towards2030

Dialogue on a RES policy framework for 2030

Policy Challenges for Renewable Based District Heating in Europe

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Outline

- Our approach
- Overall trends in EU DH markets
- RES DH targets of EU Member States
- Policy challenges
- Specific DH policy challenges
- Regulatory lessons

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General issues in EU 28 DH markets

- *Introduce competition (e.g. connect more suppliers on the same DH network) and ensure the regulatory oversight and measurability of heat consumption in individual housing units.*
- *Increase/consolidate returns in the sector (e.g. brings RES-H into the same support level as other RES-E use)*
- *Continuity (avoid cyclical behaviour) e.g. investment support is dependent on the state budget, so it might follow a stop and go pattern introducing unwanted cycles.*
- *Increase market opportunities (e.g. compulsory connection to DH network if available)*
- *Keep the existing DH users from converting into individual heating solutions*
- *As the regulatory environment could have a significant impact on the competitiveness of the RES based* DH generation, this element will be assessed in detail within the country case studies.
- *Contribute to the Energy Efficiency targets and at the same time improve operational efficiency of DH production and distribution*

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Our approach

- Country studies of 7 selected countries: Austria, Denmark, Estonia, Germany, Hungary, Poland, Sweden.
- Case studies of 4 municipalities: Copenhagen (DK); Poing (DE); Pécs, Miskolc (HU).
- DH modeling for various policy assessments (presently on Hungary).

- ‚Value added' of research:
  - Coverage to a wider range of regulatory aspects including the regulation of DH, CHP and RES heat and not only the support instruments.
  - Including heat market drivers beyond public support that could be decisive in the future development of RES-DH (e.g. prices, network availability, legal framework).
  - Covering the development of the most recent years (up till 2012) whereas the earlier studies based their assessments on data up till 2009/2010.

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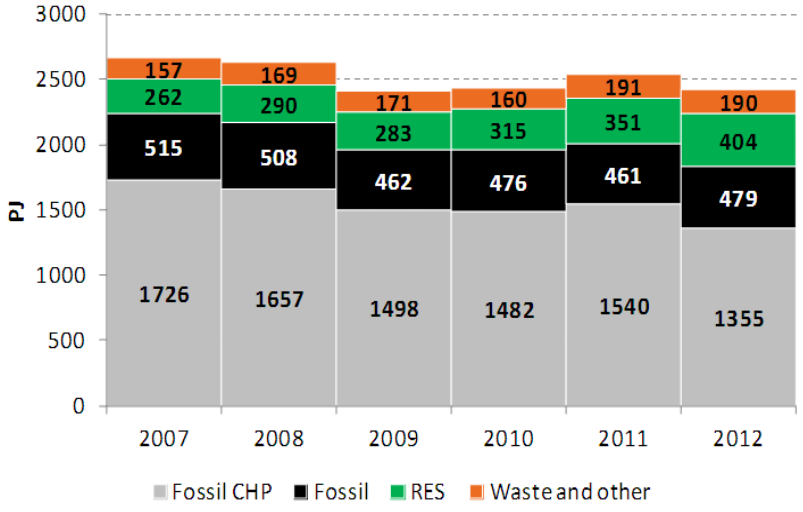
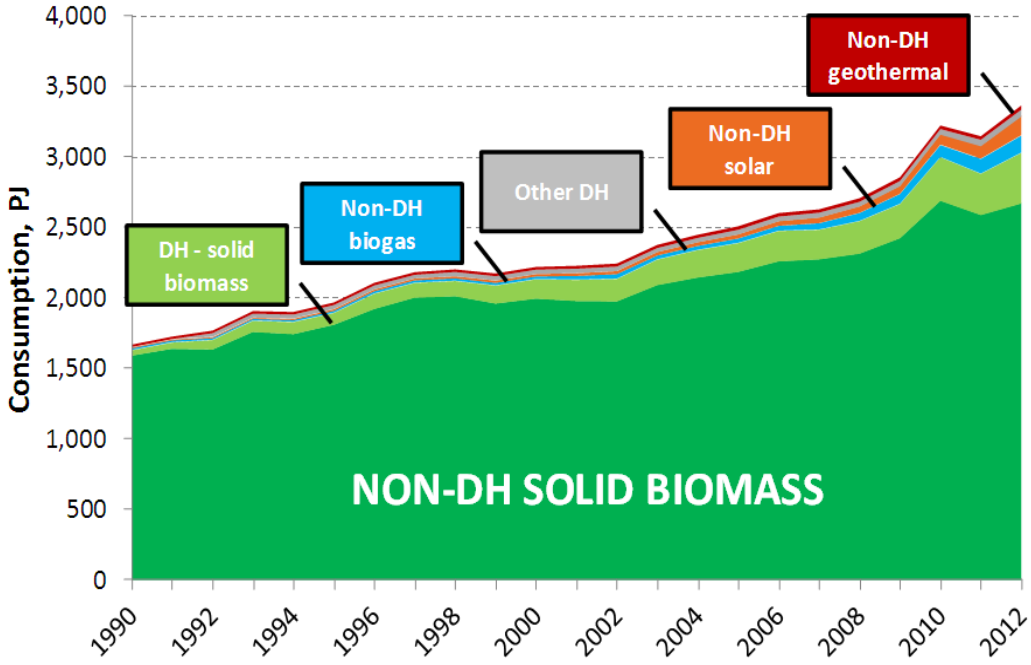
Overall trend in EU DH systems



