



## FEDENE'S CONTRIBUTION ON THE

### REVISED CLIMATE, ENERGY AND ENVIRONMENTAL AID GUIDELINES (CEEAG)

AUGUST 2, 2021

FEDENE is a French professional association representing 500 energy and environmental service companies, 70.000 employees. From public and private district heating and cooling (DHC) and waste to energy (WtE) operators to energy service companies (ESCOs), FEDENE's members implement and develop sustainable services for the decarbonisation of heating and cooling.

FEDENE supports the Commission's ambition to reach carbon neutrality by 2050 and to set a more ambitious target for 2030. FEDENE welcomes the revised CEEAG which align state aid rules with the Commission's recently proposed Fit-for-55 Package.

#### **Promote an effective application of the merit order energy efficiency first**

Energy efficiency remains the priority in the EU's environmental and climate policy. In order to reach the Green Deal's 2030 targets, stronger support should be granted to energy efficiency actions that guarantee energy savings both in the building sector and in the industry.

The industry should be clearly mentioned in section 4.2 and energy efficiency actions supported by energy performance contracts (EnPCs) should be indicated in section 4.2.2 point 115 as a crucial lever to decarbonise the EU's industry.

Regarding the scope of costs detailed in section 4.2.2 point 116, FEDENE recommends that the list of eligible costs explicitly includes intangible set-up investments on energy efficiency projects, such as training, user coaching/energy awareness, software, etc.

Point 119 targets small or medium-sized energy efficiency services providers (ESCOs) without mentioning larger companies. Although the instruction may have positive effects on the renovation of small buildings, it misses the renovation of greater buildings requiring important needs which can difficultly be provided by SMEs. At the same time, point 119 creates an unjustified distortion of competition. The aid should ensure the viability of the project and consider the level of energy savings but not the nature of the service supplier. FEDENE suggests the following amendment:

*" 119. Aid for the improvement of the energy performance of buildings may also be granted to ~~SMEs and small mid-caps~~ that are providers of energy performance improvement measures for the facilitation of energy performance contracting within the meaning of Article 2, point (27) of Directive 2012/27/EU, when investing on behalf of the building owner."*

Point 124 refers to EnPCs or other performance-based contracts guaranteeing that the initial objective will effectively be met. Although FEDENE welcomes this proposition, the CEEAG should further encourage these solutions leading to tangible and measured energy savings. Section 4.2.4.2 should enable Member States to increase the aid intensity by 10% when the planned energy performance is explicitly covered by an agreed energy performance criterion or an agreed level of energy efficiency improvement.

## Provide a sufficient financial support for efficient DHC

While confirming the importance of DHC to answer local demand for decarbonised heat<sup>1</sup> and cold by allowing aid for the development of new efficient DHC<sup>2</sup> and the upgrade of existing DHC, the revised CEEAG lack granting state aid for the densification and extension of DHC networks. Point 341 should specify that section 4.10 *“applies to support for the construction, [extension, densification] or upgrade of energy efficient”* DHC systems.

Recent periods have seen fossil fuel prices drop brutally whilst CO2 prices are not at the appropriate level, affecting the development of efficient DHC. FEDENE welcomes the inclusion of heat generation in the funding gap approach. However, the CEEAG should also allow Member States to support the proportion of renewable and waste heat of efficient DHC via operating support schemes.

## Encourage the use of sustainable energy sources

Point 107 connects non-renewables sources and biomass. It should not occur in the CEEAG, as the current Directive for Renewable Energy (RED) specifies conditions for bio-energies to be considered as sustainable. Besides, these conditions will be reviewed and possibly strengthened through the revision of this very directive. The CEEAG should promote the replacement of fossil fuel with bio-energies, including biomass, in line with the future RED III. The following words should be removed : *“or where biomass is supported”* and *“or heat”*.

Point 77 should not limit the use of crop-based biofuels, biomass and bioliquids in combustion installations more than the sustainability and GHG emissions saving criteria defined in the future RED III.

The CEEAG should keep promoting waste-to-energy improvements and the waste management sector in a circular economy perspective. WtE is a major waste heat source for the DHC industry which can be further decarbonised by supporting the use of CCUS technologies in WtE plants.

Waste heat from different sources (industrial, data centres etc.) in line with circular economy principle should be recovered and thus participate in the decarbonisation of heating sources like district heating networks. Guarantee funds should be available for coordination frameworks between DHC operators, local authorities, and industrial and tertiary actors to facilitate the use of waste heat and cold (as the Article 24 (6) of the future RED III promotes such cooperation networks). Such funds would help to manage the financial risks linked with disappearance of waste heat source and/or the time needed to assure the alternative renewable energy. Guarantee funds for waste heat/cold could be integrated in chapters: 4.10.2 (342) and 4.1.2 (74) and 4.2.2 (116e or f).

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<sup>1</sup> In France, EnR&R represent 57% of the national DHC mix. Source : SNCU, *Enquête annuelle des réseaux de chaleur et de Froid*, 2019.

<sup>2</sup> Following the definition proposed by the European Commission in the revised Energy Efficiency Directive.