

CEDEC

# Annual Report 2022

President's statement



Highlights 2022



Who we are



Key topics 2022







**Florian Bieberbach**

*F. Bieberbach*

# PRESIDENT'S STATEMENT

'Unprecedented' has been the leitmotiv when describing the challenges facing the energy sector in the last few years, but 2022 will likely be considered a watershed moment for energy policy. Indeed, having only just left the worst of the Covid-19 pandemic behind – but still dealing with its significant economic and social fallout – the EU found itself confronted to the most severe security of supply crisis in modern history following Russia's invasion of Ukraine in February. Markets worldwide were thrown into turmoil and energy prices skyrocketed to historic levels along with general inflation, further deepening the crisis for people and businesses.

This has therefore been an exceptionally challenging year for CEDEC members. At the forefront of the energy crisis, they continued to provide essential services to their customers, many of whom suddenly found themselves unable to pay their energy bills. This task was made all the more difficult by an unpredictable regulatory environment, as the second half of this year saw a series of significant interventions into the energy markets through emergency measures to manage the worst effects of the crisis. It seemed even the fundamentals of the electricity market built over the last few decades might be called into question when Commission President Von der Leyen announced a 'deep and comprehensive' reform would be proposed, in a State of the Union speech where energy topics took centre stage – a clear indication of the existential importance they have taken. CEDEC's assistance in keeping the members informed and navigating these sudden shifts throughout the year has therefore been highly valuable.

However, challenges also create opportunities. In response to the energy crisis, the REPowerEU plan presented by the Commission in May set the course to achieve what was until recently unthinkable: making the EU independent from Russian fossil fuel before the end of the decade. The

plan brings forward a host of measures to address the necessary regulatory frameworks, investments, and infrastructure to enable massive deployment of renewables (including sustainable biomethane and renewable hydrogen), as well as to impose demand reduction and energy efficiency in a more drastic way. Achieving the goal set by REPowerEU will require a rapid transition to a more diversified, decarbonised, and decentralised energy system, all while ensuring affordability, which CEDEC members are uniquely positioned to deliver through their integrated approach and proximity with local needs and resources.

All of these new initiatives added to an already supercharged energy agenda, as the negotiations on the many legislative proposals brought forward in 2021 to deliver the vision set out in the European Green Deal – with the 'Fit for 55' and the Hydrogen and Decarbonised Gas packages as centrepieces – came into full swing. The ongoing energy crisis of course played a strong role in shaping the discussions, and the debate has become even more strongly politicised, increasing the temptation to reach for silver bullets and one-size-fits all approaches. CEDEC has therefore been working hard to bring the expertise of its members to the table to advocate for solutions that take account of local diversity, empower local actors, and enable system integration rather than excluding technological options. These efforts have paid off, as many of our proposals have been integrated into the texts being finalised at the time of writing of this report.

Let me therefore conclude by thanking all CEDEC members for once again demonstrating incredible resilience and innovation throughout these unprecedented times, and to the CEDEC team for making the voice of local and regional energy companies clearly heard in the European conversation at this decisive moment for the future of our energy system.

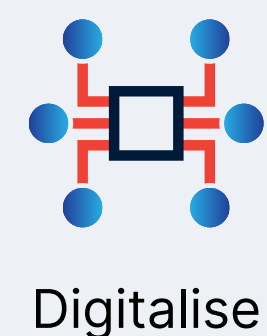


# WHO WE ARE

## OUR MISSION

-  Representing at EU level the targeted interests of local and regional energy and broadband companies
-  Delivering highest-standard and timely information services by monitoring, analysing and communicating relevant legislative initiatives
-  Promoting the exchange of know-how and experience between its members and with European and international organisations

## CEDEC PRIORITIES



2000  
COMPANIES



2000 local energy and broadband companies are ready to contribute to a sustainable future

100.000.000  
CUSTOMERS



Linking 100 million European electricity, gas, district heating and broadband customers.

350.000  
EMPLOYEES



Representing local energy and broadband companies means representing 350.000 jobs all across Europe.

