 2% higher than the EU-25 average.

Conclusion

Using standard Eurostat procedures, this article has compared the energy industry and energy commodity prices in Slovakia mainly with neighbouring countries and the EU-25 as a whole. The analysis made does not claim to answer all questions related to the state and development of the Slovak energy industry and energy prices. Rather, it offers several general findings, some of which merit subsequent deeper analysis on an independent basis.

The analysis offers the following general findings:

- Slovakia's energy industry holds a more prominent position in the national economy than do the energy industries of the other EU-25 countries. This is clear from several selected indicators where the energy industry has the largest share of the total figure for the whole non-financial business economy in Slovakia. This is the case for percentage indicators of value added, gross turnover and number of employees.
- In both Slovakia and the EU as a whole, large energy companies continue to hold monopoly positions (from the available 2004 data for Slovakia, relating only to category E, it can be seen that energy companies employing more than 250 people represented around 16% of E-category companies but accounted for almost 95% of the total value added creation in the energy industry; at the EU level, the ratio was 3.7%: 76.9 %). This is also why energy prices in Slovakia have not yet come under downward pressure from competition.
- In terms of value added creation, Slovak energy companies (E40) were among the best performing in the EU (according to Eurostat data for 2003, the most recent mutually comparable data; the data for 2004 is still not complete). In 2003, labour productivity in the Slovak energy industry was four times greater than the average for the whole non-financial business economy, and 3.7 times higher than in manufacturing industry. Labour productivity growth in the Slovak energy industry picked up especially after 2002 (the year-on-year increase was over 40% in 2003 and more than 20% in 2004). Even in comparison with the other V4 countries and Slovenia, the labour productivity results reported by Slovak energy companies in recent years have been relatively favourable (Slovakia even had the best figure in 2004, better than Slovenia by 2.6 percentage points). Not so favourable, however, is the comparison with the older Member States: in 2003, for example, productivity per employee in Slovak energy companies was only around 43% of the EU-25 average.
- In the Slovak economy, the profitability rate in the energy industry is the highest among non-financial industries (25.9%). According to Eurostat data, only Spain's energy companies outdid Slovakia's energy companies in terms of profitability (with 27.9%). In 2003, the average profitability rate for energy companies across the EU-25 was around 17%.
- In contrast to the positive increase in value added creation, labour productivity and profitability in Slovak energy industries has been the scale of investment in their future development. Gross investment in tangible goods has fallen in recent years, reflected in a trend decline in investment per employee and investment on value added.
- The year 2002 marked a watershed for the Slovak energy industry with the preparation of a legislative framework for creating competition in the market and the launch of the process to raise regulated energy prices. The changeover to a new system of energy price regulation in 2003 was aimed at eliminating the price dis-

tortions caused by cross-subsidies, which had resulted in the long-term lag of prices behind the real costs for the production, transmission and supply of energy. Energy prices should be set objectively by the independent regulator so that they cover economically eligible costs and a reasonable profit on the performance of regulated activities and that they create a competitive environment. The prices should be fair and should not be disadvantageous to either the supplier or the customer.

