

Overview of DHC Legislative Framework

Country

Finland

#	Name and reference of measure	Type of measure	Responsible organ	Existing or planned?
1	Act on Competition Restrictions (480/1992), incl. amendment (318/2004)	Act	Finnish Competition Authority	Existing

Legislative Framework

Competition Act promotes the function of markets in general. The Competition Act prohibits fixed prices, tender and price cartels, as well as cartels restricting production or dividing markets or sources of procurement. The abuse of dominant position is also prohibited. However, it is possible to obtain an exemption from a competition restraint, – with the exception of dominant position – if the restriction helps make the production or distribution of commodities more effective, if it promotes technical or economic development, and if the arrangement can be deemed to also benefit the customers or consumers.

Act became effective originally from 1 September 1992. The application of EC competition rules underwent a major change as of 1 May 2004 when the new implementing regulation ([Council Regulation \(EC\) No 1/2003](#)) entered into force. The implementing regulation contains procedural rules on how to apply the main EU competition provisions, i.e. Articles 81 and 82 of the EC Treaty. English translation of the Competition Act can be found on <http://www.kilpailuvirasto.fi/cgi-bin/english.cgi?luku=legislation&sivu=act-on-competition-restrictions-amended>

DH utilities potentially hold a dominant market position, and the National Competition Authority prohibits the abuse of such a position. DH sector doesn't have its own regulative authority. The Competition Authority is responsible for monitoring the reasonability of pricing. There are no set or fixed levels for DH pricing or profits. The level of reason is considered case by case.

There have been a very low number of annual customer complaints in the last few years despite the high proportion of customers connected to DH. However, due to the amendment of the Land Use and Building act in Jan 1 2009 the Competition Authority is conducting a survey in 2009-2010 of the pricing of DH in order to get an accurate and current picture of the DH pricing.

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2	Electricity Market Act (386/1995; amendments up to 1172/2004 included)	Act	Energy Market Authority	Existing

Legislative Framework

One of main reasons for the success story of DH in Finland is due to a large use of CHP. Many of the industry representatives refuse to speak only about DH but put it always in context of DHC-CHP.

In the Electricity Market Decree, based on the Electricity market act, it is stated that the CHP benefits shall be allocated to both products, electricity and heat, but the allocation method is left open. The producers have to report the method used to the Electricity Market Authority.

Act allows anyone conforming to the necessary safety and environmental standards to build a power plant without a licence (excluding nuclear and hydro plants). Commercially viable projects have been able to move ahead promptly and to deliver the expected returns. Straightforward entry into the electricity market has been important in speeding up the development of large CHP schemes that may otherwise have taken a few years to gain approval and thus benefiting the DH market as well.

The purpose of this law is to ensure preconditions for an efficiently functioning electricity market so as to secure the sufficient supply of high-standard electricity at reasonable prices. The primary means to do this is to secure a sound and well-functioning economic competition in electricity production and sales and reasonable and equitable service principles in the operation of electricity networks.

This Act entered into force originally on June 1st 1995. The amendment regarding the Guarantee of Origin (GoO) of electricity came into force on July 1st 2004. The degree on CHP GoO's is still under preparation in January 2010. English translation of the Act can be found on http://www.energiamarkkinavirasto.fi/files/electricity_market_act_20050128.pdf.

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#	Name and reference of measure	Type of measure	Responsible organ	Existing or planned?
3	Energy taxation	Act	Ministry of Finance	existing

Legislative Framework

Energy policy in Finland is guided by the use of energy taxes and tax rebates. The current energy taxation system has been in use since 1997. Energy taxes are excise taxes, which are levied on transport and heating fuels and electricity end-use. In addition to energy tax, a security of supply fee is charged on energy products. State revenues from excise tax on energy amount to almost EUR 3 billion. The taxation is implemented and controlled by Finnish Customs.

Fuels used for heat production are subject to excise taxes. The excise tax is calculated based on the carbon content of the fuel. Finland enacted the carbon based excise tax already in 1990. The excise tax currently stands at €18 / tonne of Co₂. Natural gas is an exception which has been granted a 50% discount on the additional tax. The additional tax on peat was eliminated as of 1 July 2005. In addition, a strategic stockpile fee is levied on electricity, coal, and natural gas. Coal and natural gas used for the production of electricity are exempted from the stockpile fee, because the duty is levied on the electricity produced by the power station instead.

Electricity is taxed during the consumption phase. The fuels used for power generation are tax exempt. Electricity tax has been divided into two taxation categories, the lower of which, category II tax, is paid by industry and professional market gardeners. Other consumers pay the higher category I tax.

Additionally, the energy taxation system also entails various kinds of subsidies, the most important of these from the energy policy perspective being the tax support paid for power generation based on wood chips. New feed-in tariff system for wind and biogas electricity will be introduced presumably in 2011.

Energy taxation is governed by the Act on Excise Tax on Electricity and Certain Fuels (1260/1996), and the Act on Excise Tax on Liquid Fuels (1472/1994). The Ministry of Finance is responsible for legislation on energy taxation. The Ministry of Employment and the Economy participates in the preparation of energy taxation, in order to ensure that taxation supports energy and climate policy goals as efficiently as possible.

In 2011 there will be a major raise of energy excise tax levels. After the raise the excise tax will stand at €36 / tonne of Co₂. The same time natural gas will lose its exception meaning raise of excess tax more than 300 percent.

Excise tax for fuels used for heating weakens the competitiveness of DH compared to other heating systems. From the DH industry point of view, use of CO₂-based taxes should be removed because of emission trading targeting the same objective (over 95 percent of DH supplies are under ETS).

Links in English (incl. current excise tax table):

<http://www.tem.fi/index.phtml?l=en&s=2630>

http://www.tulli.fi/en/finnish_customs/publications/excise_tax/excise_taxation/021_2008.pdf

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4	The Land Use and Building Act	Act	Ministry of the Environment	existing

Legislative Framework

The Amendment of the The Land Use and Building Act came into force on Jan 1 2009 (Land Use and Building Act 132/1999) and it gives the city or municipal planners the possibility to obligate buildings to connect to district heating if necessary for the energy efficiency, sustainable development air quality or other reasons. The obligation stands for new buildings that are located in the immediate proximity of DH network. Exceptions for the connecting obligation are:

- 1) Calculations can be shown that the estimated heat losses are max. 60 % of the reference building
- 2) Use of mainly renewable and low emission other heating system
- 3) Renovation or expansion of existing building

Some municipalities have implemented the possibility so far (even though Finnish Competition Authority has denied it to do so). In DH industry the new law is welcomed with mixed feelings. On the other hand DH should compete under market conditions in order to stay cost-effective. On the other hand the new law may give the necessary boost for new areas to be connected to the remote end of the network.

On national level, the impact of the measure will not substantially increase the use of DH, except for some new single family housing areas. In building and office blocks DH survives well without obligations.