



RES POLICY REPORT FOR BELGIUM

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pour le compte

Commission européenne – DG TREN(ALTENER)

TABLE OF CONTENTS

1. Summary.....	3
2. Main features of the energy sector in Belgium.....	3
2.1. Electricity production, transmission and distribution.....	3
2.2. Distribution of natural gas.....	4
2.3. Renewable energy in Belgium.....	4
3. Institutional Framework.....	6
3.1. The Federal framework.....	6
3.1.1. Key actors and responsibilities	6
3.1.2. Initiatives at Federal Level	7
3.2. The regional framework.....	8
3.2.1. Key actors and responsibilities	8
3.2.2. Initiatives at regional level.....	9
4. Incentives.....	9
4.1. General incentives.....	10
4.1.1. Fiscal measures	10
4.1.2. Subsidies on investment.....	10
4.1.3. Support to R&D and demonstration programmes	11
4.1.4. Incentives for the renewable electricity market.....	12
4.1.5. Incentives for the renewable heat market	13
4.1.6. Incentives for renewable energy in the transport sector	13

1. Summary

The share of renewable energy in the energy balance of Belgium is still very small today. Its contribution to the final energy consumption in Belgium was about 1% in 1997, one of the smallest in Europe. Since then there hasn't been a significant growth in terms of renewable energy production.

In a federal country, with a large transfer of competencies from the State to the regions since the 80's, renewable energy has become a competence of the regions. However Federal authorities are still responsible for energy supply policies, notably for the regulation of energy production and the energy pricing and taxation. The regional authorities are responsible for the management and development of renewable energies, the implementation of RUE policies, as well as the legislation governing the distribution of gas, electricity and heat.

The sustainable energy policy framework is established by the Federal Government, and it is the responsibility of the regional authorities to translate it into a programme and to implement it. The national objective in terms CO₂ emissions is to achieve a reduction of 7.5% by 2010, in comparison to 1990 levels. Although there is much more emphasis on RUE measures to achieve it, regional governments have stated an objective of 5% energy consumption covered by renewable energy sources in 2010.

Initiatives for the development of RES in Belgium include: tax incentives, subsidies for RES investments in the private and public sector, support to RTD projects, legislative and regulative measures, information campaigns, direct subsidy to electricity producers, etc.

Regional governments are now passing laws for the liberalisation of electricity transport and distribution, which include regulations to facilitate the access of green electricity to the grid, as well as support mechanisms for green electricity, notably a green certificates system.

2. Main features of the energy sector in Belgium

2.1. Electricity production, transmission and distribution

Electrabel, a private company, retains 94% of the electricity production in Belgium, with a monopoly over the National high-voltage transmission grid (above 70 kV). SPE, a co-operative, produces the other 6%.

Intercommunals are public companies which can be owned entirely by a geographical grouping of communes or have a mixed ownership between communes and Electrabel. They have a monopoly in their geographical area for the transmission and distribution of electricity below 70 kV. Their organisational/statutory control falls into the legislative domain of regional competence (see institutional framework). *Intercommunals* are actively involved in the production and distribution of electricity from renewable sources.

Belgium has passed a law (April 29, 1999) implementing the EU directive on the liberalisation of the electricity market. Access to the market will be via regulated third party access for eligible customers, and negotiated access for transit and high volume transmission. At the moment, are eligible: final clients consuming more than 100 GWh/year, electricity distributors for the volume consumed by their eligible customers. The grid access will be progressively deregulated to attain total deregulation by the beginning of 2007.

A Transmission System Operator, a legally independent company, will be responsible for the management of the power flow, as well as the operation, maintenance and development of the network.

The regulation of the market will be assumed by a newly created "Electricity Regulation Commission". Its role will be limited, however, to regulate the liberalised market and the control the Transmission System Operator. Its duties include consultations with the public authorities on the organisation and operation of the market, and monitoring related legislation. It will have the authority for conciliation and arbitration.

