

UNAUTHORIZED TRANSLATION

21 February 2008

Agreement between the government (Liberals and Conservatives), Social Democrats, Danish People's Party, Socialist People's Party, Social Liberals and New Alliance on Danish energy policy for the years 2008-2011

Energy policy is increasingly a European matter, where development of renewable energy, CO₂ reduction targets and goals for energy efficiency as well as the framework for organising the energy sector in developing energy technology are determined within the common framework.

Most recently the EU Commission came up with a climate and energy package on 23 January 2008.

The result of the EU's shared burden for renewable energy will be binding on Danish energy policy from now until 2020.

However, the parties are freely disposed to set higher targets for the period after 2011. But altering the agreed concrete initiatives requires unanimity.

The agreement's duration and overall framework

- The agreement covers the period 2008-2011.
- The goal of the agreement is to lower Denmark's dependence on fossil fuels, coal, oil and gas.
- The renewable energy target with respect to gross energy consumption must constitute 20% in 2011.
- The agreement sets concrete measures for meeting this intermediate goal.
- Savings and renewable energy targets shall basically be reached via linear phasing.
- In the case of significant deviations from the linear phasing of renewable energy and savings targets, the parties shall discuss supplementary initiatives for attaining the targets.
- Until 2011 a status report of targets and implemented analyses shall be made annually in September.
- By the end of 2010 the parties shall discuss concrete supplementary initiatives for the period after 2011.

With respect to reaching the targets, a number of initiatives shall be immediately undertaken:

Energy-savings and efficiency

- *Gross energy consumption.* Gross energy consumption must fall by a total of 4% by 2020, relative to 2006. The goal is that gross energy consumption will fall by 2% by 2011 compared to 2006, corresponding to a drop from 863 PJ in 2006 to 846 PJ in 2011.

- *Higher targets for energy efficiency:* The annual savings shall be increased to 1.5% of the final energy consumption in 2006, corresponding to an annual savings of 10.3 PJ.
- *Increased obligations:* The energy companies' obligations shall be increased from 2010 to 5.4 PJ annually from the current 2.95 PJ annually. Implementation of the increased obligation shall be discussed with the companies.
- *Reduction of energy use in buildings:* For new buildings there shall be a cutback of at least 25% in 2010, at least 25% in 2015 and at least 25% in 2020, for a total reduction of at least 75% by 2020.
- *Campaigns to promote energy savings in buildings:* 20 million DKK shall be allocated annually in 2008-2011 and 5-10 million DKK annually thereafter. This shall be implemented immediately.
- *Knowledge Centre for energy savings in buildings:* Of the 20 million DKK earmarked for promoting energy savings, up to 10 million DKK shall be allocated annually in 2008-2011. The Centre shall be evaluated in 2011. Invitation to tender for the project shall be implemented immediately. The Centre shall be located in an environment with technical experience.

Renewable energy

- *Renewable energy targets:* The goal for the renewable energy share of gross energy consumption is 20% in 2011.
- **Renewable energy law:** Renewable energy legislation shall be gathered in a Renewable Energy Law comprising the national targets for overall municipal planning for wind turbines, subsidies for renewable energy plants, a compensation scheme, a guarantee fund and a model for local joint ownership. The initiative will be implemented by a new law in the autumn session 2008 (after the increased accounting rules have been implemented by legislation in the spring session and have been EU approved). The Renewable Energy Law should come into force on 1 January 2009. The proposed legislation shall be drafted by the parties and sent for hearing before the summer holiday of 2008.
- *More biomass and waste and less fossil fuel in central heat and power generation*
Subsidies: The allocation to the central power plants' biomass-based electricity production shall be increased from 0.10 to 0.15 DKK/kWh. The change will be implemented by an amendment in the spring session.
 The non-profit principle for burning waste at the central power plants shall be cancelled. The initiative shall not open the way for burning household waste in the central plants. This shall be implemented by an amendment in the spring session.
- *Wind turbines on land*
 The subsidy for new wind turbines shall be raised to 0.25 DKK/kWh for 22,000 peak load hours + 0.023 DKK/kWh in balancing costs + 0.004 DKK/kWh to the green fund. The new subsidies shall be in effect from the entering into force of the agreement. This shall be implemented by an amendment in the spring session.
 Turbines under the scrapping scheme shall be given an extra fixed supplement of 0.08 DKK/kWh for the first 12,000 peak load hours. This shall be implemented by an amendment in the spring session.
 An agreement is being entered with KL concerning the municipalities' planning (reservation of land) for 75 MW in each of the years 2010 and 2011,

including "a green fund" and a guarantee fund of 10 million DKK for supporting financing of local mill guilds' preliminary studies, etc. Wind turbine owners shall be compensated for their contribution to the green fund by increased subsidy per kWh. The 10 million DKK guarantee fund shall be financed by PSO.

