



Applying State aid rules to decarbonisation of District Heating Systems

Christos Peolidis, State aid Expert EIB/JASPERS

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State aid in DH systems

What is the problem with State aid rules?

Requirement: Efficient DH Systems

3 Instances:

- State aid may be excluded
- State aid - no notification is necessary
- State aid - notification is necessary

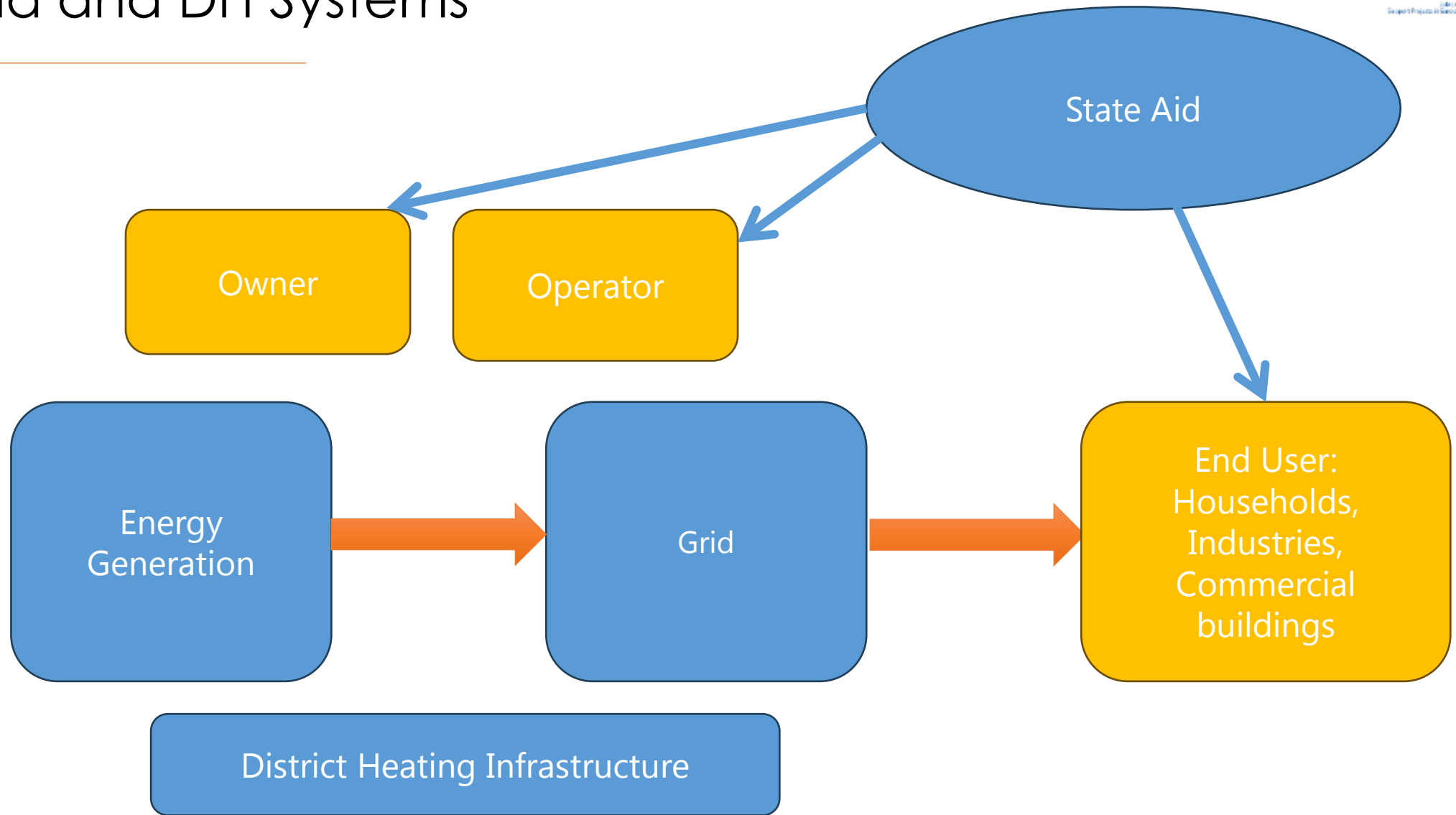
1st Instance:
State aid
can be
excluded in
DH Systems

if one of the below elements
is missing:

- State resources
- Selectivity
- Economic Activity
- Distortion of Competition
- Effect in trade between Member States
- Advantage



State aid and DH Systems



2nd Instance: State aid involved,
but no notification is necessary

- **Aid covered by an existing State aid scheme**
- **General Block Exemption Regulation (GBER)**
- **Art. 46 of GBER:**
- **Investment aid for energy efficient district heating and cooling,**
- **Prerequisites:**
- DH Systems are or can become (in 3 years) efficient i.e.
 - 50% renewable energy,
 - 50% waste heat,
 - 75% cogenerated heat or
 - 50% of a combination of such energy and heat.
- **Chapter 1 of GBER applies:**
- Undertakings have not to be in difficulty, nor under recovery obligations.



2nd Instance:
State aid
involved but no
notification is
necessary
(GBER)



Thermal storage can also be supported.



