

Energie-Cités Opinion on the Directive Project of CHP

"To meet urban energy requirements with optimal energy efficiency and production closer to residents"

Presentation

The European Commission published on 22nd July 2002 draft project of Directive¹ on the promotion of cogeneration based on a useful heat demand in the internal energy market.

This project is building on the dual objectives of contributing both to security of energy supply and to climate change policies, arises from the need for reinforced efforts to promote high-efficiency cogeneration¹ in the internal energy market.

This initiative follows an EU Council "Resolution" of 8 December 1997, requesting the Commission to submit proposals "to promote the combined production of heat and electricity".

An objective of 18% of electricity produced by cogeneration by 2010 (compared with 9% in 1994) was then proposed by the Commission and formed a working basis for the future Directive. Today, in the Commission's Communication, this figure has become a *benchmark against which to measure progress* ») and several Member States and large electrical companies are also trying to avoid any definition of quantified objectives and - in fact - having a Directive of this type passed.

This is the context in which this proposed directive has been published, so that it is a *minimal* proposal in terms of ambition, which goes against the activism which had prevailed previously for the use of renewable energies in electricity production.

Energie-Cités states its opinion of this draft proposal below.

Beforehand, it must become an admitted fact that:

- cogeneration is a well-tried and proven technology which has achieved tangible results and is one of the more efficient ways for the EU to fulfil the commitments it made under the Kyoto Protocol.

Cogeneration based on heat demand is, by its nature, a local question

1. The Commission is based on the "**promotion of cogeneration on the basis of a demand for useful heat in the home energy market**". In other words, it does not only involve taking cogeneration into account as a technique for producing electricity, but also the simultaneous supply of heat **and** electricity, based on the **demand for heat**. Official energy-related texts are not often based on the demand for a **final service** (in this case, heat) in the argument for a policy to emphasise it².
2. In its principles, this kind of approach can only satisfy local authorities: indeed, apart from industrial and - more marginally - agricultural installations, the essential demand for heat includes the **heating requirements of tertiary and residential premises**, which represent XXX % of heat demand. It is in the towns, where the great majority of the European population lives, that this demand is highest and therefore the potential for developing cogeneration is greatest: depending on the case, within a context of large urban heating installations for a **town** or **major district**; medium and small installations for **groups of buildings**; or central heating installations for a **single building**.

¹ Communication: <http://europa.eu.int/comm/energy/library/chpdraftdirectiveen.pdf>

² La question de la production d'électricité - même quand il s'agit d'électricité produite à partir de renouvelables - est rarement abordée en relation avec les usages finaux de cette forme d'énergie, ce qui aboutit par exemple à ce qu'une partie importante de l'électricité produite dans certains pays soit utilisée pour des usages non spécifiques (chauffage par exemple).

3. For a local authority, promoting cogeneration interferes with a series of **other urban policies** increasingly integrated into the **Local Agenda 21** : town planning (development of new districts, urban restructuring/rehabilitation, driving licences), promoting new services for residents, optimizing local energy resources, waste management, controlling pollutant emissions, local policies to reduce greenhouse gas emissions, greater involvement of local people in urban policies, new local regulations linked to opening public services to competition, etc.
4. The result is **greater responsibility for local authorities** in promoting cogeneration: study of potential, detecting opportunities, implementation of regulatory and incentive tools, information, planning infrastructures, etc. Theoretically, you can imagine that every site of heat production can be considered to be a potential site of electricity production³, under **optimal conditions of energy efficiency** based on the effective use of heat.
5. Energie-Cités, which calls for a **"European heat policy"** would like the cogeneration directive to provide an opportunity to strengthen - after the building directive and at the same time as the possible future directive on energy services - consideration of the final "heat" service in community policy and that of its Member States, with heat representing 40% of final energy requirements.

An opportunity to manage the question of energy supply differently... but which must not be used as a pretext for lack of ambition

6. Approaching a question of energy supply in association with a **final demand for service** is new. We want this approach to guide all the decisions taken in the energy field henceforth⁴ according to a concept based on the **subsidiarity principle**⁵ : to meet the final demand as a priority, by supplying energy close to the site of its consumption. This approach, which can be used to mount an integrated operation for managing final demand and the offer of decentralized energy (renewable, recovered and cogeneration) seems to us the only pertinent way of meeting community objectives in these fields.
7. However, **the credibility of this procedure would be seriously affected** if it seemed that the rigidity of the criteria used to define "cogeneration based on useful demand", as defined in the draft Directive, could be used - notably by some Member States who are trying to slow down the process - as a series of obstacles to a policy promoting cogeneration as a means of producing electricity. Even worse if they are used as a pretext for a **lack of strong political signal** destined to promote cogeneration in **all EU countries** and applicant countries and to encourage operators at all levels, national, regional, local, public and private, to take part in its development.