New generation plants will be licensed. The law provides for an "indicative program for generation capacity", which will be set up by the Electricity Regulation Commission, and approved by the Energy Minister. It will be reviewed every three years, and will cover requirements for ten years ahead. If, after inquiries, the commission assesses that the requests for licensing the new power plants are insufficient with respect to the program, it may, in agreement with the Energy Minister, publish a letter of advice in the national and international press.

The "regulated market", i.e. non-eligible customers, will remain the responsibility of the existing regulatory body, the Control Committee for Gas and Electricity. Pricing will be prerogative of the Minister of Economy, who will establish maximum prices for non-eligible customers.

The law includes the option for authorities to impose public service obligations on utilities, and to oblige them to buy energy generated from renewables. It also creates a legal framework which is required to award a concession for the building and exploitation of off-shore wind parks. Besides the federal authorities endorse the implementation of the system of green certificates such as viewed by the regional authorities.

2.2. Distribution of natural gas

Belgium entirely satisfies its natural gas needs by importing it from the Netherlands, Norway and Algeria. Distrigaz is responsible for importing and distributing in Belgium. It is a private company, in which the State retains a strong control, although it sold its shares in 1994.

Intercommunals, which can be different from electricity ones, are responsible for the distribution of gas locally.

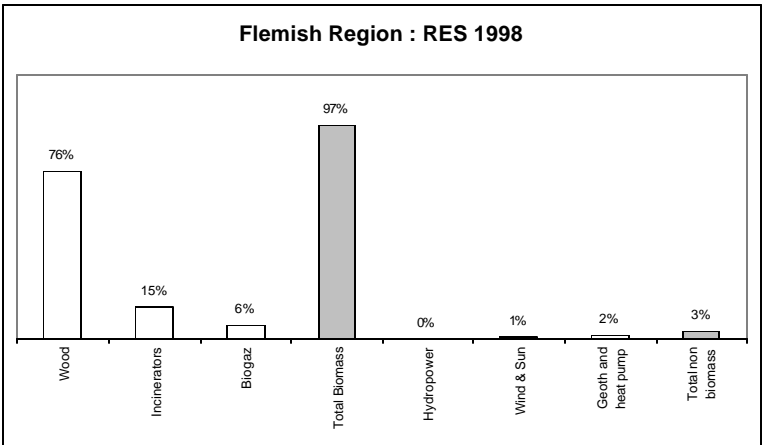
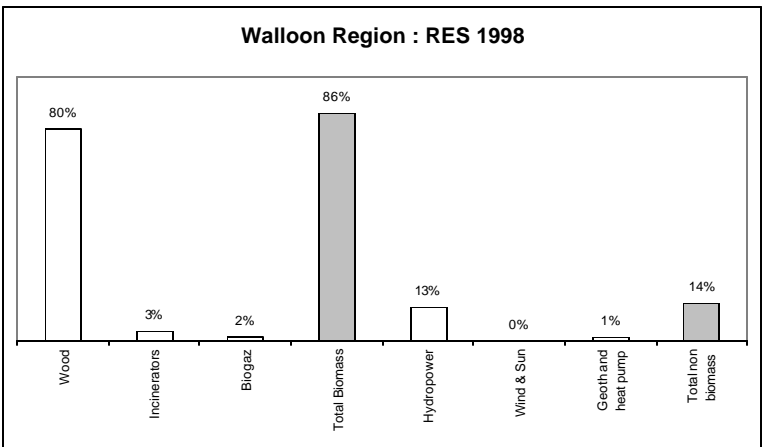
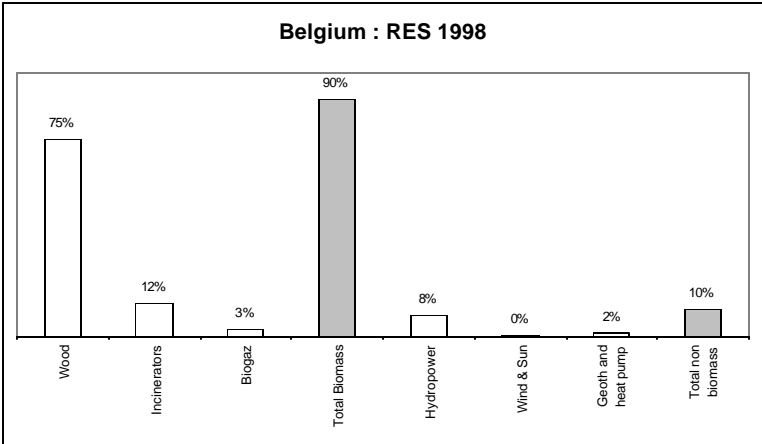
2.3. Renewable energy in Belgium

