

## Overview of DHC Legislative Framework

Country

Italy

### Legislative Framework

At a national level, DHC is considered in some energy laws, related to the production of electricity and mostly dedicated to the implementation of EU Directives (RES, Waste, IPCC, Energy Services, EPBD). It should be noted that their full application will occur by the end of 2010.

Although within legislative framework DHC could be eligible to green certificates (if heat is generated through renewable sources), to white certificates (titles of energy efficiency, allocated for instance to high efficiency cogeneration) and to grey certificates (allocated to CO<sub>2</sub> emissions saving), the application of the legislative framework is complicated by overlapping measures, in particular those considering DHC plants as a renewable generation (Marzano L 239/2004 Law) which operates on existing plants but is no more applicable for plants built after the end of 2007.

Presently the DHC sector, for systems operated with high efficiency cogeneration systems, is regulated by the Law L 20 of 8 February 2007, and the Application Guidelines issued by the Managing Authority for Electricity Services (Gestore Servizi Elettrici, GSE) in October 2008.

The support to DHC has been provided as well, as a tax credit, on a year to year basis, by the annual financial law (see for instance Financial Law 2008, n. 244 of 31 December 2007) to the final service providers distributing heat to customers, provided that heat is generated from renewable source (thus affecting about 15% of Italian heat generation). The credit amounts to 50 Lire/kWh (about 0,025 €/kWh).

The regional legislative framework is playing a positive effect on the construction of local DHC systems (mainly in the Piedmont, Lombardia, Emilia-Romagna, Veneto and Trentino-Alto Adige regions, assuring about 97% of the Italian domestic district heat demand). This support is provided through the territorial planning of new districts, and long term agreements (typically 20 years) with municipal electricity, gas and heat service providers or with ESCO.

Furthermore, some regions (for instance Piedmont, Lombardia) have decided to co-finance the construction of DHC network fuelled with at least 60% of local renewable sources. The economic contribution, may cover up to 40% of the eligible costs (of which 50% as free capital grant and 50% as low rate capital loan).

In some regions DHC received the status of local public service interest.

## Purpose of the Legislation

The public support to DHC is aimed to push high efficiency electricity and heat systems, the full utilisation of local RES potential (biodegradable municipal solid wastes, biomasses, geothermal) and the reduction of CO<sub>2</sub> emissions through the substitution of individual boilers.

Although presently the cost of the delivered heat is about the same of the cost of the natural gas, it is expected that the cost to be invoiced to the final user will be 20% cheaper than the equivalent fossil fuel energy required to generate the same amount of heat. Customers may also benefit from a public support to cover a part (up to 50%) of the connection fees to the heat grid.