“In the process of rapidly adapting Europe’s energy future, there is no time to waste: we share our integrated vision and know-how from the local realities”

# STRUCTURE & ORGANISATION

Board of Directors

DISCOVER ALL MEMBERS

WORKING GROUPS

# HIGHLIGHTS 2022

CEDEC contributes to the Commission public consultation on “Digitalising the Energy System”

## January

## February

Commission publishes a proposal for the harmonised rules on fair access to and use of data (Data Act)

## March

CEDEC finalises its amendments for Energy Efficiency Directive (EED), Renewable Energy Directive (RED), Alternative Fuels Infrastructure Regulation (AFIR) – based on the CEDEC recommendations developed in November 2021

CEDEC decides on its position on the Commission proposal for an Artificial Intelligence (AI) Act

CEDEC organises together with VKU an online roundtable with the EP Rapporteur on “Challenges and opportunities of alternative fuels infrastructure from an energy system perspective”

## April

CEDEC finalises its amendment strategy on the Hydrogen and Decarbonised Gas Markets Package, mainly on hydrogen distribution, unbundling, and local heating and cooling plans

## May

Commission publishes the REPowerEU plan to increase the resilience, security and sustainability of the EU’s energy system

CEDEC contributes to ‘Madrid’ European Gas Regulatory Forum with a joint intervention on the integration of renewable and low carbon gases in the gas system

## June

Dr. Florian Bieberbach (CEO of Stadtwerke München) is re-elected as CEDEC Chairman for another 2 years

CEDEC proposes necessary amendments on the Energy Performance of Buildings Directive (EPBD), notably on Zero emission buildings

Council adopts the 1st emergency measure on mandatory 15% gas demand reduction

Parliament’s ITRE committee publishes the 2 draft reports on the Gas Package, for Directive and Regulation



# July

- In coordination with a broad coalition of EU associations, CEDEC publishes a joint position paper on the F-Gas Regulation revision

# September

- CEDEC proposes its recommendations on the Methane Regulation
- CEDEC publishes its amendments on the Fluorinated Greenhouse Gas (F-Gas) Regulation

# October

- CEDEC holds another successful edition of its Annual Congress in Brussels under the theme “2030 – An Energy Odyssey”
- Interinstitutional negotiations or ‘trilogues’ between Parliament, Council, and Commission start for EED, RED, AFIR
- Council adopts a 2nd package of emergency measures, including a cap on inframarginal generators

# December

- The co-legislators – Parliament and Council – reach a provisional agreement on the Emissions Trading System (ETS), including a new ETS for road transport and buildings
- CEDEC co-signs the Commission initiative on “Joint Common principles For Enhanced Consumer Protection This Winter”
- Commission adopts revised Guidelines on State aid for broadband networks, for which CEDEC had provided comments on Commission draft guidelines in early 2022
- Council adopts the 3rd & 4th package of emergency measures, including a gas ‘price cap’ and a temporary framework for accelerated deployment of renewables

# November

- CEDEC engages in a Joint Statement with other EU associations representing gas DSOs on “How to achieve an impactful regulation on methane emissions”