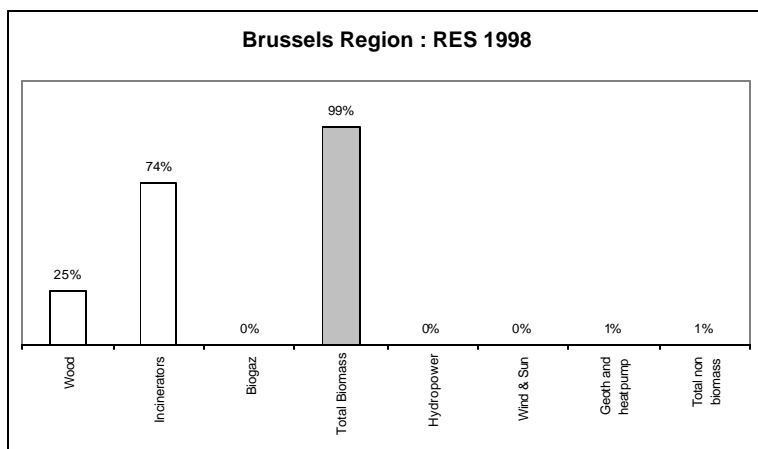
The total energy available for final consumption in Belgium was 41 351 ktep in 1997, of which about 1% is produced from renewable energy. The distribution of this RES production between the three regions is:

Energy available for consumption in:	ktep	%
Wallonia	261	62
Flanders	129	30
Brussels-Capital	31	7

Total	421	100
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The share of the different RES in the energy available for consumption is represented for the three regions and for Belgium in the following graphs:





3. Institutional Framework

Belgium is a Federal State consisting of three regions, namely: the Walloon Region, the Flemish Region and the Brussels-Capital Region. The evolution of the Belgian energy policy has been shaped by the general political evolution of Belgium, leading to the transfer of large competencies from the State to the Regions. This evolution is also inscribed in the construction of Europe and the greater role played by the European Union institutions in the major political and socio-economic choices, and in particular in the field of energy.

3.1. The Federal framework

3.1.1. Key actors and responsibilities

The **Federal authority** is still responsible for the supply sector, i.e.:

- the plan for electrical equipment;
- the nuclear fuel cycle;
- the large storage infrastructures;
- the production and the transport of energy;
- the energy pricing, the taxation and trade practices.

The following federal authorities are concerned with energy matters:

- the State Secretary for Energy and Sustainable Development, attached to the Minister for Mobility and Transport
- the Ministry of Economic Affairs

The dialogue between the Federal level and the Regions has been organised formally through a co-operation agreement since December 1991. The Concere-Enover group, formed by representatives of the Ministerial cabinet and administrations for Energy of the different levels of power, manages this dialogue through regular meetings. Several working groups have been created to discuss specific issues, among which the Concere/Leges group for topics related to CO₂ emissions.

The Control Committee for Gas and Electricity is another key organisation for the development of RES as it makes recommendations for gas and electricity pricing, based on which public authorities, producers and distributors decide on energy prices. The Control Committee has therefore a large influence on the buy-back price of electricity or gas generated by auto-producers, as well as the amount of subsidy to be paid per kW electricity generated from RES.

