VERBAND KOMMUNALER UNTERNEHMEN e.V.

RECOMMENDATIONS FROM LOCAL PUBLIC UTILITIES IN GERMANY

For simplifying EU energy policies

Brussels/Berlin, September 2025

The following suggestions to simplify, change, or eliminate certain EU regulatory requirements are meant to reduce regulatory burden. They aim at boosting EU competitiveness and safeguarding its economy while not jeopardising social and environmental goals. Reducing excessive burden helps SMEs and companies to free capital for the transition while remaining competitive.

The German Association of Local Public Utilities „Verband kommunaler Unternehmen" (VKU) represents over 1,600 local public utilities in Germany, operating in the sectors of energy, water/waste water, waste management and telecommunication. In 2022, VKU's members, which have more than 309,000 employees, generated a turnover of around 194 billion euro of which more than 17 billion euro were reinvested. In the end-customer segment, VKU's member companies have a market share of 66 percent in the electricity market, 65 percent in the natural gas market, 88 percent in the drinking water sector, 91 percent in heating supply market and 40 percent in waste-water disposal. Every day, they dispose of 31,500 tons of municipal waste through separate collection and take a vital role in ensuring recycling rates of 78 percent, which rate the highest within the EU. Additionally, more and more local public utilities are committed to the deployment of broadband infrastructure. 220 members invest more than 912 million euro every year. When deploying broadband infrastructure, 90 percent of local public utilities rely at least on fibre to the building.

Facts and Figures 2024

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DIE KOMMUNALEN UNTERNEHMEN

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Overview

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General Block Exemption Regulation

SME Definition

Proposal for an amendment

Article 3 paragraph 4 in the SME definition's Annex should be deleted and Annex I of GBER adapted.

Justification

The definition of an SME is crucial for both access to finance and EU support programmes and the reduction of bureaucratic burden. According to Article 3 paragraph 4 in the SME definition's Annex (C(2003) 1422) and Annex I of the GBER, an enterprise is not considered to be an SME if more than 25 percent of its capital or voting rights are controlled by one or more public bodies.

In practice, small and medium-sized public companies have not yet benefited from targeted simplifications, particularly regarding reducing bureaucracy, which are intended for companies of their size. This leads to discrimination, especially where public companies compete with private companies. In addition, public companies often do not have access to a wide range of support and financing instruments.

For example: A small public company with fewer than ten employees and an annual turnover of less than €2 million is subject to the same bureaucratic hurdles and funding restrictions as listed stock corporations with several thousand employees.

Methane Regulation

Article 1 – Subject matter and scope

Proposal for an amendment

Paragraph 1, first sentence should be amended as follows:

"(a) oil and fossil gas exploration and production, and fossil gas gathering and processing;

(b) inactive wells, temporarily plugged wells and permanently plugged and abandoned wells;

~~*(c) natural gas transmission and distribution, excluding metering systems at final consumption points and the parts of service lines between the distribution network and the metering system located on the property of final customers, as well as underground storage and operations in LNG facilities; and*~~

(d) active underground coal mines and surface coal mines, closed underground coal mines and abandoned underground coal mines."

Justification

The Methane Emissions Regulation imposes a multitude of excessive reporting requirements on gas DSOs – from individual reports on specific incidents to time-consuming annual reports. Some of the requirements are excessively complex, a bureaucratic hurdle, and inflicting costs that are

disproportionate to its actual benefit. Leakages are minimal due to state of the art grids and flaring sometimes necessary. Therefore, this regulation shall not apply to natural gas transmission and distribution.

Example of an actual local distribution network operator operating a 10,000 km long gas grid in Germany

Additional reporting, shortened inspection periods, and metering surveys add up to a **total cost of approximately €440,000 per year,** potentially reducing **103 tonnes of CO_2eq**, resulting in costs of **€4,272/tonne of CO_2eq, which is out of proportion**. In addition, considerable investment would be required to purchase special equipment, which has not yet been considered in the cost assessment above, also due to a lack of market availability.

