

# European Cogeneration Review – The Netherlands

January 2013

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## 1 Executive Summary

Energy is considered a core dimension of the Dutch economy contributing to growth, jobs and income. While sustainability and de-carbonisation are among the main considerations that drive energy strategy in the Netherlands, a more prominent factor in the current context is fostering economic competitiveness. In its 2011 Energy Report, the Dutch Government outlined the importance of meeting energy demand through a diverse energy mix that would include all reliable and sustainable forms of energy. The expected decline in the domestic gas and oil production has led to an increased focus on international energy co-operation. The Netherlands plans to achieve these goals by transposing EU's energy and climate target triad at the national level. As a result, the Netherlands has a binding target to increase its share of renewable energy in gross final consumption to 16% 2020, up from 4% in 2010. As part of EU's emission reduction commitment, the Netherlands is required to decrease its GHG emissions by 20% in 2020 compared to 1990 levels; a long-term 80-95% GHG reduction objective for 2050 was also communicated. Moreover, a non-binding 20% energy savings target by 2020 is in place.

The Dutch CHP sector has been one of the best performing in Europe, with 51,8% of the total generated electricity coming from CHP plants in 2011. After a period of rapid growth in the 1990s, the sector has stagnated in the past 5 years, recently showing signs of decline. Three factors are considered to play a role in reversing CHP growth: an unfavourable gas spark spread that affects the majority of CHP which is gas fired; a lack of stimulus from EU ETS due to low current and expected carbon prices, aggravated by the complexity of the allocation mechanism; the absence of a comprehensive Dutch CHP or Efficiency policy to compensate for the first two factors.

Despite that CHP technologies still offer significant potential for energy savings and cheap emissions reductions, the past governments did not take the appropriate actions to tackle the barriers and harness the full potential of cogeneration in the Netherlands. But the future energy policy that will come up from the new government who took office last autumn has to be watched out. Several studies estimate an additional economic potential for CHP ranging from 28% to 162%.