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1 Executive Summary

Germany has been pursuing ambitious climate and energy policies over the past ten years. The widespread uptake of CHP is considered as one of the solutions to increase energy efficiency and cut GHG emissions. Germany is thus one of the countries where CHP is adequately supported.

The Government has been pursuing the Energy Transition (Energiewende) strategy, aiming for a shift from fossil fuels and nuclear power to more renewable energy in the energy mix. Germany has set itself binding GHG, renewable and energy efficiency targets for 2020. In addition, the Energy Concept published in 2011 outlines a long-term strategy, drawing the country’s energy and climate objectives for 2050. GHG emissions are to be cut by 40% by 2020 and by at least 80% in 2050 compared to 1990 levels. In order to achieve this, renewable energy targets were set at 18% of total energy supply and 35% of the gross electricity consumption by 2020; renewable energy sources are expected to account for 60% of the total energy supply and 80% of the total electricity consumption by 2050. Energy efficiency goals are also in place to facilitate the Energy Transformation - primary energy consumption shall be reduced by 20% and 50% in 2020 and 2050 respectively. Along with these headline targets, the new 2012 CHP Law introduces a binding target for CHP to reach 25% share in total electricity production by 2020.

These commitments by the German government accompanied by the recent decision to phase out nuclear energy by 2022, have created a favourable environment for the CHP sector. Today the German CHP market is the biggest in Europe and accounts for more than 20% of the cogenerated electricity in EU-27. CHP plants generated approximately 90 TWh of electricity in 2010, which represents 15.4% of Germany’s total electricity production.

Due to factors like the energy market liberalization, economic slowdown and an unfavourable gas spark spread, the development of the sector relative to the needed 25% trajectory has been below expectations during the past few years. Consequently, policy makers decided to mitigate this by improving the existing policy instruments. In 2012, recast legislation brought about enhanced measures for CHP. The 2012 CHP Law features higher premiums for electricity produced in CHP mode, re-states the priority access to the grid principle for CHP and gives support for heat networks and storage. Moreover, the 2012 the Renewable Energy Law introduces an obligation on biomass electricity producers which enhances the opportunity for CHP to develop. These measures, along with the Renewable Heat Law, the micro-CHP Incentive Programme and others, are considered to positively contribute towards closing the gap between the current level of 15.4% CHP share in total power production and the 25% target to be attained by 2020 and to boosting growth in key sectors. Progress towards achieving this binding target is to be evaluated in 2014 as part of the CHP Law review.