Certificates are currently trading at **€55/tonne of CO_2eq**, and the German Federal Environment Agency considers a price of **€300/tonne of CO_2eq** to be appropriate. In contrast, **€4,272/tonne of CO_2eq** is everything but cost-efficient considering its potential effect.

There are three main areas that lead to an excessive reporting burden and are not cost-efficient at all:

1. Reporting (Article 12 and 16)
Site-level measurements result in additional costs without any further leaks being found. Their necessity should generally be questioned. Assuming that the sample size for the reference measurements is determined in line with OGMP, this would result in additional costs of around €65,000 per year for a distribution network operator with around 1,000 systems or gas pressure regulating and metering installations (GDRM).

The implementation of the EU Methane Regulation requires extensive reporting. The effort involved does not result in any direct reduction in emissions. If gas DSOs are not being exempted from this regulation, reporting must be considerably simplified.

2. Leak detection and repair (Article 14 and Annex I)
In this section, the deadlines for inspecting GDRM plants and pipelines have been shortened compared to the previous requirements. This results in additional costs for GDRM plants, which may lead to savings of 24.2 tonnes of CO_2eq per year, but at a price of €3,200/tonne of CO_2eq. This is everything but cost-efficient considering its potential effect. Again, the German Federal Environment Agency considers a price of €300/tonne of CO_2eq to be appropriate.

The cycles for inspecting pipelines have also been shortened. Inspections will have to be carried out by the help of cars. The emission reduction potential is 69.31 tonnes of CO_2eq for a cost of €3,900/tonne of CO_2eq. Again, this is everything but cost-efficient considering its potential effect.

Furthermore, a report must be submitted to demonstrate the company's individual LDAR programme. In addition, a threshold was set above which repairs must be carried out when methane is detected. This threshold is so low that the cost of saving 1.7 t CO_2eq (that is the amount of emissions detected at this moment in time) is enormously high at €1,200,000/t CO_2eq.

In addition, the regulation specifies deadlines for repairing leaks that have been found and procedures for non-compliance. In many cases, a deadline of five days to start work and 30 days to complete it is impossible to meet due to personal safety, supply security and delivery times.

If gas DSOs are not being exempted from this regulation, the approval of extended repair periods should be made correspondingly simple, or the deadlines should be increased to a realistic level. Compliance with the deadlines, e.g. through higher stock levels or more internal staff and on the part of construction service providers, would lead to further cost increases, which would amount to a total of approximately €250,000 per year.

3. Article 15 – Restrictions on venting and flaring

According to this article, venting and flaring are prohibited unless there is no other technical option. If it happens, it must be reported. Around 20% of methane emissions per year are due to venting and flaring. However, only around 1% of this can be avoided, as most incidents are caused by third parties (excavator damage, e.g.) and not by the operator. Due to the low reduction potential, it does not make sense to avoid emissions during planned construction or maintenance work by pumping, recompressing or capturing them. Such measures have a worse CO_2 balance due to the travel and operation of the equipment than venting or flaring itself. In addition, considerable investment would be required to purchase the equipment, which is going to get very investment intensive due to a lack of market availability.

Flaring operations during pipeline construction work and venting operations at gas pressure regulating and metering stations (GDRM plants), where flaring cannot be used for work safety reasons, should be permitted and only need to be reported annually instead of the required immediate notification. When reporting flaring operations due to third-party damage, an immediate damage reporting system should be used to avoid additional effort. Compliance with the regulation on venting and flaring can save 9.75 tonnes of CO_2eq at €1,530/tonne CO_2eq. However, this assessment assumes that flaring is accepted for measures in the distribution network for the reasons mentioned above.

Renewable Energy Directive

Article 27 – RFNBOs in conjunction with Delegated Act (EU) 2023/1184

Proposal for an amendment

A monthly temporal correlation condition should be kept, and the additionality condition should be deleted.