3.1.2. Initiatives at Federal Level

A scientific commission, called the **AMPERE commission**, has been created under the hospice of the Federal Economic Affairs Ministry. Its mission is to investigate the different options for electricity production in Belgium in order to develop a rational vision for the future, taking into account the environmental and economic challenges of the future, considering the approaching end-of-life of several nuclear reactors in Belgium. With the report as a basis, the commission will formulate recommendations and propositions for electricity production in Belgium in the 21st century.

A **national programme for CO₂ emissions reduction** has been implemented as a collaboration between the Federal State and the Regions. This plan, approved by the Regional governments and the Federal Council of Ministers in 1994, stated Belgium's commitment to reduce its CO₂ emissions by 5% on the basis of its 1990 emissions by the year 2000. The programme includes several measures addressing both the private and the public sectors and includes the promotion of RUE, CHP and RES development.

200 kt of the overall target of 7.735 kt of CO₂ emissions reduction are expected to result from the development of RES. In the national context, the most important measure supporting RES development is a direct subsidy paid to "green electricity" producers (see incentives). Today, it is largely admitted that the national programme for CO₂ emissions reduction hasn't achieved its objective.

One of the main reason for this failure is the fact that the energy/CO₂ tax, which was at the heart of the programme, has not been implemented in Belgium. It should be underlined that it is very difficult to implement an energy tax at national level without a policy framework enforcing it at European level. A new national plan for CO₂ emissions reduction is under preparation.

The **Federal Report on Sustainable Development** is established every two years by the Federal Bureau of the Plan. It gives a description and assessment of the existing situation and policy in terms of sustainable development, as well as the evolution foreseen in the case of unchanged and changed policy.

Following the conclusions of the Federal Report, a **Federal Sustainable Development Plan** is established every four years by the Interdepartmental Commission for Sustainable Development (CIDD). It outlines a series of measures to remedy the weak points and harmful tendencies, among which measures to develop RES. It is a political document, which has to be approved by the Government. The 2000-2003 plan is under preparation.

3.2. The regional framework

3.2.1. Key actors and responsibilities

The Regionalisation laws of 1980 and 1988 have given the following competencies to the **Regions** in the field of energy:

- the legislation governing the distribution of gas, electricity and heat by *intercommunal* utilities, who have a key role in the development of RES and the promotion of RUE;
- the implementation of national laws related to economic expansion and economic reorientation, in particular for investment subsidies;
- the implementation of Regional and Federal policies aimed at promoting RUE;
- the energy use of coal tips, firedamp and gases from smelting furnaces and coke works;
- the management of natural resources and the development of renewable energies;
- the scientific research and technology development within regional boundaries;
- indirectly, the application of RES and RUE in the field of transport, agriculture and housing.

The following regional authorities are key political and administrative actors for energy matters:

For the Walloon Region:

- the Cabinet of the Walloon Minister for Transport, Mobility and Energy
- the Ministry of the Walloon Region, Directorate General for Technology, Research and Energy

For the Flemish Community:

- the Cabinet of the Flemish Minister for Mobility, Public Works and Energy
- the Ministry of Flanders, Department for Economics, Employment, Home Affairs and Agriculture

For the Brussels-Region:

- the Cabinet of the Minister of the Brussels-Capital Region for Employment, Economy, Energy and District Revival
- the Ministry of the Brussels-Capital Region, Brussels Institute for Environment Management

3.2.2. Initiatives at regional level

The regional governments are responsible for the implementation of the Sustainable Development Plan, with a large degree of freedom in selecting appropriate measures to achieve this. While the Federal Plan is more directive, Regional Governments have to be more action oriented.

3.2.2.1. In the Walloon Region

The objective of the Walloon Region in terms of CO₂ emissions was to achieve a reduction of 5% between 1990 and 2000, as stated in the Walloon Plan for Sustainable Development adopted in 1995 by the Walloon Government. One of the measures of the plan is the increase in the production of renewable energy to achieve 3% of energy consumption by 2000 and 5% in 2010.

