



## DK Energy Agreement, March 22 2012

- With the Energy Agreement of March 22, we have succeeded in obtaining broad political commitment to an ambitious green transition for Denmark that focuses on energy savings throughout society and promotes renewable energy in all sectors.
- This agreement implies a 12% reduction of gross energy consumption in 2020 in comparison to 2006; a share of 35% renewable energy in 2020; and 50% wind energy in Danish electricity consumption in 2020.
- The agreement is important for delivering on the political goal that Denmark's entire energy supply (electricity, heating, industry and transport) is covered by renewable energy in 2050.
- The initiatives in the agreement will create green growth and employment in the next decade, while also preserving the competitiveness of traditional enterprises.
- The agreement includes a series of energy policy initiatives for 2012-2020, and the parties involved will take stock of the developments regularly. Before the end of 2018, further initiatives reaching beyond 2020 will be discussed.

### **A more energy-efficient Denmark**

Energy efficiency improvements are crucial if DK is to increase the share of renewable energy in its total energy consumption. This is good for enterprises and households in today's age of increasing and volatile fossil fuel energy prices. With the agreement's initiatives, in 2020 Denmark will have reduced its final energy consumption (excluding consumption for transport) by almost 7% compared to 2010. The agreement contains the following elements:

- energy companies must realise specific energy savings exceeding today's requirements, e.g. by consulting energy experts and by offering subsidies to e.g. households and businesses,
- energy companies must increase efforts by 75% from 2013 to 2014, and by 100% from 2015 to 2020 compared to 2010-12,
- a comprehensive strategy for energy renovation of all Danish buildings will be developed.

### **A green and sustainable energy supply based on renewable energy**

The agreement secures substantial expansion of wind power, corresponding to the annual consumption of 1½ million households. Thus in 2020, wind power will account for approximately 50% of our electricity consumption compared to 25% today. The agreement implies:

- that 600 MW offshore wind turbines will be built at Kriegers Flak and 400 MW offshore wind turbines will be built at Horns Rev before 2020.
- that a further 500 MW offshore wind turbines will be installed near the coast before 2020.
- new planning tools will encourage development of onshore wind turbines with a total capacity of 1,800 MW up until 2020. This will entail that the

electricity production from onshore turbines will increase despite the decommissioning of older turbines.

- that subsidies for wind turbines are reduced by introducing a cap on high electricity prices in order to prevent over-compensation,
- that over a period of four years, a total of DKK 100 million will be committed to funding development and use of new renewable energy technologies for electricity production (solar, waves ,etc.) as well as DKK 25 million for wave power demonstration facilities.

### **Converting to green heating**

Heating consumption must also gradually be converted to renewable energy. The agreement contains the following elements:

- converting from coal to biomass at large-scale power plants will be made more attractive by amending the Heating Supply Act,
- the smaller open-field plants that are struggling in the wake of high heating prices will be allowed to produce cheap heating based on biomass,
- DKK 35 million will be committed to promoting new renewable technologies, e.g. geothermal energy and large heat pumps.

### **More renewable energy in buildings**

The agreement supports the phasing-out of oil-fired boilers in existing buildings by:

- banning installation of oil-fired boilers and natural gas boilers in new buildings from 2013,
- banning installation of new oil-fired boilers in existing buildings in areas where district heating or natural gas is available from 2016,
- committing DKK 42 million in 2012-15 to fund the conversion from oil-fired boilers and natural gas boilers in existing buildings to renewable energy.

### **More renewable energy in industry**

Industry must also convert to a greener energy system. Therefore the agreement lays down that:

- a subsidy should be given to help promote investment in energy efficient use of renewable energy in the production processes of enterprises. In the period 2014 to 2020, the subsidy will be increased to DKK 500 million a year from DKK 250 million in 2013,
- funding of DKK 30 million per year from 2013 to 2020 will be introduced to maintain and promote industrial CHP in industries and greenhouses.

### **Smart Grids**

Large electricity consumption in combination with wind power requires an intelligent energy system. Therefore the agreement lays down that:

- a comprehensive strategy for establishing smart grids in Denmark is to be drawn up,
- an agreement with grid companies on roll-out of remotely readable hourly electricity meters is to be accomplished.

### **Better framework conditions for biogas expansion**

A more ambitious plan for biogas expansion will be implemented. With a view to putting this expansion on the right track and achieving the necessary progress, the agreement includes the following elements:

- the current funding of biogas for CHP is to be increased,
- other opportunities for using biogas – in the natural gas grid, in industrial processes or in the transport sector – are to be made financially more attractive by introducing a series of new funding schemes,
- capital installation subsidies are to be increased from 20% to 30%,
- a task force is to be established. This task force is to support the specific projects and make recommendations for additional initiatives, if, in 2012-13, it is assessed that the expansion process is too slow.

### **Electricity and biomass in the transport sector**

In the long term, the transport sector will face a radical conversion from fossil fuels to electricity and biofuels. The agreement contains the following elements:

- preparation of an overall strategy for the promotion of energy-efficient vehicles,
- subsidies of a total of DKK 70 million are to be earmarked for re-charging stations for electric cars, infrastructure for hydrogen as well as infrastructure for gas in heavy transport,
- fuels must contain 10% biofuels in 2020.

### **More research, development and demonstration**

Investments in RD&D are essential if we are to develop and test Danish green solutions and create green jobs in Denmark. Therefore the agreement lays down that:

- efforts to uphold a high level of RD&D in energy technology where there is a commercial and growth potential should be maintained,
- DKK 9.5 million is to be committed to the project of making the Island of Samsø fossil-free.

### **Financing the energy agreement**

Complete financing of all the new energy policy initiatives has been secured. The agreement thus stipulates:

- that the increased efforts within the energy savings area made by energy companies are to be financed via the tariffs on energy distribution,
- that funding for expanding renewable energy that is supplied to the electricity and gas grids is to be financed via PSO (Public Service Obligation) schemes and thus via the energy bill,
- that a security of supply tax on space heating is to be introduced to cover government funding for biogas, industrial CHP, energy savings packages in privately owned rental properties, renewable energy in businesses, as well as the government's loss of taxes due to lower consumption of fossil fuels,
- that a share of the security of supply tax is to be offset against lower energy taxes on electricity and fuel for industry with a view to maintaining Denmark's competitiveness.

- Finally, a number of efficiency improvements in the Danish energy sector will be implemented that together will cheapen efforts by a total of DKK 1.8 billion in 2020.