

DEVE-013

Brussels, 29 April 2003

OPINION

of the

Committee of the Regions

of 9 April 2003

on the

Proposal for a Directive of the European Parliament and of the Council on the promotion of cogeneration based on a useful heat demand in the internal energy market

COM(2002) 415 final - 2002/0185 (COD)

THE COMMITTEE OF THE REGIONS

HAVING REGARD TO the Proposal for a Directive of the European Parliament and of the Council on the promotion of cogeneration based on a useful heat demand in the internal energy market (COM(2002) 415 final -2002/0185(COD));

HAVING REGARD TO the decision of the Council of the European Union of 5 September 2002 to consult it on this matter, under the first paragraph of Article 175 of the Treaty establishing the European Community;

HAVING REGARD TO the decision of its President of 26 July 2002 to instruct the Commission for Sustainable Development to draw up an opinion on this subject;

HAVING REGARD TO its Opinion on the Communication from the Commission to the Council and the European Parliament: *a Community strategy to promote combined heat and power (CHP) and to dismantle barriers to its development* (CdR 382/97 fin)¹;

HAVING REGARD TO its Opinion on the Communication from the Commission to the Council and the European Parliament: *Preparing for Implementation of the Kyoto Protocol* (CdR 295/99 fin)²;

HAVING REGARD TO its Opinion on the Proposal for a Directive of the European Parliament and of the Council on the promotion of electricity from renewable energy sources in the internal

electricity market (CdR 191/2000 fin)³;

HAVING REGARD TO its Opinion on the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on an *Action Plan to Improve Energy Efficiency in the European Community* (CdR 270/2000 fin)⁴;

HAVING REGARD TO its Opinion on the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the Commission's Green Paper: *Towards a European strategy for the security of energy* (CdR 38/2001 fin)⁵;

HAVING REGARD TO the Draft Opinion (CdR 344/2002 rev. 1) adopted by the Commission for Sustainable Development on 12 December 2002 (rapporteur: **Mrs Michèle Eybalin**, Regional Councillor, Rhône-Alps (F-PES));

unanimously adopted the following opinion at its 49th plenary session on 9 and 10 April 2003 (meeting of 9 April).

1. The Committee of the Regions' views

1. The Committee of the Regions is glad that, with its Proposal for a Directive of the European Parliament and of the Council on the promotion of cogeneration based on a useful heat demand in the internal energy market, the Commission has decided to establish a framework which will help increase significantly cogeneration's share of total electricity generation in the EU, and which is at the same time an important step towards more rational energy use and towards the reduction of greenhouse gas emissions.
2. It stresses the need to make consistent joint efforts to achieve the objective set out in 1997 in the Communication on a Community strategy to promote combined heat and power (CHP) and to dismantle barriers to its development, i.e. to increase the share of cogeneration from 9% in 1994 to 18% in 2010.
3. The Committee of the Regions stresses that cogeneration, which is an integral part of the Community strategy, is an essential feature of the action to combat climate change which is required in order to comply with the commitments entered into in Kyoto.
4. It stresses the scale of the potential for reducing greenhouse gas emissions by means of cogeneration, estimated at a minimum of 65 Mt CO₂ (EC Communication on the European Climate Change Programme) which can in part be achieved at a competitive cost.
5. It calls on the Commission, in the framework of its European strategy for security of energy supply, to step up the control of energy demand, to which cogeneration can make a substantial contribution.
6. It stresses the potential for new jobs offered by this technology by substituting efficient energy use for fuel imports.
7. The Committee of the Regions calls on the Commission and the Member States to involve the regions and local authorities closely, exploiting their specific experience. They are often involved in the management and development of cogeneration through the construction and maintenance of heat networks which are of key importance for territorial cohesion.

8. It stresses the need to call for specific commitments and to guide the Member States on the choice of measures making it possible to exploit more effectively the existing potential of cogeneration, without prejudice to the subsidiarity principle.
9. It points out that the objective of developing cogeneration will not be achieved if competitive obstacles to this clean technology persist because the external costs of traditional methods of energy generation are not taken into account; the various measures applied or to be introduced by the Member States therefore remain essential in the medium term.
10. Finally, the Committee of the Regions considers that the draft directive does not do justice to the challenges set out above. There are no quantitative objectives for cogeneration either at Member State or European Union level. No commitment is entered into and the promotion aspect is left vague at the expense of the presentation of a method of defining cogeneration.

