

Promotion of cogeneration based on a useful heat demand in the internal energy market

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The Commission presented a report on the progress made on the application of [Directive 2006/32/EC](#) on energy end-use efficiency and energy services and on the application of **Directive 2004/8/EC** on the promotion of cogeneration based on a useful heat demand in the internal energy market.

The objective Directive 2004/8/EC on cogeneration is to establish a transparent common framework to promote and facilitate the installation of cogeneration plants. In the short term, the Directive should make it possible to consolidate existing cogeneration installations and promote new plants. In the medium to long term, the

Directive should create the necessary framework for high efficiency cogeneration to reduce emissions of CO₂ and other substances and to contribute to sustainable development.

All Member States complied with the obligation to analyse their national cogeneration potential and the barriers to achieve this potential and to evaluate their administrative frameworks, including the guarantees of origin system. All Member States have also submitted the first and the second progress reports as required under the CHP Directive although with some delays.

Barriers to achieving the potential of national cogeneration: information provided in the national reports about progress state that:

- in some Member States the guarantees of origin system or the calculation methodologies for the quantity of electricity from high-efficiency cogeneration were **still not fully operational in 2010** or little used in practice;
- **national grid system rules** regarding connection and access to the grid for high-efficiency cogeneration have been implemented in various ways and show great divergence. Connection scheduling and charging conditions are often still complex and burdensome, especially for distributed cogeneration;
- Member States identified fuel prices, heating and cooling demand, the complexity of the law, lack of promotion and access rules to electricity grids as the most **common barriers to cogeneration**. Other important barriers were economic risk, uncertainties due to the Emissions Trading System, the lack of (heat) infrastructure and financial resources, the lack of awareness and immaturity of certain technologies.

Support schemes for cogeneration: feed-in tariffs, price premiums or a guaranteed purchase price for cogeneration were the most frequent form of support in the reporting period (up to 2010), used in seventeen Member States. These price support mechanisms were coupled with capital grants in fifteen Member States.

Energy and business tax exemptions and accelerated fiscal allowances were also used in many Member States.

The scope, conditions and duration of national support schemes varied greatly. Support schemes often addressed a specific segment of cogeneration, e.g. selected by fuel, such as biomass, or capacity, e.g. below 10 MW.

Moderate growth: the report notes that progress in increasing the share of high-efficiency cogeneration remained **limited since the entry into force of the Cogeneration Directive in 2004**. The share of CHP in gross electricity generation in the EU-27 increased from 10.5% in 2004 to 11.2% in 2011. In absolute terms, electricity generation from CHP has increased by 38 TWh: from 337 TWh in 2004 to 375 TWh in 2011.

There was a slight decline in total generation from CHP in 2009, especially in industry, probably due to the economic downturn, followed by a rebound in 2010. Heat production from cogeneration is stabilised with no decline registered, and overall, there has been **steady growth since 2004**. A moderate increase is primarily due to the increase in district heating in the residential, commercial and services sector.

The share of cogeneration in (thermal) heat production varies from over 30% in Sweden (40%), Bulgaria (33%), Czech Republic (33%) and Estonia (31%) to below 1% in Greece, Malta and Cyprus.

Overall while the share of high-efficiency **cogeneration in the electricity market** has increased, progress remained limited, **reaching only 12% in the share of electricity production** instead of the economic potential of 21% identified by the Member States in their national potential analysis.

The Commission considers that **proposals for additional measures or amendments to either the Energy Services Directive or Cogeneration Directive are not considered appropriate** at this time. This is because both Directives will be repealed and have been replaced by the [Energy Efficiency Directive](#), which has taken over their provisions and strengthened the obligations placed upon the Member States.