Not for fossil fuel-based generation facilities, except for natural gas in compliance with the 2030 and 2050 climate targets



Aid for upgrades of storage and distribution networks that transmit heating generated by fossil fuels only if:

- a. the **distribution network is or becomes suitable for heat generated from RES and/or waste heat;**
- b. the upgrade **does not result in an increased generation of energy from fossil fuels** except for natural gas and in this case, it must follow the 2030 and 2050 climate targets.

2nd Instance: State aid involved but no notification is necessary (GBER)



Maximum aid EUR 50 million per undertaking per project.



The eligible costs are the total investment costs



Funding Gap calculations apply



Aid intensity may reach up to 100 % of the funding gap.



Counterfactual for network: No project.



Counterfactual for heat generation: Regular boiler.



CO2 Savings must be considered



For generation facilities alternatively to article 46 – aid can be covered by other GBER rules, covering investment aid for renewable energy (Article 41 of GBER, no counterfactual needed).



3rd Instance: Notifying
for State aid clearance
is necessary

**Section 4.10 "Aid for district heating and cooling"
of CEEAG**

Section 4.10 “Aid for district heating and cooling” of CEEAG

3rd Instance:

Notifying for State aid



Aid amount > 50 million Euro per project per undertaking

In situations where operating aid is needed to for the operation of the DH system: The operating aid must lead to clear environmental benefits. I.e. in cases where it is needed to operate specific RES heat installations (German Federal Scheme SA.63177).

Heat from waste possible, if waste hierarchy is met and waste qualifies as RES or used in high efficiency CHP

The rest of the provisions are mirroring GBER i.e. aid can be granted only for DH systems that are going to become efficient 3 years from the start of works in the DH system.

Generation facilities: no fossil fuels besides natural gas in line with 2030 and 2050 climate targets

Funding gap calculations apply.

Examples of JASPERS Support on State aid matters



Slovakia

How can we support the drilling of geothermal wells when it still needs to be studied if the geothermal potential is sufficient to supply the DH system?

Use aid for environmental studies Art. 49 of GBER.

Slovenia

Can aid be granted under SGEI rules to DH systems?

In principle yes. Of course, it is up to a Member State to define the SGEI and the Commission to check the manifest error.

However, the Commission leaves very few space for such an approach.

- SGEI: Justification that the market is not providing the service vs individual heating solutions
- GBER and CEEAG provide allow high aid amounts especially for the DH infrastructure.
- SGEI rules are quite complicated, require long monitoring and pose significant restrictions.
- RRF Guiding template on State aid for DH Systems: Ignores to refer to such an option.

Examples of JASPERS Support on State aid matters

Romania

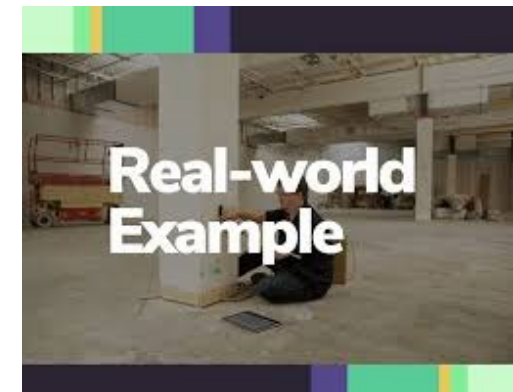
Upgrade of the Bucharest District heating network, 216 million EUR through **ERDF**.

Further funding:

- 300 million from **RRF** and
- 362 million from **MF**.

Croatia

Revitalisation of district heating in Zagreb. Aid 57 million EUR from **ERDF**.



Conclusions

- Easy and straight forward State aid rules but investments need to comply with the principle of **efficient DH system**.
- Funding gap allows for **important aid amounts and high aid intensities**.
- Opportunity for Member States to use **several funding sources** (ERDF, JTF, MF) for decarbonizing the DH Systems



References



Legislation

- GBER: [EUR-Lex - 02014R0651-20230701 - EN - EUR-Lex](#)
- CEEAG: [Communication from the Commission – Guidelines on State aid for climate, environmental protection and energy 2022](#)

Guiding template for district heating projects for RRF

- [Microsoft Word - District heating and cooling_update 4.4.2023.docx](#)

State Aid Decisions:

- State Aid SA.63177 (2022/N) – Germany Federal support for efficient heat networks [SA 63177 A0B41883-0000-C374-8496-48DF3E50BCDF 90 1.pdf](#)
- State Aid SA.57425 (2020/N) – Romania Support measure for the upgrade of the Bucharest Municipality District heating network [286196 2268986 132 2.pdf](#)
- State Aid SA.101723 (2022/N) – Romania Investment aid on High-efficient Cogeneration plant using natural gas in district heating network [draft decision SA.101723 for ISC comments LS.docx](#)
- State Aid SA.108102 (2024/N) – Romania
- Amendment to SA.101723 supporting investment in high-efficient cogeneration plants using natural gas in district heating networks [SA.108102](#)
- State Aid SA. SA.53628 (2019/N) – Croatia – Revitalisation of district heating in Zagreb [282072 2115443 182 2.pdf](#)

Questions





Christos PEOLIDIS

State aid Expert

c.peolidis@eib.org

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