Justification

The EU electricity sourcing criteria in the Delegated Regulation 2023/1184 jeopardises the ramp-up of the green hydrogen market. Urgent action is needed. The current requirements make it difficult, if not impossible, to produce green hydrogen cost-effectively. This has significant disadvantages for the climate balance and Europe as a hydrogen hub. If the criteria remain unchanged, higher CO_2 emissions, higher transaction costs and higher production costs for green hydrogen are to be expected.

Example of the IPCEI project Clean Hydrogen Coastline

This is already happening: The cost has increased up to 88% for electricity sourcing, making green alternatives less attractive compared to fossil fuels. Green hydrogen is too expensive.

Its effects are already visible. One example is the IPCEI project Clean Hydrogen Coastline: The plan was to build a 50 MW electrolyser in Bremen as part of the Clean Hydrogen Coastline, and to supply ArcelorMittal (steel mill) directly with green hydrogen to produce green steel. The federal government and the state of Bremen had promised the company **a total of €1.3 billion in subsidies** for this project. However, this is no longer economically viable. ArcelorMittal had to withdraw from this project, justifying its decision on the grounds of lack of economic viability.

ArcelorMittal wanted to replace blast furnaces in Bremen and Eisenhüttenstadt with electric arc furnaces and a direct reduction plant by 2030. The new plants were to use green hydrogen in the future. This **would have saved up to 5.8 million tonnes of CO_2 annually and produced 3.8 million tonnes of CO_2-reduced steel**. Due to the strict criteria for green hydrogen, this is no longer possible – to the disadvantage of the decarbonisation.

Article 29 paragraph 10 – Sustainability and greenhouse gas emissions saving criteria for biofuels, bioliquids and biomass fuels

Proposal for an amendment

Subparagraph g) and h) should be deleted.

Justification

The ambitious target underlying Article 29(10)(h) ultimately has a counterproductive effect. It does more harm than good to the energy transition. It will result in existing biogas and biomethane production and power generation plants no longer being used but instead being left unused in the countryside. This is highly inefficient from an economic perspective. Letters g) and h) should therefore be deleted.

Article 29(10), as amended by RED III, requires, among other things, that old biogas CHP plants (commissioned before 2021) achieve an 80% reduction in greenhouse gas emissions through the use of biogas after 15 years of operation (at the earliest in 2026). For plants with a total rated thermal input of 10 MW or more, this will apply from 1 January 2030 at the latest. Prior to the amendment by RED III, Directive (EU) 2018/2001 considered a greenhouse gas reduction of 50% to be sufficient for old plants.

For technological reasons, many older biogas and biomethane plants are unable to achieve an 80% reduction in greenhouse gas emissions. The new requirement means that biogas or biomethane from older plants can no longer be used in CHP plants, because the electricity generated will no longer receive any remuneration in Germany according to the Renewable Energy Act (EEG), and the heat

generated cannot be counted towards the renewable energy quotas that heating networks must meet. The biogas and biomethane plants affected, as well as the corresponding CHP plants, will lose the business basis to continue operating. This means they will then no longer contribute to the electricity and heat transition, even though biogas/biomethane CHP plants are urgently needed in the future electricity system due to their controllability.

Energy Efficiency Directive

Article 3 – Energy efficiency first principle

Proposal for an amendment

Deleting paragraph 2.

Justification

Evaluating investment decisions based on the principle of "energy efficiency first" is very personnel- and capital-intensive. In order not to increase the audit costs for efficiency measures, the thresholds should not be lowered further in the future. Furthermore, the higher costs associated with lowering the thresholds would also run counter to the reduction in bureaucracy called for in the context of the Clean Industrial Deal.

Article 5 – Public sector leading on energy efficiency

Proposal for an amendment

a) Paragraph 1, first sentence should be amended as follows:

*"Member States shall ensure that**, as of 2024,** the total final energy consumption of all public bodies combined is reduced by at least 1,9 % each year, ~~when compared to 2021~~ **in comparison to the year before**."*

b) With regards to the EED Guidance Notes in Article 5, 6 and 7: The requirements of the energy consumption register for monitoring Article 5 should be reduced to the minimum necessary.