Initiatives by the Walloon Region include: the inventory of available resources, information campaigns, training of the professional sector, decision-making tool creation, support to R&D and demonstration projects, legislative and regulative actions, direct or indirect financial support, and co-financing of European projects (SAVE, ALTENER, THERMIE, etc.).

3.2.2.2. In the Brussels-Capital Region

The potential for RES in the Brussels-Capital Region, essentially an urban area, is very limited, for which reason most of the government actions are to promote RUE. In this framework, the Region has initiated a promotion and information campaign for solar domestic hot water systems, including subsidies for the installation of solar thermal systems.

The Brussels-Capital Region has also adopted, in March 1999, an edict for the evaluation and the improvement of air quality, making provision for the elaboration of a programme for the structural improvement of air quality.

The Region also support R&D and demonstration projects and provide subsidies for RES investments.

3.2.2.3. In the Flemish Region

The target of the Flemish Region is to achieve a share of 3% of renewable energy in the total energy production by the end of 2004 and 5% by 2010.

The Flemish Government has adopted the Flemish CO₂/REG 1999 plan which defines a series of measures to achieve the CO₂ emissions reduction of the Kyoto protocol. This plan sets quantitative objectives, a planning and financial implications for the implementation of the actions envisaged.

The Flemish Government provides full financing for approved RES projects carried out by statutory research establishments, co-finances technology demonstration projects, offers financial assistance to RTD projects for private companies, etc.

4.Incentives

4.1. General incentives

4.1.1. Fiscal measures

Fiscal measures are decreed by the Federal Government. Those affecting RES development are (EC ALTENER/ Ener-lure report, 98) :

4.1.1.1. Company tax – depreciation/amortisation of investment

According to the Company Tax Code of 1992, companies can choose between linear and regressive (calculated on the residual value) depreciation of investments. The regressive rate is twice the linear rate but must not exceed 40%.

4.1.1.2. Company tax – deduction for investments

The company tax code of 1992 also offers a preferential deduction (13.5%) for investments improving energy efficiency and/or environmental impact. This measure is now under the responsibility of the regional governments.

4.1.1.3. Value added tax

Natural persons may benefit from a reduced VAT (6% instead of 21%) on certain types of renovations carried out on old residential buildings (over 5 years old). Installations contributing to improved energy efficiency of such buildings are eligible for a reduced level of VAT.

4.1.1.4. Additional levy on certain types of fuels and on electricity consumption

The government introduced a special levy in 1993 on electricity and certain types of fuels in order to finance employment and competitiveness measures. Although this norm is not explicit on energy derived from RES, it seems that biofuel is exempted but green electricity is subject to the levy.

4.1.2. Subsidies on investment

4.1.2.1. By the Walloon Region:

- Programme ECHOP : Subsidies (20%) on energy efficient investments (including RES) for schools and hospitals.
- Programme AGEBA : Subsidies (30%) on investments for improving the energy efficiency of public buildings for local authorities.
- Grants and subsidies (15%) for companies investing in renewable energies, in the framework of economic expansion and reorientation laws.

- Subsidies for the control of energy consumption in the industrial sector: expertise before investment (75%), technical agreement procedures (60%), studies (75%).

4.1.2.2. By the Flemish Region

- Subsidies for companies investing in renewable energies, 20% for SME and 10% for medium and large enterprises.
- Financial support of the Flanders Renewable Energy Promotion Bureau (ODE-Vlaanderen).
- Grants for societies promoting renewable energies.

4.1.2.3. By the Brussels-Capital Region

- Subsidies (20%) on energy efficient investments (including RES) for schools and hospitals ;
- Subsidies (30%) on investments for improving the energy efficiency of public buildings for local authorities.

