

“DISTRICT HEATING AND COOLING AND STATE AID IN FRANCE”

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DEFINITION OF ENERGY EFFICIENT DISTRICT HEATING AND COOLING (1/2)

- **Article 2 (124) GBER = a district heating and cooling system which satisfies the definition of efficient district heating and cooling system set out in Article 2 (41) and (42) of Directive 2012/27/EU. [...]**
 - i) article 2 point 41 "efficient DCH...using at least either 50% of RES energy, or 50% of waste heat, 75% of Cogenerated heat, of 50% of such energy and heat.
 - ii) article 2 point 42: "efficient DCH ... when as compared to a counterfactual..., it generates primary energy savings..." "...on the basis of a cost-benefit analysis.

- Ewiki answer 2017.07.06 → not alternative criteria but requirements of article 2 point 41 can be sufficient,



DEFINITION OF ENERGY EFFICIENT DISTRICT HEATING AND COOLING (2/2)

- **Art 2 (124) : [...]** The definition includes :
 - the heating/cooling production plants
 - the network (including related facilities) necessary to distribute the heat/cooling from the production units to the customer premises.



Ewiki answer 2016.02.24 : a distribution network part of a district heating and cooling system is eligible if :

- it connects production units with end consumers;
- it satisfies the requirements of Article 2 (41) and (42) of Directive 2012/27/EU;
- all other relevant conditions are met (under GBER).

The network must be already at an efficiency level satisfying the requirements of Article 2 (41) and (42) of Directive 2012/27/EU
OR

The total investment in upgrading the plant must be taken place in parallel ≠ a separate future investment in the plant

Ewiki answer 2016.04.21 :

investment in the distribution network and upgrading of the plant = part of 1 investment project.
Information of the 2 parts of the projects should be submitted (nature, eligible costs, timeline...)



NOTIFICATION THRESHOLDS

- for investment aid for the district heating or cooling distribution network: EUR 20 million per undertaking per investment project;



Is it possible to grant:

- 1) EUR 60 million to three different undertakings, EUR 20 million each, under the same investment project?
- 2) EUR 20 million to one undertaking, under one investment project and then another EUR 20 million to the same undertaking, under another investment project?



Ewiki answer 2015.05.28 : the notification threshold will only be exceeded if more than EUR 20 million would be granted to the same undertaking under the same district heating/cooling project.



CAPS AND ELIGIBLE COSTS (1/2)

1. Production plants :

- Eligible costs : extra costs needed for the construction, expansion and refurbishment of one or more generation units to operate as an energy efficient district heating and cooling system compared to a conventional production plant.
- Maximal aid intensity : 45% (large) / 55 % (medium-sized) / 65% (small) + 15% in a) and c) zones

2. Distribution network

- Eligible costs : investment costs.
- Maximal aid amount : difference between the eligible costs (total investment costs) and the operating profit.

CAPS AND ELIGIBLE COSTS (2/2)

 Ewiki 2016.02.08 : The operating profit is generated by the production plant and the distribution network. How shall the operating profit be imputed to the distribution network ?

- If the management/operation of the network is separated from the power plant = the operating profit stems from the management/operation of the distribution network.
- If the management/operation is done jointly for the plant and the distribution network = the allocation of the operating profit would be based on **ordinary accounting rules** on allocation of costs and revenues
- Ewiki 2016.10.28 : How to identify operating profit of an investment project which includes construction of production plant and distribution network ?
 - pro-rata approach (allocating the revenues proportionally to the costs)it not possible to separate the two investments in business plans



FOCUS ON FUNDING GAP

- **FAQ GBER Point 203** : if the operating profit of the investment over its lifetime is equal to zero (operating cost=operating benefit), the entire investment cost may be subsidised. If the operating profit is negative (operating cost > operating benefit), only the total investment costs may be subsidised.
- [Ewiki 2016.06.20](#) :



- **depreciation period** = the economic lifetime of the investment.
- **freeness to decide which method to apply** (ex-ante or claw-back mechanism) as long as the choice is based on objective, non-discriminatory criteria.
 - ✓ ex ante evaluation : only once, at the time of the granting of the aid, on the basis of reasonable projections.
 - ✓ claw back mechanism : actual operating profits (that is, the precise revenues incurred each year) need to be taken into account.

FRENCH DIFFICULTIES

- Define the depreciation period to verify the amount of the aide for the distribution network :
 - Standard duration (20 years) : the average lifetime of a biomass heating plant; the legal period of a public service delegation;
 - Exact lifetime
- Define the intern profitability rate to calculate the grant amount :
$$Inv\ Total - Sub\ ADEME - Autres\ sub - \sum_{t=1}^{20} \frac{EBE_t}{(1+i)^t} = 0$$
- Subsidise production plants considering that :
 - Self funding of public authorities (municipalities) is considered as an aid ;
 - Public authorities like municipalities are considered as large companies and intensity aid is limited.

Example

- A joint association in charge to manage an industrial and commercial public service wants to build an heating plant and a distribution network in one city of the local area. This joint association has yet delegated part of the operation of the network in cities of this area by a public service delegation. The joint association is going to sign an amendment to extend the public service delegation to the cities and to the production of a new heating plant. Low profitability,
- Distribution network : no problem,
- Investment in heating plant : maximal aid intensity is 45% as joint association = public emanation funded by public authorities. Self funding is considered as public aid : how to find 55% of private resources considering low profitability ?
-SGEI ?

POTENTIAL SOLUTIONS

- Not possible : local activities
- Convert self funding in the “private” funding through commercial loans : ewiki answer 2016.10.03, about a question posed in relation to article 27 GBER, can be generally used ?
- Consider that if for the own contribution (with the aid received, within the accepted aid intensities) the public authorities would obtain a reasonable return on investment, that part of the investment (the own contribution) would not be State aid.

Thanks you for your attention !

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