

Summary report: Energy Stakeholders' Dialogue in Czechia, 29 March 2022

On Tuesday 29 March 2022, the European Commission Representation in Czechia (EC REP) in cooperation with the Directorate General for Energy of the European Commission (DG ENER) hosted an online stakeholder dialogue with the Czech energy sector. It was presented by Mr Radoš Horáček, DG ENER, and moderated by Mr Josef Schwarz, EC REP. The topics included the penetration of renewables for households (individual, district heating), companies and energy-intensive industries in Czechia as well as the security of energy supply. Approximately 50 participants joined the meeting, representing various energy companies and the civil society.

Summary of main points:

- Waste-to-energy is not much supported by the European Commission, and there is an untapped potential in Czechia;
- Simplification and speeding up of biomass classification is needed for business to know with what exactly they can operate;
- Simplification of funding opportunities is necessary from the EU and national funds, need for only one energy efficiency/renovation fund with one set of criteria, and one for renewables;
- Lack of strategic support by the national government in Czechia. The Czech Ministry of Industry and Trade only has 3 people dedicated to helping with the Renovation wave.
- Housing industry is in big trouble due to the fast changing prices of commodities, supply chain shortages and a lack of workforce.

The discussion:

Question 1: Is energy efficiency going to lead to decrease in energy dependency/consumption? Is there going to be an increase in other energy demanding sectors? (E.g. energy saving in housing leads to car purchase and consumption increase in transport).

Reply: Consumption in automotive is not a direct result of energy saving in other energy sectors based on the data we are seeing globally. Despite a rebound effect, energy efficiency works.

Q2: EU shall not suggest lowering temperature by 1°C. Many households heat to 25°C. Optimal temperature for human health is 18°C. EU shall suggest in "REPowerEU" to lower temperature to 18°C.

Q3: Renovations account for 10% of construction works. The majority of construction is in transport, industry and new built residential. Construction sector is very flexible. It was able to double the output in transport construction from 68 to 130-bn CZK from one year to another. It is not a problem to double the renovation rate.

Incredibly bad situation on the market (housing industry). We are unable to assess accurately the prices of commodities given their fast changing nature. How will we generate electricity and from what? Where will new energy come from?

R: The situation on the construction market is concerning. We have the renovation wave, which should help you, but we are very open for your feedback.

To generate electricity fast, within 2-3 years we can increase renewables production (construction of solar and wind power is fast), energy efficiency is another step – 40 to 60% of energy savings were generated in blockhouses thanks to renovation. The combination of these two factors should help immensely.

Q4: What is the EU strategy for district heating (DH)? How will we replace coal and gas for DH? If heat pumps are the solution, electricity networks must be built.

R: Fit for 55 deals with the central heating question, cogeneration units, and renewable energy in the EED and in RED. Article 24 EED provides for a time schedule of increased introduction of cogeneration and renewables into the energy generation in district heating.

Q5: There are practical problems in heating industry. Fit for 55 is not helpful. In reality until 2030 only biomass will be useful in Czechia. Heat pumps cannot work in higher temperature environment. Until 2030, we cannot finalise the renovation of all connected houses. How will we transform the heating industry?

Biomass sources are limited. Imports make little sense from an environmental perspective, and the European Commission, which wants us to recycle everything, does not support waste-to-energy. Nuclear energy generates heat and even if we do all of this, we can substitute 40 to 50 % of coal and the rest can only be done with gas, but what should we do, if we cannot have it?

We are open to all renewable sources, but without gas, we cannot get rid of coal. Usage of biomass is not simple. The European Commission did not introduce its delegated legislation on biomass sustainability certification on time. A lot of uncertainty, which biomass is the right one. We need regulatory certainty for biomass and waste to heat to build the projects in the next year or two, but the delegated act has not been published yet. Investors are lost in this, and it is very complicated to plan and build anything. We are very keen on energy transformation. The pace of building cogeneration units will be very slow because we need to wait for the very last customer to agree with the change.

ETS for district heating and its absence for individual heating is a discriminative distortion.

R: We might prioritise when it comes to renovation and district heating. Building blocks that are connected to DH with coal-based heat that needs to be phased out soon, could have priority. The first renovation wave of the blockhouses to save 40-60% of heat took 10-15 years in Czechia, we can do a second wave to save up to 90% of energy faster this time.

Q6: Strategic approach to central heating systems, where it will be most efficient to renovate, is a good move. A lot of gas goes into industry; can glassmakers replace gas? How will we ensure that what we save in gas now will help us next winter? Energy savings only happen when the builder finishes its work, not after European Commission publishes a paper, or Czechia its law. There is 60 to 70 thousand yearly renovation investment decisions, ranging from private, co-owned to public houses. We need client oriented retail approach to make these decisions happen. We need two things for this:

- Investment support is important, make it simple, make one renovation fund, and one for renewables (now we have RRF, Modernisation fond, Just Transition fund, ESIF, taxonomy, etc. often with different conditions);
- The Czech government has to make this a priority. The Ministry of Industry and Trade has 3 people designated to this task. Unacceptable. Increasing capacity is crucial. Launch communication campaign, pre-project preparation shall be increased. Investment support for renovation shall become part of social benefits for low-income households.

Q7: Agree with the lack of dedicated capacity in Czechia. “REPowerEU” and the European Commission could address this – compensation for energy price increases is not motivational, it shall be changed by incentives to renovate buildings. The EU VAT directive shall allow lower VAT for renovations. It makes more sense than decreasing VAT for energy consumption. Simplification of funds is crucial – Social climate fund is great, but it is another one of a million. It does not create

another state directed channel of funding. Make it direct! Housing market is peaking right now, renovation rate will be hard to satisfy, for a manufacturing company it is hard to grow as the lack of workers is staggering and supply chain issues and overall uncertainty is prevalent.

Q8: The “REPowerEU” speeds up the implementation of the ‘Fit for 55 package’, but will the European Commission increase the financial support for it?

R: The Commission services are looking into a possible redirection or reprioritisation of the existing funding.

Q9: Simplification of the EU funding process is crucial for small and medium (including industrial) boilers.

Q10: Is it suggested not to measure the effectiveness of the ability to draw funds, but the real impact? Do you take into account the poorest households, how will you help them?

Asks Commission for methodology on how to organise funding for energy efficiency and Renewable Energy Sources – in one fund, not into many dispersed funds.

State aid rules do not allow for cooperatives of flat owners to receive 90% of public funding of renovations, as the private home owners receive.

RES installation is in public interest, the permitting shall be faster and easier.