Voluntary Industry Agreement

Denmark

DANISH ENERGY ASSOCIATION

The Energy Agreement and solid biomass

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The Energy Agreement will lead to increased use of biomass for electricity and heat production by:

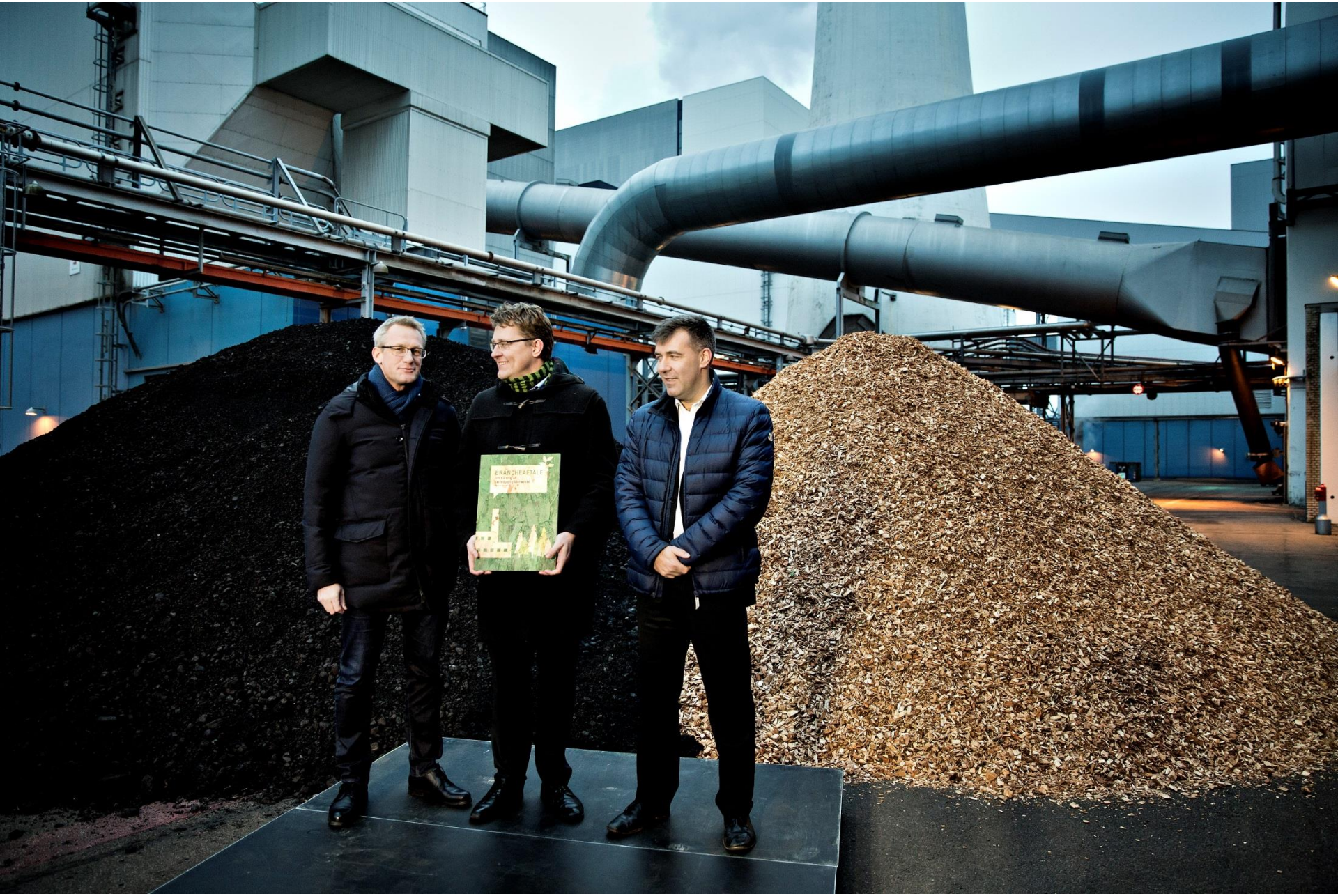
- allowing producers and consumers to share the financial advantage of using biomass(until now, the electricity producers have not been allowed to benefit from the tax advantage of biomass for heat)
- allowing some of the smaller district heating plants to produce heat from biomass instead of CHP from natural gas
- increased subsidies for biogas production.

