

# **AGFW-Position Paper**

## **General block exemption Regulation (GBER)**

**Frankfurt, 8th December 2021**

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AGFW is the German energy efficiency association for heating, cooling and cogeneration. We represent more than 550 utility companies (national and regional), energy service providers as well as industrial companies of the sector across Germany and Europe. As rule-setting body we represent over 95 % of Germany's DHC market.

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## AGFW Position Paper on the draft General block exemption Regulation (GBER)

### A streamlined State aid governance for district heating and cooling systems

Facilitating investments into the decarbonisation of district heating and cooling requires an easily accessible framework for State aid control that encourages investments and enables the swift disbursement of public support to eligible recipients. Thus, AGFW argues in favor of a clear and streamlined governance framework for public support measures addressing the district heating and cooling sector. Most importantly, the future framework of GBER should fully correspond with the new Climate, Energy and Environmental Aid Guidelines (CEEAG) and provide similarly structured approval requirements. The future GBER should moreover allow Member States greater flexibility in the technical design of their support programs, in particular regarding the support of purely climate neutral energy investment projects.

Lastly, the future GBER framework must enable investors to have a sufficient competence of demonstration for applicable GBER requirements on project level. Since for the example, the fulfillment of national climate targets as a fulfilling criterion for State aid is impossible to prove for individual projects, the Commission should consider tying the requirement to the assessment conducted as part of the national climate and energy plans.

### A flexible approach to the exemption threshold assessment to meet future market realities

AGFW welcomes the intended raising of the aid threshold applicable to district heating and cooling systems in Art. 4 w) from 20 Mio. to 50 Mio. per undertaking and project as a critical prerequisite for advancing the decarbonisation of Europe's heating and cooling market. In order to improve the accessibility of the threshold for large scale highly capital intensive investment programs that wield a particularly high potential for carbon reduction, AGFW favors a flexible approach to individual project assessment. Such a more flexible handling of the project-definition – in particular by allowing the splitting of large investments projects - would provide investors to significantly facilitate the implementation of their decarbonisation plans while staying within the ramifications of GBER.

Given the constantly growing capital intensity of district heating and cooling projects, the appropriateness of aid thresholds should furthermore be constantly reviewed and adjusted if necessary.

### A supportive framework for operating aid to facilitate sector integration

In order to overcome existing investment barriers resulting from an uncompetitive pricing structure of the electricity market design, the advancement of sector integration in particular in regard to large scale heat pumps and power-to-heat installations will require easily accessible public support measures to facilitate the short- and medium-term promotion of sector

integration projects as a key pillar for the decarbonisation of heating and cooling. AGFW thus advocates for a more flexible framework for operating aid in regard to heat generation within the framework of GBER to appropriately address sector integration technologies.

## Proposed amendments

### Article 4: Definitions

#### **Position**

AGFW advocates for a moderate raise of the aid ceilings applicable to operating for the promotion of climate neutral heat sources as an important prerequisite for the decarbonisation of heating and cooling. Moreover, GBER should have a waste heat and cold definition referencing to Article 2 point (9) of the directive 2018/2001/EU.

#### **Proposal:**

...

*(e) point (v) is replaced by the following:*

*(v) for operating aid for the promotion of electricity from renewable sources, as referred to in Article 42, and operating aid for the promotion of energy from ~~renewable~~ **climate neutral** sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities, as referred to in Article 43: EUR ~~20~~ **30** million per undertaking per project;*

*(f) the following point (va) is inserted:*

*(va) for operating aid for the promotion of energy from ~~renewable~~ **climate neutral** sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities, as referred to in Article 43, and for operating aid for the promotion of electricity from renewable sources, as referred to in Article 42: EUR ~~250~~ **350** million per year taking into account the combined budget of all schemes falling under the respective Article.*

***(new) 'waste heat and cold' means waste heat and cold as defined in article 2 point (9) of the directive 2018/2001/EU.***

### Article 41: Investment aid for the promotion of energy from renewable sources, renewable hydrogen and high-efficiency cogeneration

#### **Position**

As the current scope of Article 41 1.a) does not clearly exclude thermal storage projects, AGFW pleads for an explicit exclusion of such projects from the prescribed set of requirements within paragraph 1.a). In regard to the convergence of approval criteria between GBER and the new CEEAG – especially concerning the project compliance with the common climate targets – and to greater flexibility for Member States to design purely climate neutral support programs, our comments on Art. 46 apply respectively.

#### **Proposal:**

*1 a). Investment aid for storage projects under this Article shall be exempted from the notification requirement of Article 108(3) of the Treaty only to the extent that it is granted on the basis of a scheme open to combined renewable and storage projects (behind-the-meter), where both elements are installed and put into operation at the same time. The storage investment shall have as a maximum the same capacity as the connected renewable investment. Aid to storage connected to an existing renewable installation (behind-the-meter) may also be covered by the same scheme, where the storage investment fulfils the same*

conditions and all investment projects (renewables and storage) are considered an integrated project for verification of compliance with the thresholds set out in Article 4.

