

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

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PURPOSE : to create a framework for promotion of cogeneration based on useful heat demand in the internal energy market. CONTENT : this proposal, 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. The overriding objective is to create a framework, which can support and facilitate the installation and proper functioning of electrical cogeneration plants where a useful heat demand exists or is foreseen. This overall objective translates into two specific aims: - in the short term, a cogeneration Directive should serve as an instrument to consolidate existing and, where feasible, promote new high-efficiency cogeneration installations in the internal energy market. In order to create a level playing field, regulatory certainty and in some cases financial support are vital for cogeneration. This applies to the current transitional phase of the liberalisation process, where the internal energy market is not fully completed and where internalisation of external costs is not reflected in energy prices. - in the medium to long term, a cogeneration Directive should serve as a means to create the necessary framework that will ensure that high-efficiency cogeneration, alongside other environmentally friendly supply options, constitutes a key element when decisions on investment in new production capacity are made. By creating a supportive framework, such cogeneration can contribute to the establishment of more diversified and energy efficient supply systems in the Community. In order to exploit the potential for cogeneration regulatory certainty and appropriate mechanisms that address the lack of internalisation of external costs are needed. The proposed Directive lays down a framework, which addresses these issues through a set of common principles for the promotion of cogeneration. The practical application of the framework will to a large extent be the responsibility of the individual Member States. However the Commission could have an important role in facilitating that EU objectives on cogeneration are met. The proposal covers the following main elements:

- Guarantee of origin of electricity produced from cogeneration following the "disclosure" requirements on Directives concerning common rules for the internal markets in electricity and natural gas;
- provisions obliging Member States to analyse national potentials for high efficiency cogeneration and barriers to their realisation;
- provisions for evaluating the experiences gained with the application and coexistence of different support mechanisms for cogeneration used by Member States;
- provisions laying down the principles for the interaction between cogeneration producers and the electricity grid; furthermore to facilitate grid access for cogeneration units using renewable energy sources and microcogeneration plants below 1 MW(e);
- provisions requiring Member States to evaluate current administrative procedures with a view to reducing the administrative barriers to the development of cogeneration.

Lastly, to remove any ambiguity arising from existing definitions and to add transparency and coherence to the internal energy market, the Commission proposal would establish a common definition of co-generation and a flexible methodology to identify high efficient co-generation.