4.1.3. Support to R&D and demonstration programmes

4.1.3.1. By the Walloon Region:

- Subsidies for R&D and demonstration RES projects for the industry (50%), SME (80%) and research centres (100%).
- Repayable advances (50% to 80%) for applied research or development (including demonstration) projects.
- Subsidy covering 50 to 100% for the preparation and submitting of R&D and demonstration projects introduced to the European Commission.
- Financial support of ISSeP (Scientific Public Service Institute) : R&D and demonstration activities in the field of biomass and waste valorisation.

4.1.3.2. By the Flemish Region:

- Subsidies for demonstration projects and prototypes covering 35% of the investment.
- Subsidies for R&D and demonstration RES projects for the industry (50%), SME (80%) and research centres (100%).
- Grant to the energy department of VITO, the Flemish Institute for Technological Research.

- Grant to IMEC, the photovoltaic research department of the Micro-electronics Research Institute.

4.1.3.3. By the Brussels-Capital Region :

Subsidies for R&D and demonstration RES projects carried out by the industry (50%).

4.1.4. Incentives for the renewable electricity market

4.1.4.1. At Federal Level

The Control Committee of Gas and Electricity and Gas set the buy-back price of electricity. It has set a direct subsidy paid to the producers of "green electricity", on top of the regular price of electricity, of :

- 2 BEF per kWh_e produced from wind and hydro-energy;
- 1 BEF per kWh_e produced from other renewable energies (mainly biomass).

The Federal Government is considering a Green Certificate System to support the generation and distribution of renewable electricity in the framework of the liberalisation of the electricity market in Belgium.

4.1.4.2. At regional level

The **Walloon Government** is preparing a decree to support the generation and distribution of renewable electricity in the framework of the liberalisation of the electricity market in Belgium. The measures foreseen in the decree include the implementation of a green certificate with minimum quotas imposed to electricity suppliers (from 2001 onwards), and a financial support for the production of green electricity.

A decree is now being passed by the **Flemish Government** to enforce a renewable energy certificates system from 2001. According to the decree, all electricity suppliers will have to buy these certificates from renewable electricity producers to cover 3% of their electricity sales. The draft of the decree provides for the establishment of a Renewable Energy Fund to support renewable energy in general, priority access of renewable electricity to the grid and its free transport over the distribution network.

The Flemish Region is encouraging the development of photovoltaic energy by a subsidy scheme, covering 50% of the investment (+25% by Electrabel and a grant by some communes), and a specific buy-back tariff for PV electricity of 0.15 EURO/kWh (for power capacity < 3 kWp). PV electricity producers have also the possibility to have their electricity meter running backwards when they put their excess electricity on the grid.

4.1.5. Incentives for the renewable heat market

4.1.5.1. In the Walloon region

The Walloon Region has established a programme called SOLTHERM to support the development of the solar collector market in Wallonia. This programme includes the training of installers, promotional activities, financial support to R&D and demonstration activities, audit and advising for public buildings. Financial incentives for users should be defined and implemented before June 2000.

Intercommunals for the distribution of electricity currently give a 6250 EURO grant for the installation of a solar domestic hot water system. Officially, this grant is restricted to systems with an electrical back-up. Several local authorities also subsidise solar domestic hot water systems.

The Walloon Region is supporting an NGO called ERBE whose objective is to promote wood biomass utilisation for heat. ERBE, in addition to carrying out information campaigns, proposes audits and feasibility studies for biomass heat projects.

4.1.5.2. In the Flemish region

Intercommunals for the distribution of electricity provide subsidies for the installation of solar thermal systems, with a grant of 75 EURO/m² (with a minimum grant of 625 EURO and a maximum of 6250 EURO per installation). A subsidy is also given for the installation of heat-pumps (from 125 EURO/kVa for 1 kVa units, till 37.5 EURO/kVa for units over 100 kVa).

4.1.6. Incentives for renewable energy in the transport sector

There is no specific incentives for the application of renewable energy in the transport sector in Belgium.