- Slightly decreasing DH production
- Increasing RES based DH production
- Reducing CHP contribution

- Overall RES heat increase
- But most of it is still non-DH
- Biomass dominates heat production



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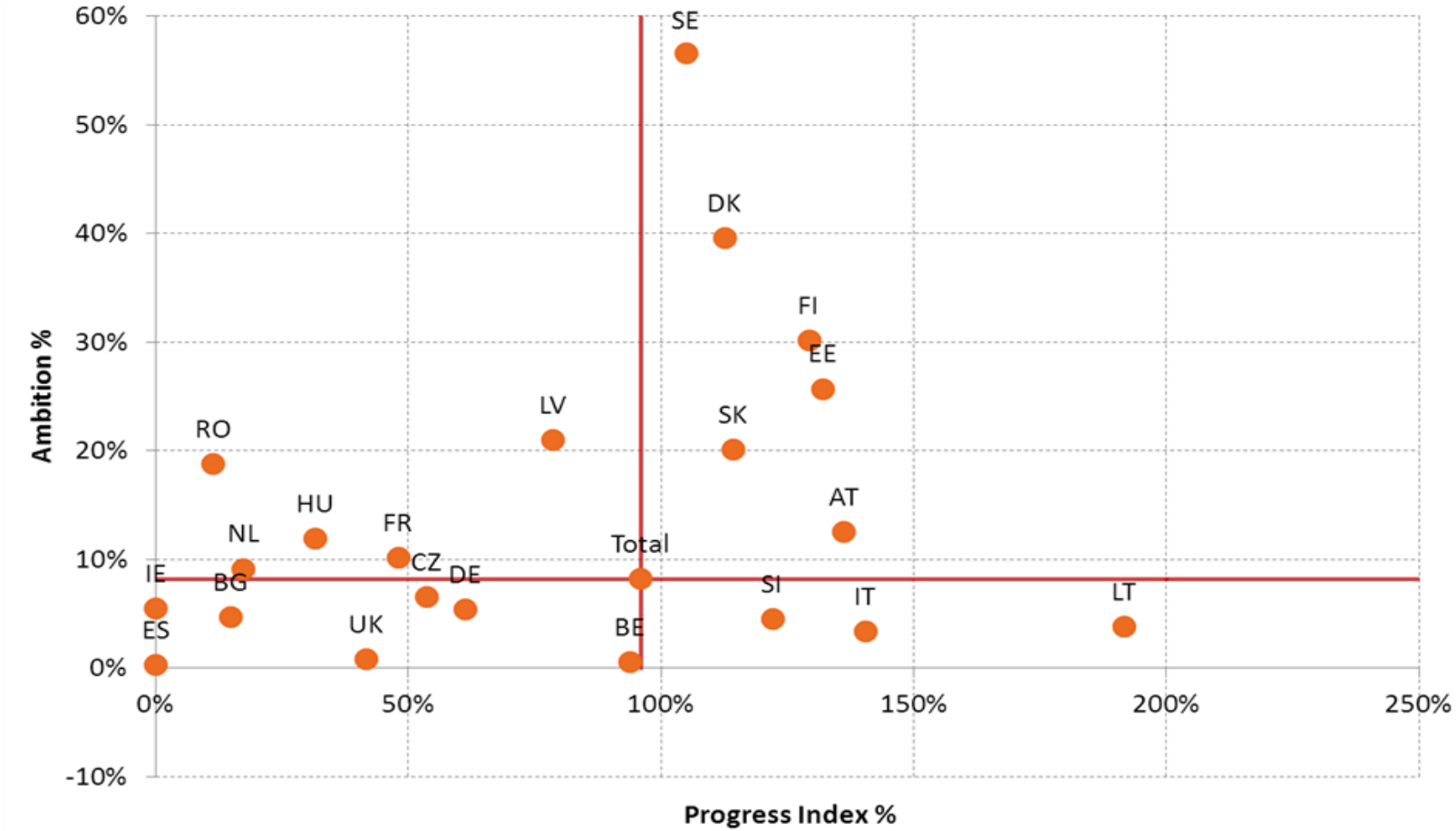
Achievements and Ambitions in the EU



- Ambitiousness %: 2020 DH target/total residential heat demand in 2011
- Progress index: achieved growth in 4 years (2008-11) compared to the 2020 target