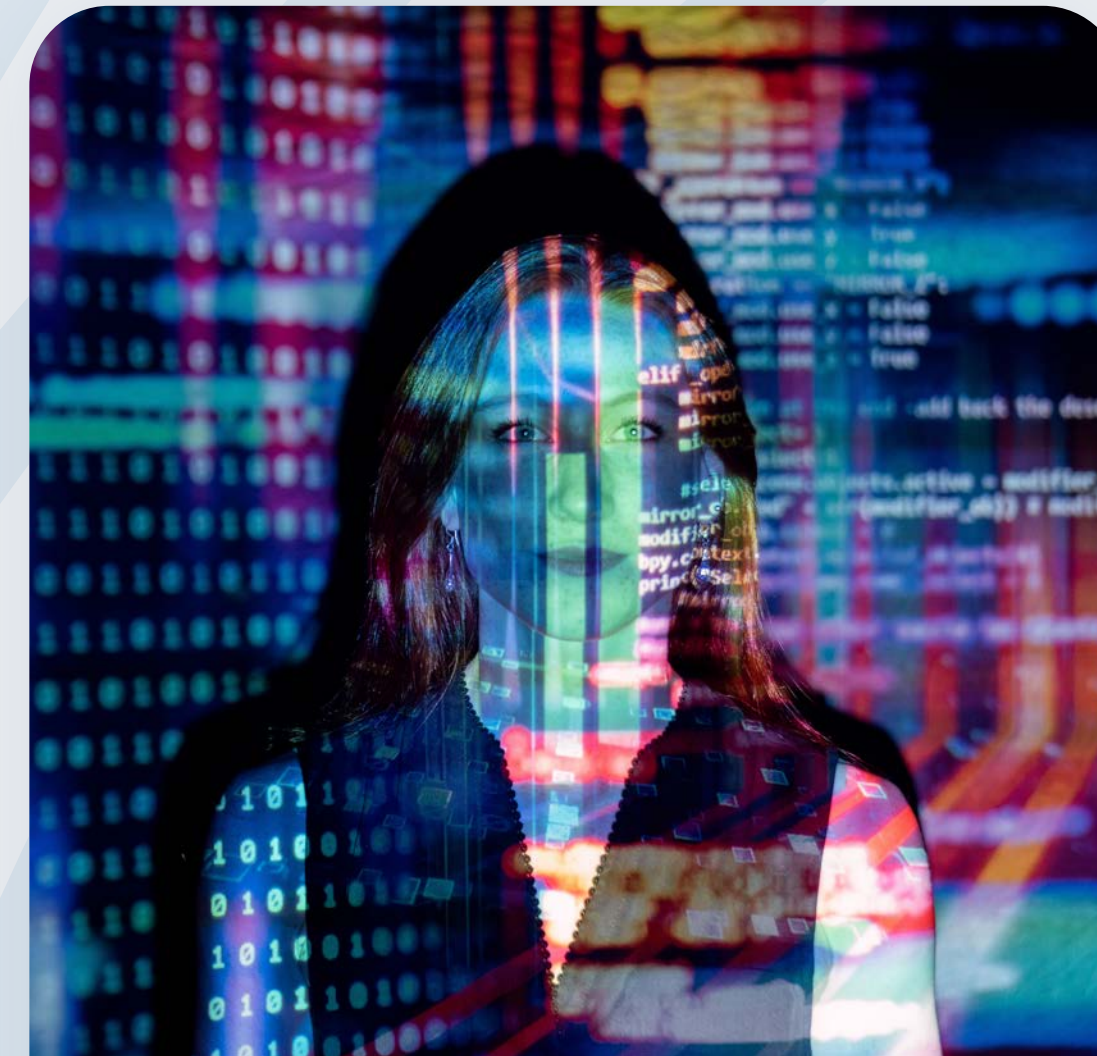
# KEY TOPICS 2022



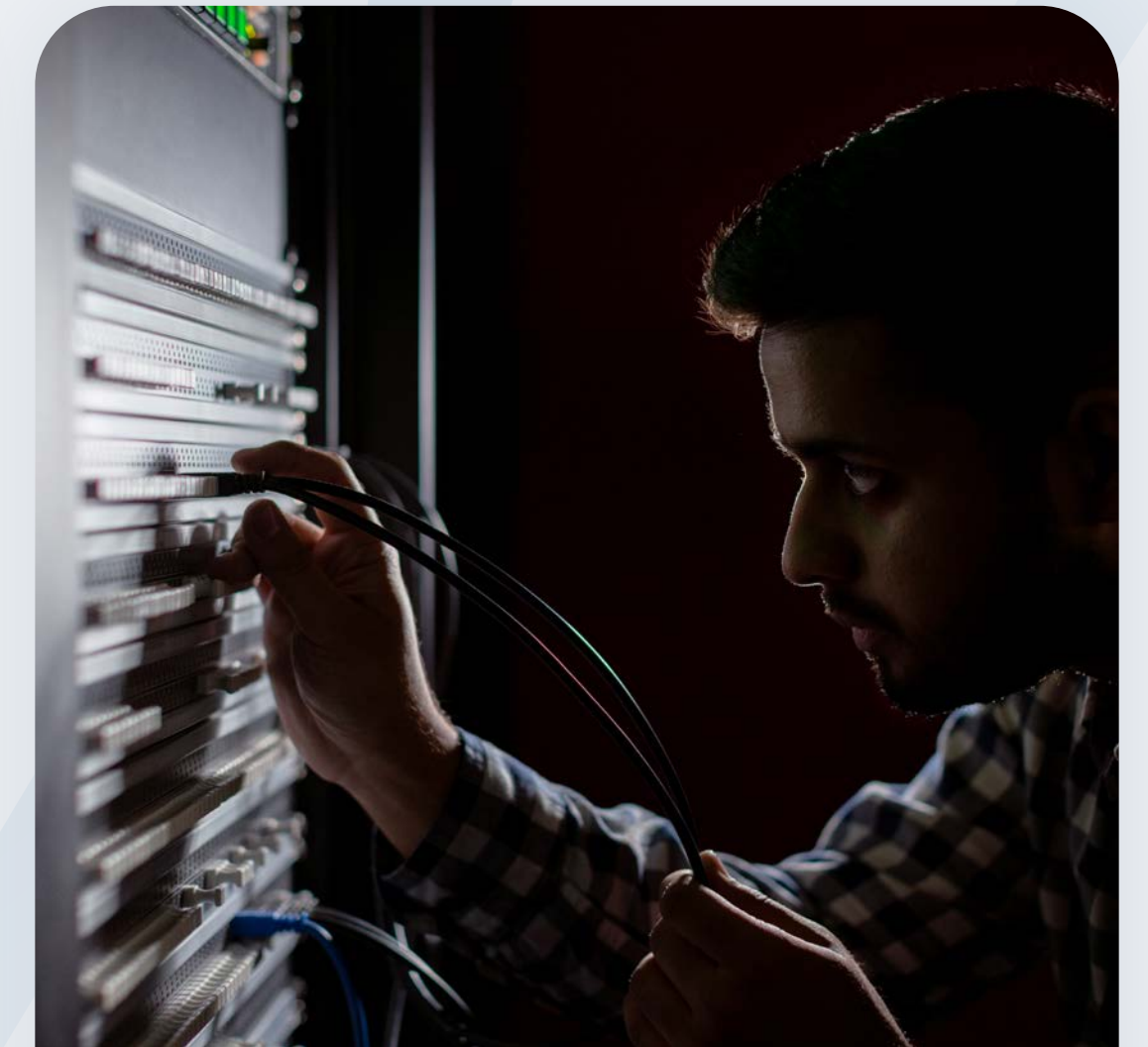
**Fit for 55**  
– The finale is coming closer



