

*European Economic and Social Committee*

**TEN/124**

**Cogeneration**

Brussels, 26 February 2003

**OPINION**

of the European Economic and Social Committee  
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)

Administrator: **Siegfried Jantscher**

On 5 September 2002 the Council decided to consult the European Economic and Social Committee, under Article 175 of the Treaty establishing the European Community, 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 Section for Transport, Energy, Infrastructure and the Information Society, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 6 February 2003. The rapporteur was **Mr Buffetaut**.

At its 397<sup>th</sup> plenary session of 26 and 27 February 2003 (meeting of 26 February 2003), the Economic and Social Committee adopted the following opinion by 107 votes to one with two abstentions.

## **1. Introduction**

### **1. The proposed Directive is set against the following backdrop:**

- the European Union is extremely dependent on external energy supplies;
- greenhouse gas emissions are on the rise, contrary to the commitments under the Kyoto Protocol; and
- the EU has limited scope to influence energy supply conditions.

It is therefore paradoxical that the potential for using cogeneration as a measure to save energy is underused.

This is why the promotion of high-efficiency cogeneration based on a useful heat demand is now a Community priority, intended to supplement renewable energy policy.

Cogeneration is expected to have three beneficial effects, i.e.:

- save primary energy;
- reduce greenhouse gas emissions; and
- contribute to the security of energy supply.

## **2. Objectives of the Commission proposal**

In 1997 the Commission set the indicative target of doubling the share of electricity production from cogeneration in total EU electricity production, i.e. from 9% in 1994 to 18% by 2010. However, no significant increase has been seen.

The objective of this proposal is to establish a framework to support and facilitate the installation and proper functioning of electrical cogeneration plants where a useful heat demand exists, without encouraging heat to be wasted.

There are two specific aims:

- in the short term, to consolidate existing and, where feasible, promote new high-efficiency cogeneration installations; and

- in the medium to long term, to ensure that high-efficiency cogeneration becomes a key element when decisions on investment in new production capacity are made.

Advocates for this type of simultaneous production of heat and power argue that it:

- reduces fuel consumption and CO<sub>2</sub> emissions;
- prevents losses on the electrical grid caused by proximity to the consumption point;
- increases competition among electricity producers because new actors enter the market;
- creates new enterprises, in particular SMEs; and
- strengthens the link between the territory and the population, in particular in the least favoured regions of the European Union.

### **3. Problems hindering the development of cogeneration**

The main problems are the following:

- high fuel prices owing to the fact that cogeneration producers are smaller fuel users than the large electricity producers;
- problems linked to accessing the electricity market;
- higher installation costs per kilowatt; and
- shorter operating hours compared to larger baseload plants owing to the fact that these installations are linked to the use of heat (e.g. shutdown at the weekend for some industrial installations and closure during summer time for heating facilities).

## **2. General comments**

### **1. Definitions**

First, high efficiency cogeneration is defined by the energy savings obtained by the combined production rather than separate production of heat and electricity.

Existing plants with energy savings of more than 5% and new plants with energy savings of more than 10% - considered in relation to the reference values laid down by the proposed Directive - qualify for the term "high efficiency cogeneration" (annex III).

The proposal also contains a definition of electricity from cogeneration and identifies two efficiency percentages - 75% and 85% - depending on the technologies used. Electricity not produced in a cogeneration process must not be considered as cogenerated electricity, with all the consequences this implies in terms of aid and tariffs.

The EESC welcomes the objective of developing cogeneration, but emphasises that the technical definitions contained in the annexes affect the impact and effectiveness of the document. It considers that the definition of different thresholds depending on the technologies used is appropriate and that the percentages stipulated, though high, are realistic.

## **2. Obligations on the Member States**

Some obligations relate to the provision of statistics or information (e.g. analysis and development of cogeneration potential, three-yearly report, etc.), while others relate to the technical application of the criteria and definitions laid down in the Directive.

The EESC acknowledges that information and reports are necessary, but would like them to be fewer in number and more focused on areas that may encourage the development of cogeneration. Otherwise there is a risk of information overload.

The following three areas should be highlighted:

- the creation of a guarantee of origin of electricity from cogeneration on similar lines to the guarantee of origin of electricity from renewable energy sources;
- the obligation to ensure that transmission and distribution system operators guarantee access to cogenerated electricity at a reasonable cost and in a non-discriminatory manner; and
- the obligation to reduce the regulatory barriers to cogeneration and adopt rules facilitating it.

Finally, it should be noted that the proposal endorses national support schemes, within the limits set by Community competition rules and standards in this area. The EESC welcomes this, provided that it does not lead to unjustified distortions of competition.