Compensation scheme

- A compensation scheme shall be put in place to ensure neighbours of new wind turbines compensation for loss of property value due to the installation.
 - Compensation shall be paid by wind turbine owners at the time of the loss, that is, in connection with installation of the turbines.
 - The object of compensation responsibility shall be based on the ordinary principle of the right to compensation, including a concrete individual evaluation of the loss of property value.
 - Compensation is void if the sum constitutes less than 1% of property value.
 - In connection with the municipal planning process, including EIAs, the extent of the expected compensation shall be calculable by an assessment authority (e.g., on the model of the Appraisal Commission), so that wind turbine investors can have an overview of the costs and have the possibility of moving the wind turbine location before the end of planning.
 - Both the compensation scheme and a model for local participation shall be worked into the coming Renewable Energy Law.
- *Offshore wind turbines*
Invitations to tender for two 200 MW offshore wind farms to come into operation in 2012.
It is being considered whether the two wind farms can be offered for tender as one farm.
Offshore wind turbine action plan
 - location of future offshore wind farms
 - a possible adjusted tender model, including consideration of previous developments
 - open door for accounting as land windmills
 - *Bio gas*: All new and existing bio gas plants shall be subject to a fixed electricity price of 0.745 DKK per kWh or a fixed-price premium of 0.405 DKK per kWh when bio gas is used along with natural gas. The fixed electricity price and price premium shall be adjusted by 60% of the increases in the net price index. This shall be implemented by an amendment in the spring session.
 - *Heat pumps for replacing individual oil burners*: A pool of 30 million DKK over two years for information campaigns, labelling of efficient pumps, limited subsidy schemes, etc. aimed at heat consumers outside of the areas with collective heat supply. This shall be implemented immediately.
 - *Small renewable energy technologies*: 25 million DKK per year for four years shall be allocated to small renewable energy technologies such as solar cells and wave power. The funding financed by PSO can, for example be used for the development of solutions integrated into construction and tender invitations for wave power, , and be implemented by the parties after further agreement. This shall be implemented by an amendment in the spring session.
 - *District cooling*: The municipally owned district heating companies shall have the possibility to conduct district cooling activities in companies that

are economically separate from the district heating activities. This shall be implemented by an amendment in the spring session.

Energy taxes

- *Increase of the CO₂ tax:* CO₂ taxes shall be raised from 3-90 DKK/ton to the expected CO₂ allowance price, which for 2008-2012 is provisionally estimated at 150 DKK/ton effective from 2008.
- *New NO_x tax:* An NO_x tax of 5 DKK/kg effective from 1 January 2010 for partial fulfilment of the Danish NO_x obligation.
- *Recycling of revenue:* The revenue shall be recycled, cf. the suggestion made in the hearing.
- *Considerations on a tax reform to support the energy policy targets shall be undertaken by the sitting Tax Commission.*

New and more efficient energy technologies

- *Doubling of funds for energy research, development and demonstration*
 - The PSO research agreement of 2004 shall be extended after 2008 with 130 million DKK per year.
 - The parties note that the government and Danish People's Party would like a significant increase in funding of research, development and demonstration in the energy area by reserving funds from the globalisation reserve so that the overall publicly financed effort reaches a total of 750 million DKK in 2009 and one billion DKK from 2010. The government and the Danish People's Party will bring this and the concrete division of funding between research, development and demonstration up in connection with implementation of the globalisation reserve.

