



EUROPEAN COMMISSION

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PUBLIC VERSION

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Subject: State aid SA.42498 (N/2015) – Denmark – Modification of the support to household wind turbines

Sir,

The European Commission (the Commission) wishes to inform Denmark that, having examined the information supplied by your authorities on the matter referred to above, it has decided not to raise objections to the notified aid measure.

1. PROCEDURE

- (1) Following pre-notification contacts, on 28 December 2015, the Danish authorities notified the Commission, in accordance with Article 108(3) of the Treaty on the Functioning of the European Union (TFEU), and in particular Article 4 (2) (c) of Commission Regulation (EC) 794/2004, of the planned modifications of a support scheme to household wind turbines. The notification was complemented by information submitted by Denmark on 9 February 2016.

Udenrigsminister Kristian Jensen
Udenrigsministeriet
Asiatisk Plads 2
DK-1448 København K

- (2) The notification concerns an amendment of the scheme originally approved by the Commission in a Decision of 28 October 2014 in case SA.37122¹ which entered into force on 11 February 2015 ("the original scheme").

2. DESCRIPTION OF THE MODIFICATIONS TO THE SCHEME

- (3) The Danish authorities intend to introduce the following amendments to the original scheme:
- (a) Future aid granting for new beneficiaries will be subject to an annual pool of 1 MW per year in the period from 2016 to 2020², to which access will be granted on "first come, first served" basis;
 - (b) The maximum duration of aid payments (payment period) per beneficiary will be reduced from 20 to 12 years, calculated from the time of grid connection;
 - (c) The settlement rates applicable to new beneficiaries will be reduced annually by DKK 0.38/kWh and DKK 0.18/kWh respectively for household wind turbines with an installed capacity of up to 10kW (inclusive) and for household wind turbines with an installed capacity of above 10kW and up to 25 kW (inclusive). The reductions will take effect every 1 January, starting on 1 January 2016.³ This will result in a unified settlement rate of DKK 0.60/kWh for all new entrants in year 2020, irrespective of the installed capacity of the beneficiary, as illustrated below in Table 1 and Table 2:

Table 1 *Settlement rates for household wind turbines with installed capacity up to 10kW (inclusive)*

Year of granting aid	2016	2017	2018	2019	2020
Settlement price DKK/kWh	2.12	1.74	1.36	0.98	0.60

Source: Danish authorities

Table 2 *Settlement rates for household wind turbines with installed capacity of above 10kW and up to 25kW (inclusive)*

Year of granting aid	2016	2017	2018	2019	2020
Settlement price DKK/kWh	1.32	1.14	0.96	0.78	0.60

¹ Commission decision SA.37122 (2013/N) – Denmark – Aid to household wind turbines and offshore wind turbines and an experimental aspect, OJ C 277 of 21.08.2015 p. 2. The present Decision does not deal with aid to offshore wind turbines with an experimental aspect, which was also subject to approval in case SA.37122 but remains unchanged.

² The present notification and decision only cover the period until 31 December 2016.

³ This means that the amount of the settlement rate will depend on the year in which a beneficiary becomes covered by the scheme. The beneficiary will receive the settlement rate applicable in the year it becomes covered by the scheme during the entire payment period. Therefore, a household wind turbine being covered by the scheme in 2016 will receive higher settlement rates for the entire duration of payments for 12 years than one that became covered by the scheme in 2017.

Source: Danish authorities

- (4) The notified amendments will apply to all new beneficiaries. Aid granted before 1 January 2016 pursuant to an application filed on or after 22 October 2015⁴ will only be subject to the notified settlement rates and payment period. The legal basis for the scheme is the Act on promotion of renewable energy, no. 641 of 12 June 2013, amending the Act promoting renewable energy, the electricity supply act and the tax assessment act⁵. No aid will be paid out under the notified measure before it has been approved by the European Commission.
- (5) The Danish authorities have confirmed that all other features of the original scheme remain unchanged.
- (6) Denmark has provided net present value (NPV) calculations of the production costs and aid amounts over a period of 20 years for the two categories of beneficiaries which have been designated according to their respective installed capacity (Table 3 and Table 4).

Table 3 Present values for household wind turbines from 0 kW to 10 kW (inclusive) installed in 2016-2020 (DKK/kWh)

Time period	Production cost (1)	Market price (2)	Extra cost (3)=(1)-(2)	Proportion of own consumption	Aid (4a)	Value of own Consumption (4b)
2016-2035	41.5	5.1	36.4	50%	10.3	22.1
2017-2036	41.7	5.2	36.4	50%	8.2	22.8
2018-2037	41.9	5.3	36.5	50%	6.0	23.5
2019-2038	42.1	5.4	36.6	50%	3.9	24.3
2020-2039	42.3	5.6	36.7	50%	1.7	25.1

Source: Danish authorities

Table 4 Present values for household wind turbines from 10 kW to 25 kW (inclusive) installed in 2016-2020 (DKK/kWh)

Time period	Production cost (1)	Market price (2)	Extra cost (3)=(1)-(2)	Proportion of own consumption	Aid (4a)	Value of own Consumption (4b)
2016-2035	27.0	5.1	21.9	10%	10.5	4.8
2017-2036	27.1	5.2	21.9	10%	8.7	5.0
2018-2037	27.3	5.3	21.9	10%	6.8	5.2
2019-2038	27.4	5.4	22.0	10%	5.0	5.4
2020-2039	27.5	5.6	22.0	10%	3.1	5.6

Source: Danish authorities

⁴ The day after the legislation amending the original scheme was tabled for adoption in the Danish Parliament.