## **3. Specific comments**

The EESC stresses that, given that there is a high heat demand in the European Union, it is imperative that the proposed mechanism genuinely encourages cogeneration by ensuring that it is economically attractive for heat producers.

### **1. Article 1: Purpose**

The EESC welcomes the purpose of promoting cogeneration and regrets that results are still very modest compared to the objective proposed in 1997.

It stresses the need to take account of specific national circumstances and respect the subsidiarity principle in an area where national climatic and economic conditions are crucial.

### **2. Article 3: Definitions**

This article is central to assessing the impact and effectiveness of the proposed mechanism. The link between Annex II and Annex III, in particular, is crucial for evaluating the practical consequences of the text.

If considered alone, the definition found in Annex II suggests that electricity can be considered cogenerated simply on the basis of heat production, even if there are no primary energy savings or, consequently, emissions reductions.

It would therefore be useful to clearly specify the relationship between Annexes II and III, and to define a threshold for output or primary energy savings, below which electricity cannot be considered cogenerated.

It must be stressed that, while the differentiated definition of electricity from cogeneration according to the type of equipment (overall annual efficiency equal to or above 75% or 85%) may seem complicated, it responds to different technical realities regarding the combined production of heat and electricity. The EESC believes that the idea of "simplifying" the text by introducing a single intermediate percentage (80%) is not therefore appropriate.

As explained by the Commission, the aim of Annex II is to provide the most accurate calculation of electricity and heat production in order to measure the volume of electricity that can be considered cogenerated. Above a threshold of 75% or 85%, all electricity is cogenerated, while below that threshold, only a part will be considered cogenerated.

Annex III, however, concerns the definition of high-efficiency cogeneration. Cogeneration is considered to be high-efficiency if there are primary energy savings. If there are no primary energy savings, however, it cannot be considered high-efficiency.

### **3. Article 4: Guarantee of origin of electricity from cogeneration**

The EESC calls for additional information on the practical implementation of this guarantee of origin.

### **4. Article 5: Efficiency criteria**

This article lists obligations on the Member States.

### **5. Article 6: National potentials for high-efficiency cogeneration**

Although the proposal does not lay down precise targets, the Commission asks the Member States to analyse their potential for high-efficiency cogeneration. The EESC hopes that the reports requested of the Member States will encourage the development of cogeneration by identifying the nature of obstacles to it. It would seem unnecessary to request so many reports and so much information.

### **6. Article 7: Support schemes**

The EESC opposes the differentiated treatment that penalises cogeneration installations above 50 MW (e).

It stresses that support schemes must not cause unjustified distortions of competition.

#### **7. Article 8: Electricity grid system issues**

The EESC considers it of paramount importance that producers of cogenerated electricity are guaranteed access to the network on equal terms.

The Commission proposes giving preferential treatment to renewable energy sources. However, the EESC wishes to stress that the combustion of household waste and other refuse may produce more dangerous emissions than natural gas combustion.

The EESC is aware of the fact that smaller cogeneration plants for use in heavily populated areas are – for technical reasons and owing to their location – less adapted to meeting the necessary health protection standards than larger incineration plants that are specially designed for the purpose.

#### **8. Article 9: Administrative procedures**

The EESC welcomes the principle of encouraging cogeneration through legislation, through both positive measures encouraging cogeneration and measures encouraging simplification, reduction of barriers and transparent procedures.

However, it believes that this must not lead to excessive obligations in terms of information for the Member States, in particular if these obligations remain badly defined and vague, and therefore serve no real purpose.

#### **9. Article 10: Member States' reporting**

The EESC considers that simplification is needed.

#### **10. Article 11: Commission reporting**

The comments made about Article 10 apply equally to Article 11. Concise and specific information on progress on cogeneration would be more valuable than excessive information that will not be used.

Articles 12, 13 and 14 need no comment.

#### 4. Conclusion

The EESC welcomes the objective of developing combined heat and electricity production. It must be ensured that the proposed mechanism, while taking account of the current situation in which various types of cogeneration equipment co-exist, does not penalise the most modern and efficient technologies requiring the least investment.

It would therefore seem legitimate to have different output criteria according to the technologies used. The objective of this proposed Directive is to encourage the development of high-efficiency cogeneration regardless of the technology used or the size of the installations concerned. The Committee reiterates its opposition to any differential treatment that penalises cogeneration installations above 50 MW (e).

The EESC would like the reports and analyses requested of both the Member States and the Commission to focus on identifying obstacles to developing combined heat and electricity production, ways of overcoming them and follow-up assessment.

Brussels, 26 February 2003.

The President

The Secretary-General

of the

of the

European Economic and Social Committee

European Economic and Social Committee

**Roger Briesch**

**Patrick Venturini**

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