**Gas & Hydrogen Package**  
– Redefining molecules



**EU digital agenda**  
– Connecting the dots on digitalisation, data and AI



**Building infrastructure**  
for the digital era



# Fit for 55

## – The finale is coming closer



### Parliament

Overwhelming numbers of amendments on all files: EED 1190 (ITRE), RED 1310 (ITRE), EPBD 1568 (ITRE), AFIR 175 (TRAN), EU ETS 1477 (ENVI)



### Council

Complex agreements on interconnected files to reach a General Approach on EED, RED, AFIR, EU ETS

All the legislative proposals in the Fit for 55 package aim to contribute to the agreed 55% reduction of greenhouse gases by 2030. While negotiations on the different files of the Fit for 55 (FF55) have already started in 2021 with the publication of the legislative proposals by the Commission in summer, in 2022 negotiations were intensifying in Council and Parliament. Besides the **Energy Performance of Buildings Directive (EPBD)** according to which all new buildings should be zero-emission buildings by 2030 (and publicly owned buildings already earlier) – all files progressed to the trilogue stage by autumn 2022. Despite the Czech Council Presidency's ambition to conclude interinstitutional negotiations under its term on the **Renewable Energy Directive (RED)**, the **Energy Efficiency Directive (EED)** and the **EU Emissions Trading System (EU ETS)**, it only managed to strike a deal on the EU ETS. This updated EU ETS will reduce emissions from the concerned sectors by 62% by 2030 (compared to 2005 levels) and will include a new separate emissions trading system (as from 2027) to reduce emissions from buildings and road transport, regulating fuel suppliers rather than households and drivers but driving up their future energy prices. Negotiations on RED,

EED, and the **Alternative Fuels Infrastructure Regulation (AFIR)**, which only kicked off late October, will continue also in 2023. Zooming in on the priority legislative pieces:

**Energy Efficiency Directive:** In addition to the nature of the national energy contributions for 2030 – where opposing views in Council (binding) and Parliament (indicative) were clearly anticipated – attention is on a more energy-efficient public sector, which shall set an example in reducing energy consumption. In this regard, the co-legislators' respective mandates overlapped, agreeing that adjustments to the public sector obligations only (and not for the private sector) shall be part of additional measures when insufficient progress has been made towards meeting the efficiency contributions. Should this view persist, a disproportionate burden would be placed on public sector entities, who already will take a leading role in energy efficiency through higher targets for reduction of final energy consumption – to be expected to settle in between 1,7% (Commission and Council) and 2% (Parliament) – and higher building renovation rates equal to 3% of public building floor space per year.

**Renewable Energy Directive:** Several CEDEC priority issues were brought to the negotiating table via the Parliament's negotiating mandate, and were already the subject of agreement between the co-legislators by the last trilogue session held this year. The obligations of DSO on making information available regarding the share of renewables and GHG content to facilitate system integration of renewable electricity have thus been clarified, and economic and technical feasibility considerations have also been introduced to the obligation for district heating and cooling system operators to connect third party suppliers. The Parliament's more flexible approach on the 'additionality' rules – i.e. the criteria for ensuring that production of renewable hydrogen does not divert an excessive amount of renewable electricity from other uses but is instead produced with 'additional' renewable power – has also been heard. The Commission will have to return to the drawing board and propose new delegated acts taking into account the Parliament's position next year.