2. The Committee of the Regions' recommendations

1. Definition of cogeneration, efficiency criteria

1. The Committee of the Regions recognises that it is necessary to define cogeneration correctly and uniformly in order to ensure that the intended primary energy gains are actually achieved, but the definition should be as simple, easily understandable and flexible as possible.
2. In order to distinguish cogenerated electricity from that generated using the condensation method, it recommends that the PROTERMO method be used, which already enjoys expert and industry recognition.
3. It suggests that a single overall efficiency threshold be established for cogeneration which will adapt over time, taking account of improvements in the technologies available on the market.
4. Once there is a correct and uniform definition of cogeneration, the Committee considers the establishment of national reference values for the efficiency of the separate production of heat and electricity to be of little importance. It would then seem more appropriate to compare cogeneration with separate production at European level.
5. It has doubts about the definition of the term "useful heat" used by the Commission, which has a technical and an economic dimension, and it asks that the term "economically justified" be clarified.
6. In the light of the proposal to apply the PROTERMO definition of cogeneration, there is no need for any subdivision into industrial, heating and agricultural applications.
7. It welcomes the focus on small cogeneration units, as their construction requires specific development support.
8. The Committee of the Regions considers that limiting support for cogeneration to an output threshold below 50 MW, which will make it difficult to mobilise generation potential on a large-scale in the industrial sector, is counter-productive; support should, rather, be graduated in terms of output and by means of

differentiated measures (direct aid, tax exemptions or industrial investment guarantee funds).

9. It welcomes the Commission proposal to promote cogeneration for all types of fuel, but would like to see a particular and consistent effort made to develop cogeneration using renewable energy sources, for example wood energy.

2. Guarantee of origin

1. The Committee of the Regions supports the Commission in its intention of imposing on the Member States, as a precondition for the effective marketing of electricity from cogeneration, a system of certificates of origin, which would provide complete transparency for the consumer.
2. It calls on the Commission to include in the directive clear indications regarding guarantees of origin and the definition of cogeneration, in order to ensure uniform practice in the Member States.

3. National potentials

1. The Committee of the Regions stresses the need for the proposed directive to require not only that the Member States set appropriate and binding objectives related to the overall objective of 18% in 2010, but also for the directive to complement and support effectively the aid measures already existing at national level.
2. It stresses the need to recommend that the Member States involve the local and regional authorities in the establishment of clear objectives and in the laying down of development strategies, taking account of the specific situations and needs of the various areas.
3. It stresses that the local and regional authorities do not have the same fiscal options as the Member States, but they can promote the use of cogeneration in the infrastructure for which they are responsible (swimming pools, hospitals, large office buildings etc.) and in their spatial planning policies.
4. It suggests that, in establishing cogeneration potential at national and regional level, groups of installations be identified by size with particular attention to the potential of small installations.

4. Support schemes

1. The Committee of the Regions recognises that the preconditions for the adoption of a decision on a Community support scheme for cogeneration do not yet exist.
2. The Commission should, as a matter of urgency, state its plans for future coordination of the directive, the framework of environmental aid and notifications, and give details of the evaluation criteria (transparent and practically orientated), which will make for certainty as to the promotion measures required by Community legislation.
3. As recently confirmed by a judgment of the Court of Justice of the EC, it considers that the term used in the EC Treaty limits the concept of aid to direct or indirect support from state resources, in this way ensuring that systems for

establishing prices involving a legal obligation to purchase are not subject to a ban on state aid.

4. The Committee of the Regions notes that the tax facilities adopted by each Member State may be applied to electricity cogeneration in order to increase its percentage share of overall production.
5. It points out that a quota for purchases of cogenerated electricity, aimed at protecting the environment, does not constitute a direct or indirect price support measure.
6. It highlights the need to ensure that lack of harmonisation does not lead to the abuse of national aid schemes in the energy trade between Member States.
7. Territorial authorities which own or manage cogeneration plants as part of their responsibilities and which respect the definition must be able to derive maximum benefit from the electricity produced. The support measures to be implemented will have to allow the authorities to play an active role in this context.

5. Electricity grid connection

1. The Committee of the Regions confirms that the Member States must ensure that technical specifications and operating requirements for connection to both transmission and distribution grids are drawn up in accordance with objective criteria, that these are publicised and that they take account of the size of installations.

6. Administrative procedures

1. It considers it essential that the Member States step up their efforts to reduce as far as possible the administrative barriers to the development of cogeneration and welcomes the role of the Commission as a critical observer.
2. It calls for the establishment and simplification of arrangements for the financing of investment in the development of cogeneration in the Member States, such as the system of third-party investors or leasing.

7. Implementation deadlines and miscellaneous

1. It points out that the rapid entry into force of the directive would give an impetus to the development of electricity from cogeneration in the EU, which would benefit not only ordinary people but also the economy by giving a decisive boost to the cogeneration production and equipment sector, with beneficial consequences for the employment market.
2. It supports the efforts of the Commission to mobilise the Intelligent Energy for Europe programme in order to promote research, development and demonstration projects and specific and efficient cogeneration applications.
3. Finally, the Committee of the Regions stresses the need for follow-up after adoption of the directive so that corrective measures can be taken if results are not forthcoming.

Brussels, 9 April 2003

The President

The Secretary-General

of the

of the

Committee of the Regions

Committee of the Regions

Albert Bore

Vincenzo Falcone

¹ OJ C 180 du 11.6.1998, p.34

² OJ C 57, 29.2.2000, 81

³ OJ C 22, 24.1.2001, p. 27

⁴ OJ C 144, 16.5.2001, p. 17

⁵ OJ C 107, 3.5.2002, p. 3

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CdR 344/2002 fin FR-EN/JKB/ht

CdR 344/2002 fin FR-EN/JKB/ht