

AGFW-Position paper

on Consultation on the Prolongation of the State aid Regulations and Guidelines reformed under the State aid modernisation (SAM) package and expiring by the end of 2020

Frankfurt am Main, 16th May 2019

The AGFW welcomes the Commission's decision to prolong the State aid regulations and guidelines until 2022, what allows a proper assessment of the existing rules and their impact, in order to introduce provisions reflecting the current developments on the energy markets and the challenges they face.

The AGFW is of the opinion, that the amendment of the State aid package should be used as an opportunity to streamline it with the provisions of the "Clean Energy Package". The European legislator acknowledged in the Renewable Energy Directive 2018/2001, that the heating market and District Heating will play a decisive role in the decarbonisation of the energy sector. This fact, alongside with the need to increase the share of renewable energy sources in District Heating networks must be taken into account. The RED II acknowledges also the potential of waste heat and therefore the connection of this heat sources into District Heating networks should be subject to support measures as well. Furthermore, as the District Heating systems deliver an immense potential for sector coupling incorporating the surplus renewable electricity, new technologies, including Power-to-Heat and thermal storage, should be taken into consideration.

The AGFW would like to encourage the European Commission to increase the ceilings of the aid granted, both arising from the de-minimis-Regulation (200.000 euros) and the General Block Exemption Regulation (20.000.000 euros). As District Heating and Cooling, a very energy efficient technology, is a purely local product, it affects the internal market to a little extend only. Raising the ceiling would be particularly important for District Heating and Cooling infrastructure, since the costs are very high and the payback period very long. What is more, District Heating competes constantly with less efficient technologies, like onsite boilers, which are not subject to Emissions Trade System, and therefore the internalisation of external costs is not possible. The increase of the ceilings is thus crucial.

We strongly believe also, that the reduction of the administrative burden is needed. Both the European and the national frameworks are very complex. There are also difficulties with interpretation of the European rules in the national context. It would therefore be necessary to simplify the existing procedures, adjust them to particular sectors and take the national circumstances more strongly into consideration. Particular standards would also have to be elaborated, which would consider technical and economic criteria. The interlinkages with other sectors, including regional development and urban policy, must be highlighted. The aid intensity, accordingly to article 46 GBER, can serve here as an example. It would be necessary to acknowledge the national provisions, which were practice-proven and accepted by the national authorities (e.g. in Germany the framework FW 703). Finally it is of vital

importance to reduce the uncertainties via, e.g. shortening approval rules and periods. In an average project the costs of planning amounts up to 10 % of the total investment. It would be hence of particular importance to receive the confirmation for the project already after few (3 – 4) months.

Thank you very much for taking our position into account!

In case of further questions, please do not hesitate to contact us.

Contact person:

Dominika M. Moczko
Policy Officer
Law + Europe Department
Phone no. +49 69 6304-218
E-Mail d.moczko@agfw.de

Publisher:

AGFW | Der Energieeffizienzverband für Wärme, Kälte und KWK e.V.

Stresemannallee 30, D-60596 Frankfurt am Main
Postfach 70 01 08, D-60551 Frankfurt am Main

Telefon: +49 69 6304-1
Telefax: +49 69 6304-391
E-Mail: info@agfw.de
Internet: www.agfw.de

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