**Alternative Fuels Infrastructure Regulation:** One of the main priorities for CEDEC members in this transport file has been to avoid unnecessary retrofitting requirements for public recharging points. Before entering trilogues, the mandates of both co-legislators' already positively reflected an agreement that the smart charging requirements should only apply to new recharging points. However, Parliament considered this should also be the case for digital connectedness. On payment methods however, Parliament called for all recharging points – regardless of power output – to be retrofitted with card readers as of 2027, while Council suggested to restrict this requirement only to those with an output above 50 kW along the TEN-T network.

**Emissions Trading System:** Despite a particularly tumultuous process in the Parliament – the ENVI text having been initially rejected by the plenary before finally being voted through a few weeks later – on 18 December this file became the first in the Fit-for-55 package to cross the finish line with a provisional agreement. On the main point of interest for CEDEC members here – namely the inclusion of waste-to-energy under the ETS – the co-legislators decided to mandate the Commission to draft a report by 2026 examining the possibility of inclusion by 2031. Additionally, and with a considerable impact especially for citizens, an agreement was reached on a new and dedicated ETS for road transport and buildings.

Another key file to look out for is the **Energy Performance in Buildings Directive**. CEDEC's top priority here has been the definition of 'zero-emission buildings', which in the Commission's original proposal required residual energy demand to be met almost only through on-site production, with severe limitations on use of renewable energy from any grid (electricity, heat or gas) – entirely unrealistic especially in urban areas and in winter with lower renewable electricity production and higher energy demand. The Council's negotiating position constructively removes this limitation, and CEDEC's proposals to lift the artificial limitations have been picked up across almost all political groups in the Parliament. Close attention will however be required until the precise compromises are finalised in the Parliament and subsequently in the trilogue.

Work has also started on the highly technical but nonetheless crucial **Regulation on fluorinated greenhouse gases** (F-gases). This piece of legislation requires, among other things, a phase out of the highly potent greenhouse gas SF<sub>6</sub> used in electrical switchgear. CEDEC's focus here has been to ensure that effectively achieving this important goal does not inadvertently hamper the energy transition by disproportionately restricting the supply of potential SF<sub>6</sub> alternatives that will be needed to speed up the extension of the capacity of electricity grids.

CEDEC will continue to closely follow up the final stages of negotiations on the remaining FF55 files, which are expected to be concluded before summer 2023, just in time for the acting von der Leyen Commission to deliver the EU Green Deal before the EU elections in 2024.



# Gas & Hydrogen Package – Redefining molecules



## Parliament

Significant number of amendments with high polarisation among political groups: Gas Directive 1039 (ITRE), Gas Regulation 671 (ITRE), Methane Regulation 1148 (ENVI-ITRE)



## Council

Difficult negotiations due to highly diverse Member State situations for gas distribution and diverging visions on the future role of hydrogen

Following the publication in December 2021 of the **Hydrogen and Decarbonised Gas Package**, CEDEC has been working hard to address the Commission proposals' shortcomings in recognising the potential of the distribution level to contribute to decarbonising the gas grid through integration of renewable gases and the development of the hydrogen economy. A key issue in this regard has been to address the extension of disproportionately onerous unbundling rules, originally designed for (much larger) TSOs, de facto excluding DSOs from future involvement in hydrogen. This is despite the fact that DSOs are already now invested in the hydrogen economy, and are in a prime position to supply industry – a significant proportion of which is directly connected to the gas distribution grid – with hydrogen, including in hard-to-decarbonise sectors. In the European Parliament, CEDEC's concerns were heard and well reflected in amendments introducing a clear distinction between hydrogen distribution and transmission and changes to their respective unbundling rules, as well as CEDEC's proposal on local heating and cooling planning – giving a central role to electricity, gas and district heating DSOs. The scene therefore was set for these proposals to be

integrated into the Parliament's final position, to be adopted in early 2023. However, in the Council, Member States' lack of awareness on unbundling issues remained evident, as DSOs remained absent from the proposals brought forward by the Czech Presidency in September, November and December. Going into 2023, CEDEC will therefore continue supporting its members to ensure that its priority issues are brought to the table in the Council, and prepare the ground for the trilogues.

Another essential file to the future of the gas grid is the **Regulation to reduce methane emissions**, published alongside the Gas Package in 2021. Here again, CEDEC has made considerable efforts to push back against the unreasonably burdensome, ineffective and costly requirements placed on DSOs by the Commission's proposal. In particular, the monitoring, reporting and verification (MRV) and leak detection and repair (LDAR) obligations – whether through misunderstanding of the specificities of the distribution grid or a dissimulated intention to obtain its decommissioning – impose timelines and levels of detail which are either technically impossible or disproportionately expensive in relation to the environmental

benefit achieved. With the invaluable input from our members' experts in this highly technical file, CEDEC therefore put forward recommendations and amendments that would enable DSOs to achieve the Regulation's objectives without having to pass on unnecessary cost increases to their customers. In the European Parliament, the already difficult task of highlighting these technical issues to MEPs was further complicated by the extreme polarisation of the file, with rapporteurs from diametrically opposed ends of the political spectrum. Although several CEDEC proposals were well represented among the many amendments introduced, it is clear that finding a balanced compromise by the committee vote – scheduled for 1 March 2023 – will be no easy task. Meanwhile, the Council adopted its General Approach just before the end of the year, introducing positive changes in the direction of CEDEC proposals such as more realistic monitoring and verification obligations, but still leaving to be desired with regards to LDAR.