***This section does not apply to storage projects connected to a district heating and cooling system.***

4 a). Investment aid for high-efficiency cogeneration shall be exempted from the notification requirement of Article 108(3) of the Treaty only if it is not for fossil fuel fired cogeneration installations, with the exception of natural gas where compliance with the 2030 and 2050 climate targets is ensured ***through the national energy and climate plan submitted by the respective Member State.***

9. The aid intensity may be increased by ~~15~~ **25** percentage points for investments using only ***climate neutral energy sources such as waste heat*** and renewable energy sources, including ~~green~~ ***climate neutral*** cogeneration.

Article 43: Operating aid for the promotion of energy from renewable sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities

**Position**

Complementary to our comment on Article 46, we advocate for a full alignment of the requirements set out in Article 43 with the corresponding framework of the future CEEAG. Hence, the future threshold for operating aid promoting heat generation should be raised to at least 1 MW in order to mirror the proposed threshold within the future CEEAG framework while small and medium enterprises should be treated equally to renewable energy communities - as likewise foreseen within the CEEAG. The applicable metric for the threshold assessment should furthermore be changed from the installed capacity to energy input to allow for a better appreciation of the facilities market influencing effects. Moreover, Member States should be provided with a greater margin of discretion in regard to the technical design of their support programs. Thus, AGFW proposes to use the total energy demand of a maximum sized plant running at full capacity as an equivalent metric.

**Proposal:**

1. Operating aid for the promotion of energy from ~~renewable~~ ***climate neutral*** sources and renewable hydrogen in small scale installations and for the promotion of renewable energy communities shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.

2. Operating aid for small-scale installations shall be exempted from the notification requirement of Article 108(3) of the Treaty only up to the following size thresholds:

(a) for electricity generation or storage projects: projects below the applicable threshold set out in Article 5 of Regulation (EU) 2019/943;

(b) for heat generation and renewable gas production technologies: projects below ~~400 kW~~ ***1 MW installed capacity energy input. Member States may use the total annual energy demand of a maximum sized plant running at full capacity as an equivalent metric.***

For the purpose of calculating those maximum capacities, small scale installations with a common connection point to the electricity grid shall be considered as one installation.

2a. Aid to renewable energy communities **and small and medium enterprises (SME's)** shall be exempted from the notification requirement of Article 108(3) of the Treaty only for projects with **an energy input an installed capacity** of less than **4 6** MW undertaken by entities falling with the definition of renewable energy community.

#### Article 46: Investment aid for energy efficient district heating and cooling

##### Position

To improve the accessibility of Article 46 as the new governance framework for investment aid into the district heating sector, AGFW wishes to propose several amendments to the draft framework. Firstly, the time frame for respective district heating and cooling networks to reach the efficiency standard of Art. 2 (41) EED should be prolonged to five years to better reflect the practical constraints arising from construction and maintenance works in densely populated urban areas. Secondly, AGFW pleads to ensure the full convergence between GBER and the future CEEAG in regard to their shared approval criteria. In accordance with the future framework of CEEAG, the compliance of projects “with the 2030 and 2050 climate targets” should be ensured through their conformity with national climate and energy plans. Lastly, Member States should be provided with greater flexibility in designing support programs for purely climate neutral energy sources by lifting maximum aid intensities and moreover allow the coverage of waste heat projects as an indispensable component of a climate neutral heating and cooling supply.

##### Proposal:

1. Investment aid for the construction or upgrade of ~~energy efficient~~ district heating and cooling systems **to reach the standard of efficient district heating and cooling** in accordance with **Art. 2 (41) EED** shall be compatible with the internal market within the meaning of Article 107(3) of the Treaty and shall be exempted from the notification requirement of Article 108(3) of the Treaty, provided that the conditions laid down in this Article and in Chapter I are fulfilled.

1a. Aid shall only be granted for the construction or upgrade of district heating and cooling systems which are or are to ~~become energy efficient~~ **reach the standard of efficient district heating and cooling**. Where the system does not yet become energy efficient as a result of the supported works, the further upgrades required to reach the standard of energy efficiency shall commence within ~~three~~ **five** years from the start of the supported works.

1b. Aid shall not be granted for the construction or upgrade of fossil fuel based generation facilities, except for natural gas. Aid for the construction or upgrade of natural gas based generation may be granted only where compliance with the 2030 and 2050 climate targets is ensured **through the national energy and climate plans**.

1c. Aid for upgrades of storage and distribution networks that transmit heating and cooling generated based on fossil fuels may only be granted where all of the following conditions are met:

(a) the distribution network is or becomes suitable for the transmission of heating or cooling generated from renewable energy sources;

(b) the upgrade does not result in an increased generation of energy from fossil fuels except for natural gas;

(c) in case of an upgrade to the storage or network distributing heating and cooling generated from natural gas, compliance with the 2030 and 2050 climate targets is ensured **through the national energy and climate plan submitted by the respective Member State**.

...

3. The aid intensity shall not exceed 30 % of the eligible costs. The aid intensity may be increased by 20 percentage points for aid granted to small undertakings and by 10 percentage points for aid granted to medium-sized undertakings. **The eligible costs for the distribution network shall be the investment costs.**

4. The aid intensity may be increased by ~~15~~ **25** percentage points for investments using only **climate neutral energy sources such as waste heat and** renewable energy sources, including ~~green~~ **climate neutral** cogeneration.

5. As an alternative to paragraph 3, the aid intensity may reach up to 100 % of the funding gap, calculated as the difference between the positive and negative cash-flows over the lifetime of the investment and discounted to their current value using the cost of capital.

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