Transport

- *Bio fuels, etc. for transport:*
 - The government's goal is that bio fuels, etc. constitute 5.75% of fuel use for land transport in 2010 and 10% in 2020. This corresponds to the EU goals.
 - To reach the goals, only bio fuels that meet the coming EU sustainability criteria (economic, environmental, social) can be used.
 - The parties are discussing whether the commission's proposed sustainability criteria should be established as Danish requirements until they are passed and implemented in the EU.
 - Energy sources for meeting the goals shall be adjusted when the EU decides which fuels are acceptable. This could, for example, also include electricity for electric vehicles, plug-in hybrid vehicles, etc.
- *Tax exemption for hydrogen powered cars:* This shall be implemented by an amendment in the spring session.
- *Tax exemption for electric vehicles:* The tax exemption is extended until 2012. This shall be implemented by an amendment in the spring session.
- *Test scheme for electric vehicles:* Test scheme for electric vehicles with an allocation of 10 million DKK annually in 2008-2009 and thereafter 5 million DKK annually in 2010-2012. This shall be implemented immediately.
- *Plug-in hybrid vehicles:* In order to promote a Danish lead in plug-in hybrid vehicles when the technology is market-ready, the parties to the agreement will

discuss before the end of 2009 ways to promote the use of plug-in hybrid vehicles.

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Summary of analyses the government is obliged to undertake with respect to the energy agreement

Topics in the energy agreement	Analyses, etc.
<p>Energy-savings and efficiency</p> <ul style="list-style-type: none"> • <i>Evaluation in 2008</i> • <i>Strategy for the reduction of energy use in buildings.</i> • <i>Strengthening of the savings effort in state institutions</i> • <i>Sharing of experiences regarding the agreement provisions.</i> • <i>Efficiency of energy production and conversion</i> <p><i>More energy-efficient recovery of oil and gas</i></p>	<p>The overall evaluation of the energy savings effort, including the energy labelling scheme, shall be implemented before the end of 2008 and be presented for discussion by the parties by 1 February 2009.</p> <p>For existing buildings, including the requirements in the building code, labelling schemes for windows and financing reform and use of ESCOs. The Project description shall be discussed by the parties before 31 March 2008 and a midway status report discussed by 15 September 2008. The position paper shall be submitted for discussion by the parties by 1 March 2009.</p> <p>An evaluation of obstacles, including those in the non-profit housing sector (new constructions as well as existing housing): A position paper will be submitted for discussion by the parties by 1 March 2009. A midway status report shall be discussed by 15 September 2008.</p> <p>An analysis of the tariff structure with respect to creating incentives for reducing energy consumption: a position paper shall be submitted for discussion by the parties by 1 March 2009.</p> <p>The savings effort in state institutions shall be strengthened with respect to ensure a drop in energy consumption, for example, through sharing of experiences, mapping of barriers, etc.: A position papers shall be submitted for discussion by the parties by 1 October 2008.</p> <p>A position paper shall be submitted for discussion by the parties by 1 October 2008.</p> <p>Heat pumps in the district heating system and conversion from natural gas to district heating: A position paper shall be submitted for discussion by the parties by 1 January 2009.</p> <p>Surveying and a position paper on initiatives for more efficient recovery of oil and gas and improvement of</p>

	energy efficiency shall be submitted for discussion by the parties by 1 January 2009.
Transport <ul style="list-style-type: none"> • <i>Less CO₂ in the transport sector.</i> 	Follow-up by the Infrastructure Commission: Strategy for reduction of the transport sector's CO2 emissions
Electricity infrastructure <ul style="list-style-type: none"> • <i>Proposals for future electrical infrastructure</i> 	Position paper on the future grid structure in the spring of 2008
Intelligent electricity consumption <ul style="list-style-type: none"> • <i>Distribution of intelligent electricity meters</i> 	Position paper on possibilities for dissemination by 1 October 2008
Renewable energy <ul style="list-style-type: none"> • <i>Increased use of sludge</i> • <i>Household wind turbines</i> 	<p>The government will by 1 April 2008 present a proposal for ensuring increased use of sludge for energy exploitation.</p> <p>Analysis of conditions for household wind turbines outside of areas covered by the district heating and natural gas supply system by 1 July 2008</p>

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Follow-up on the agreement of 29 March 2004 on wind energy and decentralised heat and power, etc.

The agreement includes:

1. In the energy policy agreement of 29 March 2004 the parties were "in agreement on ensuring the basis for the construction of two 200 MW offshore wind farms." It was agreed that "the aim is to have the wind farms connected to the grid in 2007/2008". The agreed changes in connection with the wind farm at Horns Rev II were implemented by an amendment of the Danish Electricity Supply Act; cf. Law 495 of 9 June 2004, which came into force 1 January 2005. The agreed changes in connection with the wind farm at Rødsand II were implemented by an amendment of the Danish Electricity Supply Act; cf. Law 520 of 7 June 2006, which came into force 17 June 2006. The parties to the agreement have been continually informed of the progress of the two invitations to tender. A new contractor for Rødsand II shall be found as quickly as possible, presumably via a new invitation to tender with a duration of 52 days, wherein the tenderer shall be obliged to carry out the entire project, at latest when the necessary follow-up legislation is in place. Construction will continue on the basis of the existing EIA report. The parties to the agreement shall be informed of the new terms of tender. The wind farm will be offered for tenders at the beginning of February with the goal of being connected to the grid by 2011 or earlier. The winner shall be introduced to the agreement parties.
2. The 2004 agreement contains a scrapping provision for old wind turbines. By agreement the provision will include "that approximately 900 old wind turbines with the capacity of up to 450 kW shall be taken down". It further appears in the agreement that "The provision aims for a total creation of new capacity of up to 350 MW in the course of the next five years" (up to the end of 2009). The agreed new rules resulting from a new scrapping provision were implemented by an amendment to the Danish Electricity Supply Act; cf. Law 495 of 9 June 2004, which came into force 1 January 2005.
3. The 2004 agreement said "that new bio gas plants should be subsidised with 0.60 DKK/kWh for a 10 year period and thereafter at 0.40 DKK/kWh for a further 10 year period". At the same time it was agreed that "There shall be a total ceiling of 8 PJ for subsidies of existing and new bio gas plants connected to the grid by the end of 2008, corresponding to a doubling of the existing capacity". The agreed changes for bio gas were implemented by an amendment to the Danish Electricity Supply Act; cf. Law 495 of 9 June 2004, which came into force 1 January 2005.
4. It was agreed to increase the framework for Energinet.dk's research by 30 million DKK to a total of 130 million DKK annually for a four year period. An extra 30 million DKK per year for the years 2005-2008 was added.
5. It was agreed to repeal the wind power purchase obligation and replace it with financial support. In addition, it was agreed to implement a simplification of the calculation of market price plus subsidy that must not exceed 0.36 DKK/kWh for existing wind turbines. The agreed changes were implemented by an amendment of

the Danish Electricity Supply Act; cf. Law 495 of 9 June 2004, which came into force 1 January 2005.

6. A number of changes regarding decentralised heat and power generation were agreed, including a repeal of the purchase obligation, reduced subsidies with increased electricity prices and individual determination of support for individual plants. The agreed changes for decentralised heat and power were implemented by an amendment of the Danish Electricity Supply Act; cf. Law 495 of 9 June 2004, which came into force 1 January 2005.

21 February 2008

Agreement on follow-up of the 2004 agreement on renewable energy

The agreement of 29 March 2004 on wind energy and decentralised heat and power generation said that:

"A scrapping provision shall be introduced to make it possible that simultaneously with construction of wind power consideration be given to the landscape by clearing areas with many older and unfortunately situated wind turbines. The provision shall include that about 900 old wind turbines with the power of up to 450 kW be taken down.

The provision aims for a total creation of new capacity of up to 350 MW in the course of the coming five years.

A scrapping subsidy is set at 0.12 DKK/kWh, to be paid in connection with production of new turbines for 12,000 peak load hours for the double of the removed wind turbines' installed power. If the average monthly settlement price to a wind power producer in a month exceeds 0.48 DKK/kWh, the scrapping subsidy on the corresponding 0.12 DKK shall be phased out. No additional settlement ceiling for new wind turbines is established, not even for after expiration of the peak load hour period.

The Minister of the Economy and Business Affairs and the Minister of the Environment shall request that regional planning authorities and municipalities designate areas for changing wind turbines in connection with the scrapping provision. The parties shall give a status report 1 October 2004 in order to evaluate whether a satisfactory planning basis has been provided for the scrapping provision's implementation."

