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Moving from obligations to a competitive tender scheme

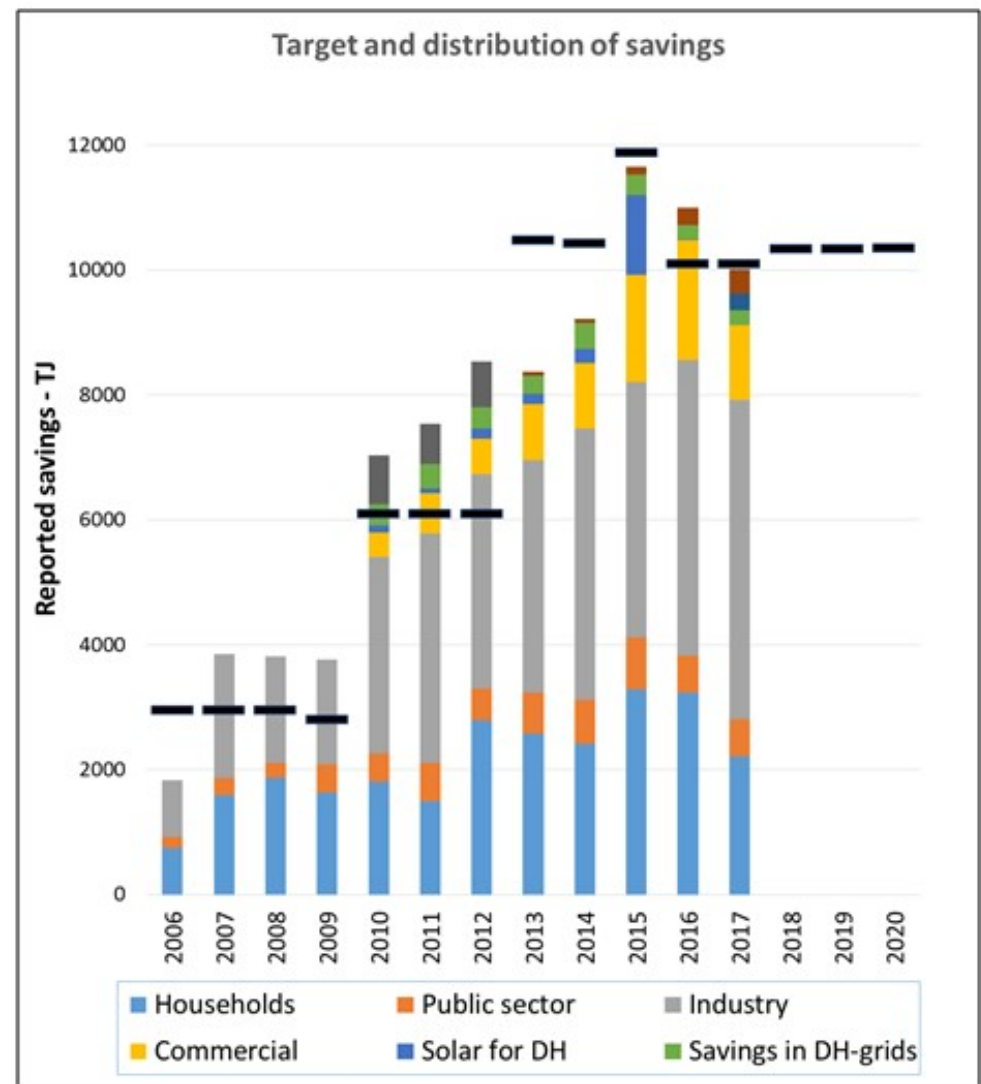
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Expanding markets through obligations

Paris, 25 April 2019

The Danish obligations system

- Obligations for distribution companies
 - Introduced in 2006
 - Before that DSM
- Designed to deliver on the Danish energy objective
- Running in 3-4 year cycles
 - Updating based on the experiences
 - Independent evaluations
- Implemented by voluntary agreements
 - Positive support from the sector until 2014-2015