⁵ As amended by Act no. 1877 of 29 December 2015, adopted by the Danish Parliament on 21 December 2015.

- (7) In the calculations presented in Tables 3 and 4, a return of 4.94% has been used to capitalise the investments which are depreciated over a 20 year period.⁶ The market price for electricity reflects the Nordpool spot price, which was at the level of DKK 0.23/kWh in 2014, inflated with 2% from 2016 to 2039 to simulate the market price for the purpose of the calculation examples. The aid will be granted only to the electricity production supplied to the grid. The value of the production consumed by the households is equivalent to the savings made by not having to purchase the same amount of electricity from the grid and has been calculated, based on the market price plus taxes and tariffs. Taxes and tariffs are set at DKK 1.60/kWh and inflated with 2% from 2016 to 2039. The present values have been calculated at a rate of 1.17% corresponding to the Danish EU reference rate from 1 June 2015⁷ plus 100 basis points.
- (8) The Danish authorities have also confirmed that, in line with their commitment laid down in recital 33 of the Decision dated 28 October 2014 in case SA.37122, a new application procedure for the purpose of the requirement of incentive effect under the Energy and Environmental Aid Guidelines (EEAG)⁸ has been put into place.
- (9) The Danish authorities have notified and requested an approval of the amended scheme only until the end of 2016. The Danish authorities have nevertheless already indicated that they envisage keeping the scheme in place until 2020. This is however not part of the present notification which only covers the period until 2016.
- (10) The expected annual expenditure for new beneficiaries entering the scheme in 2016 will amount to DKK 2 million. Hence, the total budget will be DKK 24 million over the entire 12 year payment period for all beneficiaries entering the scheme in 2016. It has been assumed that approximately 2/3 of the installed turbines will have a capacity of 0-10 kW and 1/3 will have a capacity of 10-25 kW.

3. ASSESSMENT OF THE AID

3.1. Presence of state aid within the meaning of Article 107(1) TFEU

- (11) The notified modifications do not alter the prior conclusion of the Commission in the Decision dated 28 October 2014 in case SA.37122 that the measure constitutes state aid within the meaning of Article 107 (1) TFEU.

⁶ The required rate of return has been determined on the basis of a Deloitte report of 10 October 2014 concerning rates of return for household windmills in Denmark, using updated assumptions where appropriate.

⁷ Calculated in accordance with the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008, p.6.). Published on the Commission's website: http://ec.europa.eu/competition/state_aid/legislation/base_rates_eu28tris_en.pdf.

⁸ Communication from the Commission – Guidelines on State aid for environmental protection and energy 2014-2020, OJ C 200 of 28.6.2014, p. 1.

3.2. Lawfulness of the aid

- (12) The Danish authorities have fulfilled their obligation under Article 108 (3) of the TFEU, by means of a simplified notification procedure, in accordance with Article 4 (2) (c) of the Commission Regulation No. 794/2004, prior to the granting of aid.

3.3. Compatibility

- (13) The Commission has assessed the compatibility of the notified modifications to the support scheme for household wind turbines on the basis of the EEAG.
- (14) The amendments concern three features of the original scheme: (i) introduction of an annual cap on the total support based on maximum capacity; (ii) reduction of the payment period from 20 to 12 years per beneficiary; and (iii) an annual decrease in the settlement rates applicable to new beneficiaries.
- (15) As these three changes all affect (part of) the proportionality assessment carried out in the Decision in case SA.37122, the proportionality is re-assessed on the basis of point 128 of the EEAG. In this respect, Denmark has demonstrated that the (reduced) aid does not exceed the difference between the production costs⁹ of electricity generated in household wind turbines and the market price per unit of electricity (Table 3 and 4). The calculation examples for the production costs include a normal return on capital of 4.94%. Denmark provided detailed calculations to substantiate the chosen rate of return which the Commission finds acceptable. The Commission also notes that the reduced payment period will not exceed the normal depreciation period.
- (16) The introduction of an annual pool of 1 MW does not affect the proportionality of the aid or any other compatibility criteria set out in the EEAG.
- (17) Thus, the notified modifications do not alter the Commission's previous conclusion as regards the proportionality of the aid. As confirmed by the Danish authorities, all other conditions of the scheme remain unchanged.
- (18) Considering the above, the Commission sees no reason to depart from its previous positive compatibility assessment in the Decision in case SA.37122. The Commission's analysis confirms that the amended scheme still meets the requirements of EEAG.
- (19) In the light of the above, the Commission considers that the amended support scheme for household wind turbines, as presented in the notification, is compatible with the internal market pursuant to Article 107(3)(c) TFEU. The measure is approved until 31 December 2016.

⁹ Denmark committed to update the production costs as laid down in recital 32 of the Decision in case SA.37122.

4. DECISION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site:

<http://ec.europa.eu/competition/elojade/isef/index.cfm>

Your request should be sent by registered letter or fax to:

European Commission
Directorate-General for Competition
State Aid Greffe
B-1049 Brussels
Fax No: +32 2 29 61242

Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission