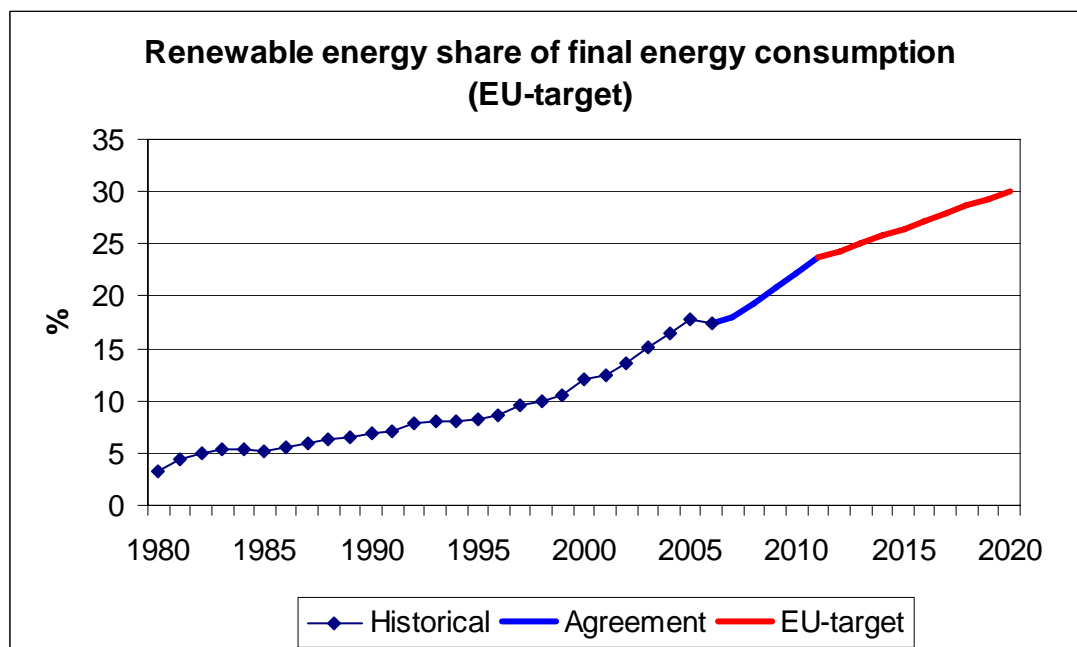


UNAUTHORIZED TRANSLATION

Energy policy agreement, 21 February 2008

FACTSHEET - Renewable energy

A steadily growing portion of energy consumption in the coming years should come from renewable energy sources. An increase to a 20% share of renewable energy has been agreed for 2011. The Danish EU goal for renewable energy will be binding on Danish energy policy until 2020.



The goal for the renewable energy share of *gross energy consumption* is 20% in 2011. This corresponds to 22.4% renewable energy relative to *final energy consumption*.

The figure shows the renewable energy share relative to actual energy consumption, which is the basis of the EU goal.

Sources:

First a brief outline, which will be elaborated below.

- **Wind turbines:**
 - Renewable energy law
 - Better subsidy terms for new wind turbines on land

- Follow-up of scrapping regulations
- Wind planning in the municipalities, including the green fund
- 10 million DKK guaranteed financing of local windmill guilds' preliminary studies, etc.
- Possibility of economic compensation to neighbours and local joint ownership
- New offshore wind turbines in 2012
- Action plan for developing offshore wind turbines

- **Biomass and waste at the central power plants:**
 - Better subsidy terms for new biomass-based electricity production at the central power plants
 - Non-profit principle for burning waste at the central power plants removed

- **Bio gas:**
 - Better subsidy terms

- **Other renewable energy technologies:**
 - Special subsidy scheme for solar cells, wave power, etc.
 - Heat pump promotion

- **District cooling**
 - Promotion of district cooling to replace electricity-based air conditioning

In the next section the individual sources will be discussed in more detail:

Wind turbines:

Renewable energy law

To create greater transparency with respect to the legislative framework for the use of renewable energy, relevant legislation is collected in a renewable energy law.