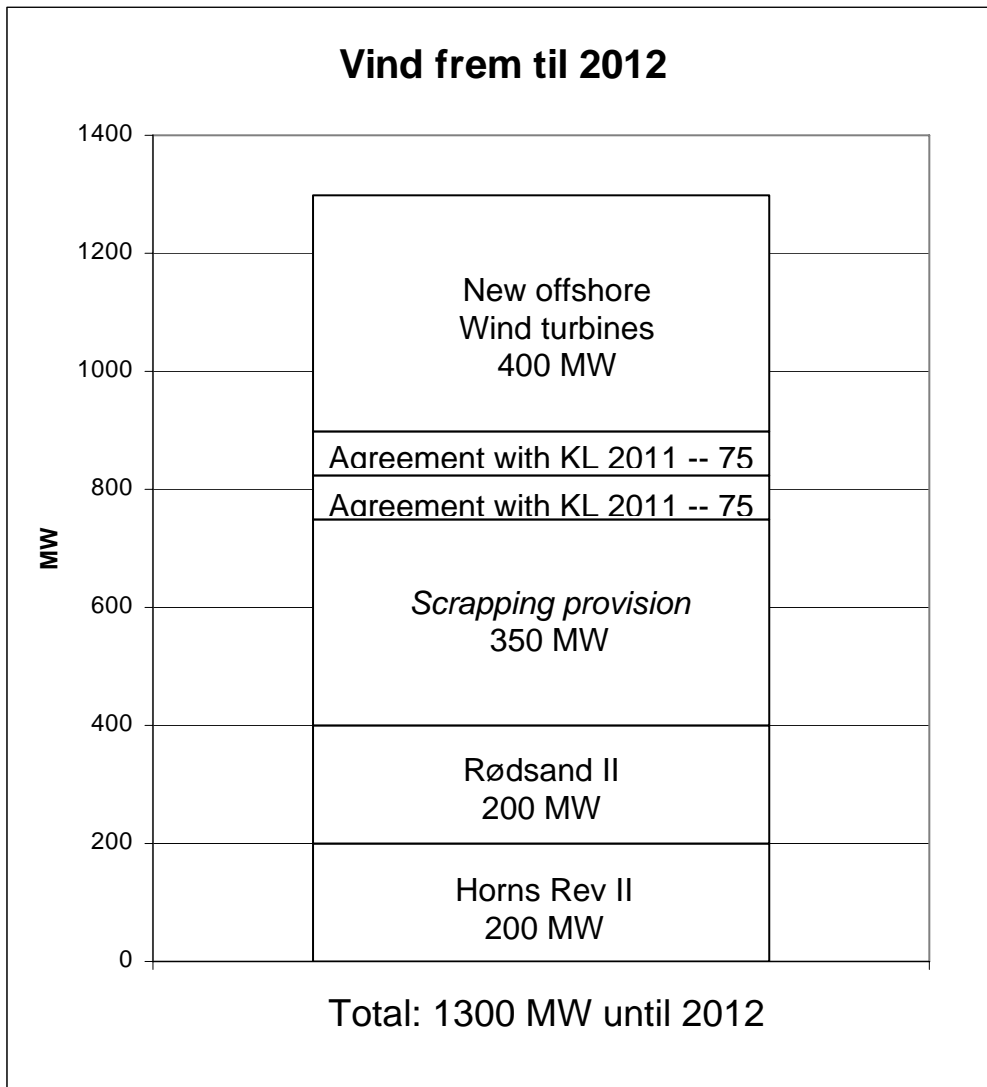
The scrapping provision has not resulted in the expected changeover of wind turbines.

The parties to the agreement therefore agree that the following initiatives be taken for implementation of the scrapping agreement:

- Scrapping certificates may be acquired as previously until the end of 2009, but may be used until the end of 2010.
- The parties to the agreement shall have an update on the case's progress every second month until the end of the year.
- A centrally initialised follow up of the municipalities shall be undertaken, i.e. it shall be assured that a number of staff from the central administration contact the municipalities that do not sufficiently advance local planning, both before and after setting out local plans such that, for example, EIA reports are published.
- A task force shall be organised with key persons and KL participation to ensure intensive and direct dialogue with the municipalities.
- The government shall send -- in cooperation with KL -- a clear signal in the form of a written notice to the municipalities that this is an area of high national priority.
- The aim is that by the end of 2008 local plans are in place for at least 350 MW. If this is not the case, the parties to the agreement shall be summoned immediately in order to decide on supplementary means to ensure the establishment of the agreed wind turbine capacity.

New and improved subsidies for wind turbines are agreed in connection with the energy agreement of 21 February 2008.

Wind up until 2012



* agreement with KL on site reservations

21 February 2008

Agreement
Between the government (Liberals and Conservatives), The
Danish People's Party and New Alliance on increased bio-
mass use and free fuel choice at central power plants

The government is prepared to agree to a request to lift the coal restriction on the Skærbæk and Avedøre 2 plants in exchange for an increase in biomass use up to 700,000 tons in 2011, corresponding to an increase of 1.2% renewable energy units in the overall renewable energy share.