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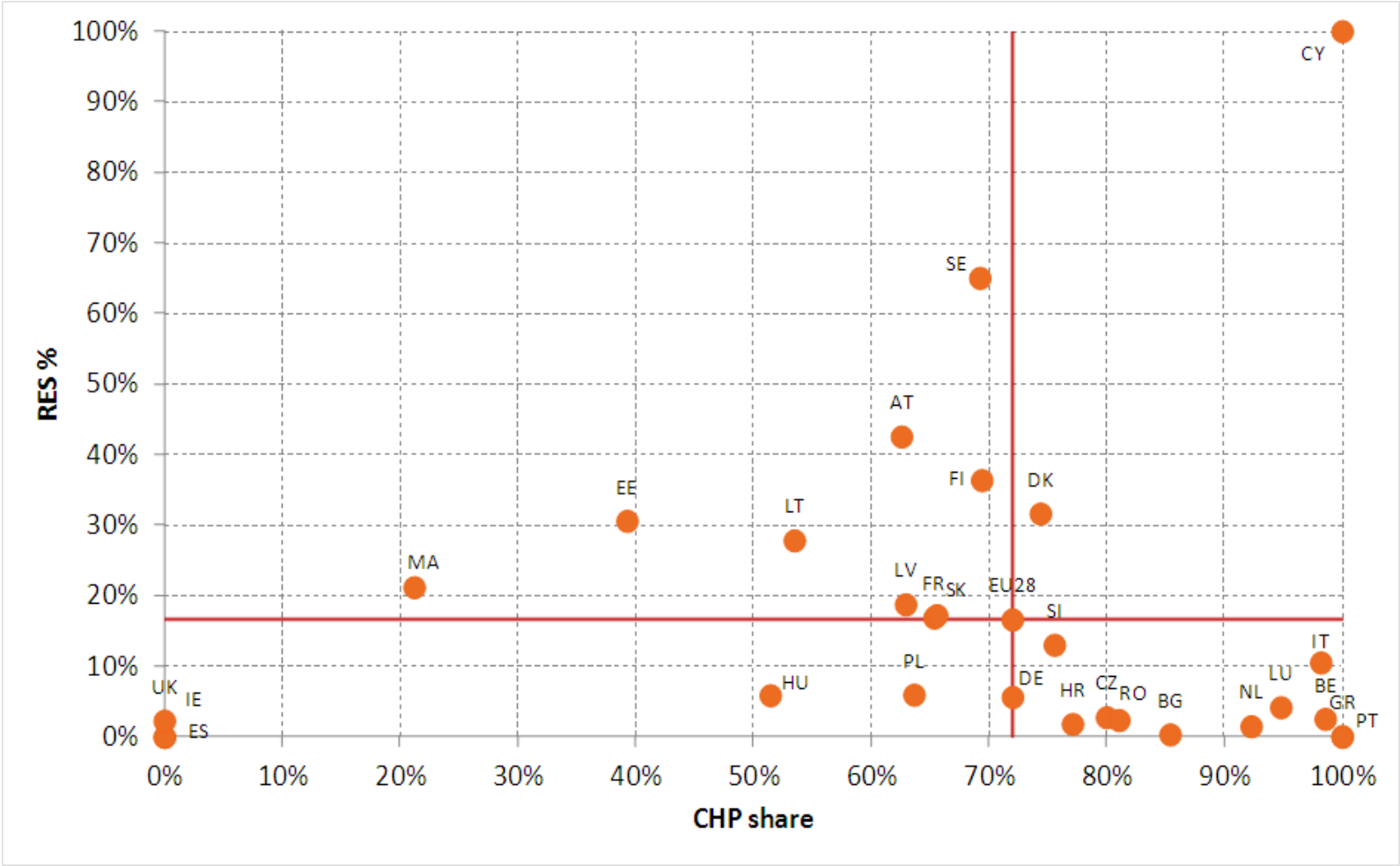
RES vs- CHP share in the DH systems



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Policy challenges – shared with RES

- Technology challenge – for less mature technologies - no significant achievements
- Uncertain evolution of factors affecting the competitiveness of DH:
  - Fossil fuel prices
  - Cost of competing technologies
- Macroeconomic related policy challenge:
  - difficulty in accessing credits in some MSs

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DH specific policy challenges

- CHP based DH – danger to lock in DH systems to natural gas based systems
- Building refurbishments – reduce DH market size – also careful planning is needed
- Difficulties to competitively price DH services – limited third party access (TPA) opportunities
- Obligation schemes – dependent on the overall legal environment/licences of municipalities
- Regulatory challenges of DH companies

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Regulatory lessons

- Positive externality of RES DH is not ‘priced in’ in many countries
- In liberalised DH markets private providers ‘pick up’ most profitable zones, while leaving less profitable areas to municipalities
- More investor friendly regulation: e.g. moving from cost plus to incentive regulation, or increasing length of regulatory periods
- At the same time still enforce efficient operation and pricing of DH systems

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