- The process of raising regulated energy prices for industrial consumers and households, launched in Slovakia in 2003, has been reflected in greater convergence of gas and electricity prices for households and industrial consumers towards the average prices for the EU-25. In recent years, moreover, the prices of the main energy sources in Slovakia have converged more substantially than those in neighbouring countries towards the EU-25 average prices.
- At the beginning of 2004, the electricity price for both the standard household consumer and standard industrial consumer was, in euro terms, higher in Slovakia than in the other V4 countries and Slovenia. As for the gas price, only households in Slovenia and industrial consumers in Hungary were paying more than the standard household consumer in Slovakia. At the beginning of 2006, the prices paid by Slovak households for gas and electricity were the highest among the V4 countries (10.88 EUR/GJ and 14.48 EUR/100 kWh). The highest electricity price in the neighbouring countries was paid by industrial consumers in Slovakia (7.73 EUR/100 kWh). Only industrial consumers in Hungary paid more for gas (8.18 EUR/GJ) than the price in Slovakia (7.65 EUR/GJ). The official data from Eurostat includes differences in the taxation of the given commodities, but even when the price data for gas and electricity is stripped of tax, the interpretative context remains the same.
- In terms of purchasing power standard (PPS), which eliminates price level differences between countries, Slovak households were paying the highest electricity price in the whole EU and the sixth highest gas price in the EU. In terms of their gas and electricity prices (PPS), the standing of Slovak industrial consumers within the EU-25 was relatively more favourable than that of households.
- At the beginning of 2006, the gas price for the standard household consumer in Slovakia represented 84% of the EU-25 average, and the gas price for the standard industrial consumer was more than 87% of the average for all the EU Member States. When the year began, the electricity price for the standard household consumer was more than 2% higher than the EU-25 average and that paid by the standard industrial consumer exceeded 91% of the EU-25 average.
- Energy prices for producers in Slovakia were raised especially sharply in 2003 (by 17.9% year-on-year), also for the purpose of eliminating distortions inherited from the past. They climbed more slowly in 2004 (by 3.2% year-on-year), but subsequent years have seen energy prices for producers rise more sharply year-on-year in Slovakia than in Poland, Slovenia or the Czech Republic.
- The marked increase in average energy prices for producers over recent years has been caused mainly by the sharp increase in gas prices, related above all to the development of oil prices on global markets. Within the EU-25, the average gas prices for producers in 2005 reported a cumulative rise of over 50% in comparison with 2000, while in Slovakia the increase was more than 133%, rising to over 180% in 2006. In Slovakia, gas prices for producers have risen in recent years substantially faster than oil prices on world markets. Since 2002, water production and distribution prices have also increased relatively steeply in Slovakia. The slowest rise in price in recent years has been recorded by prices for the generation and distribution of electricity.
- Since 2003, the increase in energy prices for households in the HICP has been markedly sharper in Slovakia than in neighbouring countries. The fastest rise in HICP energy prices in Slovakia was reported in 2003 (23.5% year-on-year) and in 2004 (15.3% year-on-year), which was related to the liberalization of energy prices and the elimination of cross-subsidies (in other countries, such as the Czech Republic, this process was launched sooner and was spread over several years). Over the next two years, they rose more slowly year-on-year (by 8.5% in 2005 and 14.9% in 2006) and almost mirrored the price growth for producers. In all years, the annual increase in energy prices for households was higher than that in neighbouring countries. From the analysis of these price dynamics, it is clear that in 2005, for example, just after the culmination of energy price deregulation processes, the year-on-year increase in energy prices for households in Slovakia was the second highest (after Slovenia), even though Slovakia, in comparison with the V4 countries and Slovenia, already had the second highest gas price (8.14 EUR/GJ) and the highest electricity price (13.38 EUR/100 kWh) for the standard household consumer.
- Within the EU, Slovak energy companies have in recent years been among the best performing in terms of value added creation and have been reporting better than average profitability, but they have at the same time gradually reduced investment in their future development. The relatively substantial convergence of rising gas and electricity prices, for both households and industrial consumers, towards the EU's average prices for energy commodities has contributed significantly to the profitability of

energy companies but has not been appropriately utilized for the further development of these companies.

- That energy prices for the standard household consumer in Slovakia have already reached the EU-25 average is, from the monetary policy perspective, an important step towards justifying the sustainability of the overall price development vis-ą-vis Europe over coming years, too, since price level convergence has slowed down and energy prices will in future reflect mainly developments in commodity prices.
- There is a general consensus among experts that the time of low energy prices has passed. That is because of the need to increase capacity for the production of different kinds of energy from both traditional sources and renewable alternative sources, related to which is the necessity for additional investment in the development of the energy industry. Increased costs related to, for example, electricity generation can also be expected as a result of having to meet quotas for carbon dioxide emissions laid down by the European Commission. Since a majority of the EU-25 countries import a considerable share of the energy consumed domestically, an increase in demand could also place upward pressure on energy prices.

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