# EU digital agenda – connecting the dots on digitalisation, data and AI

The EU executive has been setting several digital milestones in the past years. The importance of the proposed EU initiatives, with even more to follow also on sectoral level, will undoubtedly be of great importance for the public sector and local energy companies. Has the digital zenith been reached or was this legislative term only a sneak preview of what is still to come?

**Digitalising the energy system** is summarizing the Commission's action plan that portrays a plethora of measures, including the creation of a digital twin of EU electricity infrastructure to inform decision-makers in real time to make processes more efficient, the European energy data space (to be deployed by 2024) building on already existing rules (Electricity Market Design), the rules concerning data exchange and access rights as well as the Fit for 55 proposals – which entail specific provisions on data exchanges.

Here comes into play the **Data Act**, which aim is to regulate the access to and use of data, including the right of users to share data with third parties. It is the fundamental pillar for digital innovation and comes in times where the value of the large amount of data to be used for example in the area of energy supply and grid maintenance gains more weight than ever. The access to data is a strategic core component



of local companies' future viability, but first EU rules must ensure that local companies are given broad access to data from their own systems and sensors. A point that CEDEC still hopes to see further clarified – compared to the Commission proposal – in the continuing negotiations, which are expected to be finalised in the course of the next year. In Parliament, things are already moving in the right direction.

Data is also key for helping Artificial Intelligence (AI) systems learn effectively, another important pillar of the digital innovation. The first-ever EU legal framework on AI, the so-called **Artificial Intelligence Act**, is also relevant for the energy sector as it imposes requirements on a list of high-risk AI applications, including those used to manage and operate critical electricity and gas infrastructure. It took the Parliament a year until the

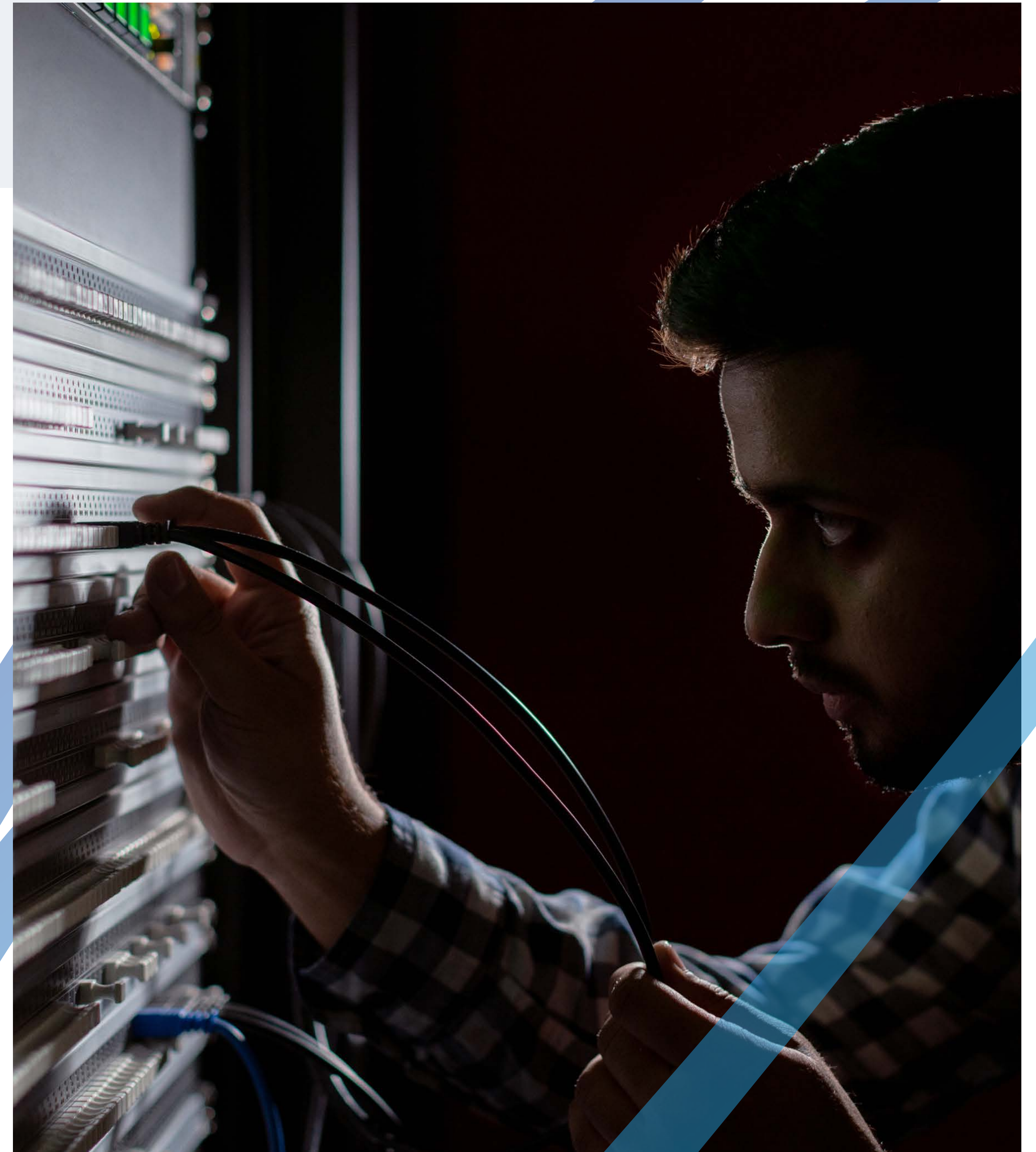
draft position was unveiled and – although planned for adoption in the responsible committees in October – discussions will certainly continue in 2023. Member States already agreed in December on the Council negotiation mandate. The agreed changes to the Commission's proposal would make the point on the definition of an AI system clarifying the criteria to distinguish AI from traditional software – a crucial point for CEDEC members.

