

# *COGEN Europe Position Paper:*

## *Revision of CHP Directive 2004/8/EC*



COGEN Europe calls for investor certainty, a focus on an integrated approach to energy supply and the preservation of the key legislative elements of the current CHP Directive 2004/8/EC.

17 May 2011

COGEN Europe welcomes the Commission's clear intent to promote cogeneration and district heating in Europe and to realize the potential already identified by Member States.

The European Commission, in the conclusions to its Energy Efficiency Plan 2011, indicated that it will be presenting later this year "a legislative proposal encompassing revision of the existing Energy Services and Combined Heat and Power Directives".

Along with many other stakeholder organisations from industry and the district heating community, **COGEN Europe urges the Commission, Member States and the European Parliament to be attentive to the interests of the CHP community, especially in light of the decision to aim for a single overarching text.**

**The Commission proposal should have embedded in it all the elements that currently ensure market actors of a stable legislative and regulatory framework for their activities**, besides any further ambitious provisions to promote market growth. Indeed, the sector's current high-level assessment revolves around the following key points:

- 1) The Directive 2004/08/EC has successfully established a basis for further growth of cogeneration, whether in industry, in district heating or in individual buildings
- 2) That opening up a new legislative process at this point risks discouraging investors at a crucial time
- 3) That growth in cogeneration will occur through removal of remaining economic and non-economic barriers to cogeneration (largely electricity connected) and by creating a regulatory and/or economic stimulus to grow the sector through standards, regulation, target or quotas.

High level summary of key policy demands from the CHP sector:

- COGEN Europe supports the inclusion of the existing CHP legislative framework in the Annexes to the proposed Directive on energy efficiency and energy savings.
- Sector stakeholders agree that it is essential to retain the current definitions of high efficiency CHP, based on a verifiable 10% primary energy savings performance
- Barriers to CHP installations, and especially grid-related barriers need to be addressed, just as the contribution of decentralized CHP installations to grid stability need to be taken into account
- Many opportunities to save energy are lost as a result of lack of planning and poor heat market data. Heat mapping should become a top priority in forthcoming legislation in order to capture the existing potential and enable efficient supply of heat and electricity at the local level
- Residential micro-CHP installations must benefit from simplified administrative and grid connection procedures and is a specific sub-sector in its own right
- National support mechanisms are still required in a number of Member States and the new text must give latitude to governments to design supportive frameworks to overcome market imperfections

The CHP Directive 2004/8/EC contains the groundwork, definitions and methodology for defining high efficiency CHP. This is the basic ground work of a successful CHP policy. Full transposition and implementation of the Directive at the Member State level is the first priority. Patchy and delayed implementation has significantly weakened the impact of the existing Directive. Clearly, any new Directive will have to face this challenge as well.

We urge the Commission to propose a simple framework for the Directive, retaining the essential *acquis* such as high efficiency definitions, thresholds and calculation methodologies. **We believe the high level objectives of the revised text should be the promotion of CHP and DH, based on a reinforcement of the principles of transparency, long term visibility and certainty for investors.**

The national potentials identified under CHP Directive 2004/8/EC must form the first level of ambition of the new legislative proposal, with plans and milestones included in national CHP action plans, which must include heat mapping covering both heat demand profiles and waste heat sources.

Cogeneration continues to face **barriers and network-related issues on a daily basis. Removal of these barriers is one of the key elements that would need to be tackled in any new legislation.** Besides the welcome recognition of greater use of high efficiency CHP as making “an important contribution to energy efficiency”, the EEP

2011 spells out a number of “binding measures”, including priority access for electricity from CHP at the distribution system network levels as well as the reinforcement of the “obligations on transmission system operators concerning access and dispatching of this electricity.” *COGEN Europe is fully supportive of this approach and proposes that the work done to enable distributed generation under the RE Directive 2009/28/EC should be applied equally to cogeneration. This was clearly the intention of the original CHP Directive 2004/08/EC; however the two Directives are now out of step. The Commission should take the opportunity of this review to re-align the Directives.*

**COGEN Europe advocates that heat should be higher up the European energy policy agenda.** There is historically an over-emphasis on electricity supply in EU energy discussions which misses the crucial importance of heat -which makes up 40% of total energy demand in the EU- and more importantly inhibits identifying opportunities for efficiency benefits of combined supply and district heating. The proposal for conditional authorisations for new thermal power generation is a step in the right direction, indicating a move to a more integrated approach to energy supply.

COGEN Europe urges the Commission to engage extensively with the cogeneration and district heating community to discuss and establish the key parameters that will underpin the integrated approach to energy supply. A strengthened regulatory framework should support the use of residual heat from energy generation processes, through integrated energy demand and infrastructure planning. To maximize the potential for energy efficiency in industrial energy use and encourage the local generation of electricity, locational charges should be included in grid and network charges.

Currently the sector is still dependant on national support mechanisms to overcome market barriers, but these have not helped deliver sustained growth. Targets remain a key demand from the cogeneration industry, as they deliver on the very important economic potential identified both by the sector and the Commission’s in its EEP 2011 Impact Assessment. The proposal to focus solely on a number of binding measures might not deliver on the additional 15-20 Mtoe of primary energy savings the sector could economically deliver according to the Commission’s EEP 2011 Impact Assessment.