



Recovery and Resilience Plan Denmark

Budget

The estimated total cost of the recovery and resilience plan of Denmark is € 1 615 267 709. The country will benefit from €1.551 billion in grants. In total, **€143 million** will be provided to foster energy efficiency for households and industry as well as through energy renovations of public buildings.

Overall aim

The Danish plan supports massive investments in the green transition that are necessary to reach the target of lowering GHG emissions in Denmark by 70% by 2030. Since the government came into office almost 2 years ago, decisions and political agreements have been made to reduce Denmark's GHG emissions by 9.1 megatons by 2030, of which the initiatives in the plan contribute 2.8 megatons.¹

Relevant parts of the RRP

The plan's main objective is to speed up the green transition. A key reform initiative is the green tax reform.² In addition, the plan contains dedicated components focusing on improving energy efficiency for households, industry and public buildings, promoting sustainable transport solutions and providing funding for green research and development.

¹ Page 21, Assessment of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-326_swd_en.pdf

² In the first step, the green tax reform includes increased tax deductibility for investments to create an incentive for companies to speed up green investments, which is expected to facilitate the implementation of the reform. In the second step, energy taxes will be raised as of 2023 and target the CO2 content of fossil energy, thus providing an incentive to use clean energy and reduce greenhouse gas emissions.

Component 3: energy efficiency, green heating, carbon capture and storage (€ 235 million)

This component aims to **increase energy efficiency and green heating** in public and private buildings, in industry, as well as to explore carbon capture and storage-storage potential in depleted oil and gas fields under the North Sea. The investments will lead to at least 30% of 'primary energy saving'.

These investments support addressing the country-specific recommendations addressed to Denmark last year, on the need to "*focus investment on the green [...] transition, in particular on [...] clean and efficient production and use of energy*" (country specific recommendation 2, 2020).³

Out of the 5 investments, the following three are relevant for the sector:

→ Investment 1: 'Replacing Oil Burners and Gas Furnaces' (€ 65 million) aims at phasing oil and natural gas out of the heating system and replaced with **electric heat pumps and district heating from renewable sources**. The measure will provide **subsidies** to speed up the phasing out of oil burners and gas furnaces and to reduce the cost to consumers of the conversion to green heating.

The support scheme will be distributed into the three sub-schemes:

1. Sub-scheme for district heating ("Fjernvarmepuljen"): shall provide a subsidy to expand district heating grids into new areas;
2. Sub-scheme for decoupling ("Afkoblingsordningen"): the Danish state-owned gas distribution company charges a fee to cover the cost of decoupling. With this subsidy scheme, **households may be exempted from this fee**.
3. Sub-scheme for scrapping ("Skrotningsordningen"): shall provide a subsidy for companies that offer heat pumps on subscription for private year-round housing. The scheme is particularly relevant **for citizens who wish to convert to a heat pump but who have limited financing opportunities**.

The effort of this investment is estimated to reduce greenhouse gas emissions by DKK 0.06 million. tonnes of CO₂e in 2025 and 0.04 mill. tons of CO₂e in 2030.

→ Investment 3: 'Energy renovations in public buildings' (€ 40 million) will focus on energy renovations in **regional and municipal buildings with the lowest energy performance certificate standards** as well as buildings that are heated by oil burners and gas furnaces.

The initiative is estimated to reduce emissions by DKK 0.004 million tons of CO₂e between 2025 and 2030.

→ Investment 4: 'Energy Efficiency in Households'⁴ (€63 million) will ensure that **residential buildings** are renovated and energy efficient and to speed up transition from oil burners and gas furnaces to heat pumps. The measure shall target energy savings in private housing by

³ Page 16, Annex to the Proposal for Council Decision https://ec.europa.eu/info/system/files/com-2021-326_annexe_en.pdf

⁴ Page 17, Annex to the Porposal for Council Decision https://ec.europa.eu/info/system/files/com-2021-326_annexe_en.pdf

supporting **insulation, optimization of the operation of the building or replacement of heating by oil burners and gas furnaces with heat pumps.**

The initiative is estimated to reduce emissions by DKK 0.03 million tons CO₂e in 2025 and 0.02 mill. tons of CO₂e in 2030.

Component 7: Digital

Under its Digital component, Denmark is going to invest in the prolongment of an existing scheme, Bredbåndspuljen, which shall roll out very high-speed internet access (minimum 100 Mbps) **in rural areas** of Denmark where existing coverage is poor due to lack of sufficient market incentives. The scheme shall be an **applicant-based funding scheme (€ 13 million) for households** and business.⁵

Link with the NECP

The measures in the Recovery Plan are aligned with the NECP for 2021-2030 and the government's overall objective of reducing GHG emissions by 70% by 2030 (compared to 1990) and becoming climate neutral by 2050 at the latest.