CEDEC will continue to closely follow any further developments as local energy companies already provide the necessary digital infrastructure and digital solutions for citizens and businesses and therefore can unquestionably set important impulses to lead the way in the digital field.



# Building infrastructure for the digital era

Concerning **broadband connectivity**, the year 2022 was one of waiting. The long-awaited revision of the Broadband Cost Reduction Directive (BCRD) from 2014 aiming to reduce the cost of deploying high-speed electronic communication networks failed to materialise and was postponed to early 2023. This delay kept all infrastructure providers waiting, not only electronic communications network operators but also local companies providing electricity, gas or heating infrastructure – as they may have to grant access to their infrastructure as well as cooperate for the construction of new electronic communications networks. The directive formerly known as BCRD will be renamed to **Gigabit Infrastructure Act**. But still before the year 2022 came to an end, the Commission provided clarity on the rules governing state aid measures by Member States to support the deployment and take-up of broadband networks in the EU by finally adopting the revised Broadband Guidelines. In the preparation of the guidelines, CEDEC was actively engaged and provided feedback on the draft guidelines to the Commission.





# The DSO Entity

## – Past, present and future

Following its establishment in 2021, 2022 was the first full year of operation during which the Entity has assumed its role as a formally established body representing the European electricity Distribution System Operators at EU level. Since its establishment, the DSO Entity has been growing steadily arriving at around 900 members in 2022 – the majority being CEDEC affiliated members.