“There should be no doubt that it [biomass] benefits the climate, when we switch from coal to biomass. Therefore, I urge the industry to enter into a voluntary agreement to purchase only biomass produced sustainably

…If the industry does not enter into a voluntary agreement, we will ensure the sustainability of the biomass through legislation. Biomass has many advantages as a fuel, but it is necessary that we have high standards for the biomass we use“ says climate, energy and building minister Rasmus Petersen.

May 2014


BRANCHEAFTALE
om sikring af
bæredygtig biomasse


BRÆNDSELSAFTALE

“Now, the energy industry has taken responsibility for ensuring that the biomass which substitute coals in our power plants is sustainable. Itis all important. For there must be no doubt that it benefits the climate, when we change from coal and natural gas and switch to pellets and chips. The industry agreement is a big and important step in the right direction. The climate wins with the new trade agreement, "says Minister for Climate, Energy and Building Minister Rasmus Petersen

It is also a good day for forest biodiversity and for the green transition at all. And it's important that our increasing use of wood does not lead to impoverished and degraded forests. The new trade agreement will support the efforts which are already in place to ensure sustainable wood for construction, furniture and paper “ said Environment Minister Kirsten Brosbøl.

The voluntary industry approach

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- Designed based on the most stringent legislation currently in place - UK Reflects the contents of the Danish Ministry of Environment's Guidelines on securing sustainable timber in public procurements of goods and services
- Forest Europe's criteria for sustainable forest managment
- Can be implemented without a large administrative set-up
- It applies to the whole sector using wood chips or pellets - but documentation requirements only applies for electricity and heat generators over 20 MW

The voluntary industry agreement

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Basis

- UK Timber Standard for Heat & Electricity: Woodfuel used under the Renewable Heat Incentive and Renewables Obligation
- The Danish Ministry of the Environment's Guidelines on securing sustainable timber in public procurements of goods and services, and Forest Europe's criteria for sustainable forest management.

Timeframe

2016: 40 %

2017: 60 %

2018: 75 %

2019: Fully implemented

Evaluation in 2018

The criteria

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Sustainable forestry

1. Legality
2. Protection of forest ecosystems
3. Forests' productivity and ability to contribute to the global carbon circle must be maintained
4. Forests must be healthy and well-functioning
5. Protection of biodiversity and areas that are sensitive and/or worthy of conservation
6. Social and labour rights must be respected

CO2 emissions

Biomass may only be used where CO2 emissions from the biomass value chain in question do not exceed the applicable limits:

	2015	2020	2025
EU reduction recommendation (2015) UK reduction recommendation (2020/2025)	70 %	72 %	75 %
Absolute limit (electricity)[1]	201 kg/MWh	187 kg/MWh	167 kg/MWh
Absolute limit (heat)	86 kg/MWh	81 kg/MWh	72 kg/MWh
Absolute limit (power plant-ed heat)*	100 kg/MWh	94 kg/MWh	84 kg/MWh

[1] EU fossil fuel comparator: 670 kg/MWh (electricity), 335 kg/MWh (power planted heat)*, 288 kg/MWh (heat). All based on energy output.

Source: Commission staff working document: State of play on the sustainability of solid and gaseous biomass used for electricity, heating and cooling in the EU (*own estimate based on total combined heat and plant efficiency at a rate of 85%).

Carbon cycle, forest carbon stock, iluc, iwuc

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The industry aims to not use biomass:

- where there regionally exists an actual alternative demand for high-value production (including the production of timber)
- which comes from trees that are grown on fertile soil, which has been unwisely converted from agriculture to forestry
- is to blame for deforestation in the region
- that negatively affects the quantity and quality of forest resources in the medium and long terms

Compliance

- Biomass sustainability must be documented through annual reporting on compliance with requirements. The report must be either developed or verified by a third party
- By way of documentation of requirements 1-6:
  - the certification system developed by Sustainable Biomass Partnership can be used
  - certification schemes, which are widely used worldwide and are recognised as documentation of sustainability by the Danish Nature Agency may also be used. Currently, only FSC and PEFC are recognized.
- The annual report will have to be made available on the members' websites. The Danish Energy Association and the Danish District Heating Association will additionally link to the annual reports on their respective websites.

One shortage

- No Danish model to calculate CO2 emissions from the value chain
- Have to decide on calculation method
- Biograce is the preffered choice

Questions