A strong political signal particularly involves the following measures:

8. **Maintaining the Directive's objective** - which some Member States would like to transform into a simple "Recommendation", and give this Directive a content which will not transform it into a disguised Recommendation with no restrictive value.
9. **Define the following as general objectives for the Directive:**
 - > to create a common understanding of the technology along with the recognition of its major benefits (substantial energy and emissions savings due to high conversion efficiency);
 - > to motivate the Member States to remove barriers and create favourable conditions for consolidating existing and building up new CHP capacities.

10. Eliminate the 50 MWe threshold for public support

The Directive Proposal contains a recommendation for Member States to focus public support capacities below 50 MWe, thereby excluding a significant share (from 25 up to 80% in some Member States) of existing capacities and a considerable share of future potential projects from the scope of the Directive. Not only is there no economic or environmental justification whatsoever for such a threshold, it is also in obvious contradiction with the main objective of the Directive and it will lead to sub-optimal plant design in the future.

This threshold must be removed.

³ En fonction évidemment de l'évolution des conditions économiques (coûts des installations en fonction de la taille, conditions locales, etc.)

⁴ Ainsi que semble le recommander le Livre vert sur la sécurité d'approvisionnement énergétique lorsqu'il dit privilégier l'approche « par la demande »

⁵ L'avis du comité des Régions sur le Livre vert le recommande « L'application du principe de subsidiarité en matière d'approvisionnement énergétique est une question cruciale si l'on veut réellement prendre en compte l'ensemble des potentiels locaux et régionaux d'économies d'énergies et de ressources locales »

11. Re-establish quantitative objectives, distributed per country

One of the main goals of a Directive Proposal on Cogeneration must be to grow the amount of cogeneration in the European Market. Without targets setting the direction for Member States there is a danger that little overall progress will be made. The "CHP Strategy" of 1997 set a doubling target for the EU (from 9 to 18% by 2010) as a whole and this could be used as a starting point and not as providing "a benchmark against which to measure progress".

These objectives must be distributed by country, otherwise promoting cogeneration - as a sustainable technology - will not be a policy on a European scale.

12. Require Member States to draw up an action plan

According to the draft directive, Member States must perform an "analysis of national potential for high-efficiency cogeneration". The words: "and to present an Action plan intended to achieve the fixed objectives" must be added (art. 6)

13. Implement a monitoring and evaluation process

This monitoring and evaluation process should allow us not only to:

- measure the progress of electricity production through cogeneration;
 - report on and compare the measures implemented by Member States
- but also to:

- compare the technical, administrative and financial conditions relative to grid connection in order to avoid non-transparent and discriminatory conditions within the EU and to prevent any policy which could appear to be acceptable, but is, in fact, restrictive, as has occurred in certain countries in application of the renewable energies Directive.

14. Establish explicit relations with the Directive of building energy performance

The Directive indicates that "For new buildings with a total surface area over 1000 m², Member States shall ensure that the technical, environmental and economic feasibility of installing decentralised energy supply systems based on renewable energy, CHP, district heating or, under certain conditions, heat pumps, is assessed before the building permit is granted."

To reinforce the links between macroeconomic energy objectives and field operations, it seems essential, to us, to refer to the said Directive in the text of the "Cogeneration" Directive.

15. Promoting the use of biomass

In order to promote the use of renewable energy sources - and biomass in particular - for producing heat and electricity, it is necessary that the primary energy source be factored in. As a matter of fact, biomass wood cannot achieve the same efficiency as other fossil fuels, but taking into account saved CO₂ emissions into the definition of high efficiency cogeneration should help promote biomass by differentiating it from fossil energy sources.

16. Adopting a clear and straightforward definition

The two-step approach proposed by the Commission in Appendix 2 and 3 (base definition and high efficiency cogeneration) is misleading and may be a source of confusion. It therefore should be revised. Euroheat & Power and COGEN Europe consider that a single definition would be clearer. The basis for this definition could be derived from previous EU-funded works, notably the methodology known as "Portermo".

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