Better subsidy terms for new wind turbines on land

As replacement of the previous price premium of 0.10 DKK/kWh over the market price, a premium of 0.25 DKK/kWh for 22,000 peak load hours is being offered.

A further premium of 0.023 DKK/kWh, will continue to be offered as compensation for balancing costs, etc. as at present.

An additional 0.004 DKK/kWh is available to cover wind turbine owners' contribution to a green fund.

A wind turbine at an average inland location typically takes about nine years to produce the equivalent of 22,000 peak load hours, whereas one at a good coastal location will take about seven years.

Scrapping regulations

- New turbines will receive the new price premium plus an extra supplement of 0.08 DKK/kWh for the first 12,000 peak load hours. The new extra premium replaces the

current premium of 0.12 DKK/kWh which was adjusted to 0 DKK/kWh in pace with the market price increase from 0.26 to 0.38 DKK/kWh.

Wind planning in the municipalities

An agreement is being sought with KL concerning the municipalities' planning (reservation of property) for 75 MW in each of the years 2010 and 2011.

The agreement will include the establishment of a "green fund" to be used to strengthen landscape values in local areas and a guarantee fund of 10 million DKK to support local wind turbine guilds' preliminary surveys, etc. The green fund will be financed by wind turbine owners, who will, however, be compensated for their contribution to the green fund by an increase in support per kWh. PSO will finance the 10 million DKK guarantee fund.

Possibility of compensation to neighbours and local participation

It must be ensured that wind turbines set up on land have local support. Therefore the following steps are being taken:

- A compensation scheme will be put in place to ensure neighbours of new wind turbines compensation for loss of property value due to the installation.
- Compensation is to be paid by wind turbine owners at the time of the loss, that is, in connection with installation of the turbines. Compensation is based on the ordinary principle of the right to compensation, including a concrete individual evaluation of the property loss.
- A triviality limit will be established to exclude losses under 1% of the property value.
- In connection with the municipal planning processes, including EIA reports, wind turbine investors must be able to have an estimate of the extent of the compensation before making investment decisions.
- Both the compensation scheme and a model for local participation will be included in the coming renewable energy law.

Offshore wind turbines

- Invitations to tender are being made for two 200 MW offshore wind farms to come in operation in 2012.
- Work is being started on an offshore wind turbine action plan for installing offshore wind turbines with a possible adjusted tender model and consideration of previous development.
- Offshore wind turbines are moreover to be installed under an "open door" to the same rules of calculation as for land wind turbines.

Biomass plants

- The allocation to the central power plants' biomass-based electricity production is being increased from 0.10 to 0.15 DKK per kWh.
- 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.

- Non-profit principle for burning waste at the central power plants will be removed. This will create the possibility of a cost-effective increase in waste-burning capacity and better energy exploitation of waste.

Bio gas

Support for biogas will be improved such that:

- All new and existing bio gas plants will receive a fixed electricity price of 0.745 DKK per kWh or a fixed premium of 0.405 DKK per kWh when bio gas is used along with natural gas.
- The fixed electricity price and premium will be adjusted by 60% of the increases in the net price index.

Small renewable energy technologies

- 25 million DKK per year for four years will be allocated to small renewable energy technologies such as solar cells and wave power. Sources that are financed by PSO can, after agreement of the parties, be used for the development of solutions integrated into construction and tender invitations for wave power, for example.
- 30 million DKK over two years will be earmarked for a campaign to increase the use of heat pumps instead of individual oil burners. The money will be used for information campaigns, a labelling scheme, limited subsidy plans for heat consumers outside of the common distribution areas.

District cooling

The municipally owned district heat companies will have the possibility to conduct district cooling activities in companies that are economically separate from the district heating activities. District cooling can replace electricity-based air conditioning.