Lessons learnt

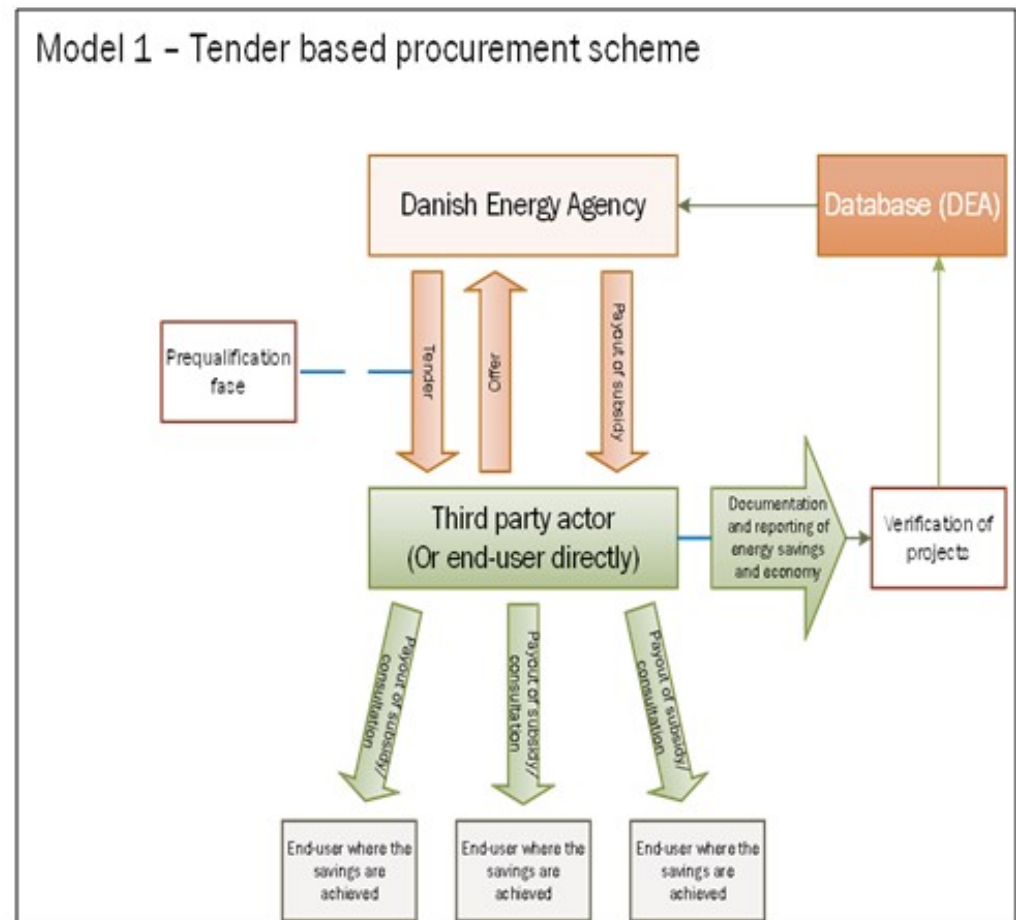
- Have worked well
 - All branches have fulfilled their target by the end of every year
 - Cost-effective and the utility cost still low
 - Many actors and energy services providers have been involved
 - The end-users and involved actors are very satisfied
 - But also problems
 - The additionality in households low
 - The organisations representing the obligated companies are very negative
 - Strong critique
 - In the media
 - From independent suppliers
 - From Rigsrevisionen (National Audit Authority)
 - And also from several of the political parties and from the minister
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Main critique

- **Cheating**
 - Chases where the savings not are counted correct
 - Cavity wall insulation, biomass boilers, etc.
- **Cross-subsidising between consumer groups**
 - Households pays much more then they received
 - Industry receive much more than they pay
- **Profits in affiliated companies (transfer prizing)**
 - The obligated distribution companies have signed contract with retail sales companies, etc. in the same group
- **Not strong incentives to reduce the cost**
 - Net-zero economic regulation

Competitive tendering scheme in businesses

- A part of the Energy policy agreement, June 2018
- The new schemes will take over from 2021
- Third party actors compete freely to provide energy savings at the lowest costs
- A special subsidy scheme for existing buildings



Challenges:

Competition:

- Enough third party actors?
- Will they be willing to accept the risks?
 - Commitment to amount of savings, prize and timetable for delivering
- Will they cover all sub-sectors and end-uses?

State aid rules:

- Not covered by the guidelines
- Control of level of subsidy – no overcompensation allowed

Thank you for your attention