The most important initiative in the plan is the promotion of the green tax reform. Increasing investments in energy efficiency will also help to reduce GHG emissions. Denmark indicated a very low contribution to the EU energy efficiency 2030 targets in its draft NECP. The 'energy efficiency, green heating and CCS' component contains measures to improve the energy efficiency of households, industry and public buildings. In addition, a CCS research project will explore the feasibility of storing CO₂ (including from other Member States) in depleted oil and gas fields under the North Sea.⁶

Link with the Semester

The plan contains measures to improve efficiency in the clean and efficient production and use of energy (CSR 2.3 of 2020, some progress). As regards energy efficiency and conversion of heat supply, energy efficiency and new technology, biogas and new district heating capacity, **the NECP estimates additional investment needs of DKK 10-30 billion for each of these three sectors in the period to 2030.** The 'energy efficiency, green heating and CCS' component contains measures to increase the energy efficiency of households, industry and public buildings.

Denmark will accelerate the conversion from oil and gas furnaces to electrical heat pumps, district heating and energy renovations in private and public buildings. Furthermore, the component contains subsidy schemes that target green renovations of buildings with poor energy performance and private households. In addition, a CCS research project will explore

⁵ Page 44, Annex to the Proposal for Council Decision https://ec.europa.eu/info/system/files/com-2021-326_annexe_en.pdf

⁶ Page 26, Assessment of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-326_swd_en.pdf

the feasibility of storing CO₂ in depleted oil and gas fields under the North Sea. CCS is a key tool in Denmark's efforts to achieve its reduction targets.⁷

Other relevant initiatives in 2020 and 2021:

- **Green housing agreement:** The government entered into a green housing agreement on 19 May 2020: The Rural Development Fund's framework 2021-2026 and advanced efforts in 2020 together with a broad majority of the parliamentary parties. With the agreement, the parties agree to set aside **30 billion DKK from the National Building Fund⁸ (4 billion eur) for the non-profit housing sector in the period 2021-2026**. Of this, DKK 12 billion is advanced in 2020, and DKK 6.4 billion will be set aside in 2021 for the completion of the entire waiting list in LBF. The agreement entails an additional incentive to renovate energy, because i.a. a new green is designed guarantee.
- In addition, the agreement means a marked structural shift towards a greener public sector.
- **Suspension of municipalities and regions' construction ceilings for 2020:** The government entered into an agreement on 26 March with KL and the Danish Regions to suspend the municipal and regional construction ceilings in 2020, which are estimated to increase public investment by DKK 2.5 billion in 2020, corresponding to approx. 3 billion DKK including VAT.
- **Significant increase in municipalities 'and regions' construction ceilings for 2021:** The government entered into financial agreements on 29 May with municipalities and regions for 2021, which includes an extraordinary boost by the municipal and regional construction framework in 2021. The promise amounts to a total of DKK 2.7 billion in 2021 (calculated as an increase in relation to the agreed level of 2020). The promise covers an increase in the regions' ceiling-level construction level of DKK 1.0 billion. In addition 4.0 billion DKK in 2021 regarding hospitals with support from the quality fund, corresponding to the realized levels of the past year (agreement level for 2020 is DKK 4.8 billion) is provided. Overall, it responds to an increase of the municipalities 'and regions' construction framework of approx. 3.2 billion DKK including VAT.
- **Climate action for energy, industry and waste:** Launched on 20 May, the initiative proposes to **increase the development of renewable energy** with the establishment of two energy islands, invest in an intensified transformation of business, implement measures aimed at **making the heating sector greener**, ensure better recycling of Danes' waste and **increased energy efficiency**, etc. The scheme involves one CO₂e reduction of 2 million tons until 2030. In addition to the direct impact of the initiatives supporting the climate, investments in the private sector will also play a key role.

⁷ Page 31, Assessment of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-326_swd_en.pdf

⁸ The National Building Fund is a private fund financed by the tenants in the Danish social and non-profit housing sector. Read more here <https://www.housingeurope.eu/blog-1559/the-national-building-fund>

- **Sustainable construction:** DKK 25 million is set aside (3.3 million euros) for 2021 and 2022 for sustainable construction, which must contribute to supporting a greener and more sustainable and quality-conscious construction.

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