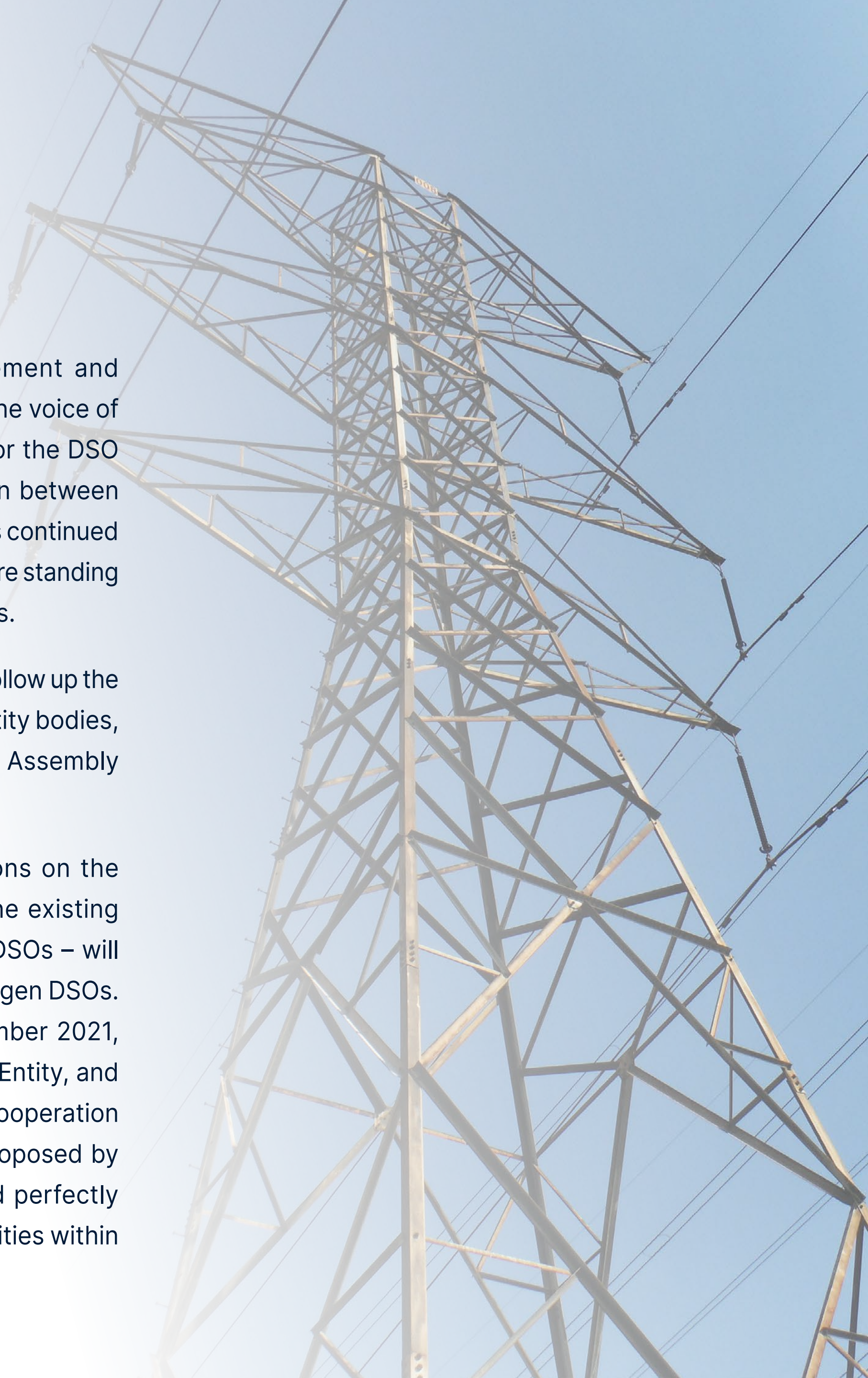
In view of its core competence – the drafting of Network Codes and Guidelines which are relevant for DSO grids in cooperation with the Transmission System Operators (TSOs) in ENTSO-E – the DSO Entity has made considerable progress on important files, such as submitting to ACER the draft Network Code on Cybersecurity. The Expert Group Distributed Flexibility started the work on the Framework Guidelines on Demand Response. Additional Expert Groups (EGs) were established in 2022, namely on Data Interoperability and existing Network Codes).

2022 was also marked by intensifying cooperation between the DSO Entity and ENTSO-E, among others through the signature of a Memorandum of Understanding (MoU), the development of a Joint Work Plan 2022-2023 and the establishment of a TSO-DSO Board Committee.

CEDEC members have continued their active engagement and contribution to the work of the DSO Entity, ensuring that the voice of small and medium-sized DSOs is heard and respected. For the DSO Entity governance in particular, the excellent coordination between CEDEC, its member associations and its member companies continued successfully also in 2022, ensuring that CEDEC members were standing strong and united in the DSO Entity governance structures.

In line with its Observer status, CEDEC continued to closely follow up the work of the DSO Entity through participation in the DSO Entity bodies, such as in Board meetings (as Observer), in the General Assembly and in the Strategic Advisory Group.

Looking to the future: following the ongoing negotiations on the Hydrogen and Decarbonised Gas Package (see p. 8), the existing DSO Entity – currently bringing together only electricity DSOs – will be expanded, allowing for the integration of gas and hydrogen DSOs. The proposal of the Commission, as presented in December 2021, foresees that gas DSOs will be part of an integrated DSO Entity, and none of both co-legislators opposed the proposal. The cooperation of electricity and gas DSOs in a single Entity – already proposed by CEDEC since 2016 in the Clean Energy Package – would perfectly reflect the integrated approach of electricity and gas activities within CEDEC member companies.







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This report provides highlights of CEDEC's activities for the period 1 January to 31 December 2022.

CEDEC is legally constituted as a non-profit international organisation (AISBL) under Belgian law.

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