Justification

a) Member states must transpose the EED into national law by October 11, 2025. Sticking to the reference year of 2021 would mean that public bodies would have to have already saved 7.6 percent of energy by the end of the national transposition period. This is unrealistic. Therefore, the reference year should be raised to 2024 ("stop-the-clock"). It must also be ensured that, despite the reduction in final energy consumption, the expansion of renewable energies, e.g. for the further development of public transport, remains possible. This is not possible with a reduction target based on a fixed reference year. Therefore, the focus should not be on a fixed reference year, but on the total final energy consumption of the previous year.

b) For the planned bottom-up data collection, all public institutions addressed by the EED must report a wide range of data, e.g. energy consumption in buildings, energy consumption for

processes. The associated bureaucratic effort is inappropriate and should therefore be reduced to the absolute minimum necessary.

Article 6 – Exemplary role of public bodies' buildings

Proposal for an amendment

a) With regards to the EED Guidance Notes in Article 5, 6 and 7: The inventory requirements for heated and/or cooled buildings for monitoring under Article 6 should be reduced to the minimum necessary.
b) With regards to article 6 EED and article 9 EPBD: The double regulation of public institutions should be removed. Public institutions must comply with the requirements for the exemplary role of public buildings and the minimum requirements for the overall energy efficiency of non-residential buildings and paths for the gradual renovation of the residential building stock.

Justification

a) For the planned data collection, the measured annual energy consumption for heating, cooling, electricity, and hot water must be documented, among other things. Member states do not have the relevant information. This means that the respective owners of public buildings must collect the respective data. The administrative burden this entails is inappropriate and should therefore be reduced to the absolute minimum necessary.

b) The double regulation of public bodies is inappropriate and involves additional costs and personnel costs. The regulations should therefore be simplified. Please note: Article 6(1) EED refers to the EPBD 2010/31/EU from 2010. This was amended in 2018, among other things. The current EPBD is a new version and is therefore not comparable in content with the amended EPBDs of previous years.

Article 26 paragraph 5 – Heating and cooling supply

Proposal for an amendment

Deleting paragraph 5.

Justification

With the contributions of heat network operators to municipal heat planning and the transformation plans as a prerequisite for claiming federal funding for efficient heat networks (BEW), comprehensive planning is already required by law. In addition, network operators have an intrinsic motive to meet the EED's requirements for an efficient district heating network, because otherwise it will no longer be possible to connect new buildings.

Article 26 paragraph 12 – Heating and cooling supply

Proposal for an amendment

Deleting paragraph 5.

Justification

This paragraph ultimately obliges companies to supply data (to the respective Member States), even though this data is already being supplied, for example, in the context of preparing municipal heating plans. This double reporting obligation is neither efficient nor reasonable and should be stopped.

Article 21 – Basic contractual rights for heating, cooling and domestic hot water

Proposal for an amendment

Removal of stricter requirements and additions of further information and measurement obligations as well as fundamental contractual rights in the EED 2023 compared to the EED 2018.

Justification

Compared to the EED 2018, the EED 2023 primarily specifies fundamental rights in the contractual relationship between the supplier and its customers. To avoid additional bureaucracy for suppliers, requirements that go beyond those of the EED 2018 should be avoided.

Article 7 – Public procurement

Proposal for an amendment

a) Paragraph 1 should be amended as follows:

*"Member States ~~shall~~ **should** ensure that contracting authorities and contracting entities, when concluding public contracts and concessions with a value equal to or greater than the thresholds laid down in Article 8 of Directive 2014/23/EU, Article 4 of Directive 2014/24/EU and Article 15 of Directive 2014/25/EU, purchase only products, services buildings and works with high energy-efficiency performance in accordance with the requirements referred to in Annex IV to this Directive, unless it is not technically feasible."*

a) Paragraph 2 should be amended as follows:

*"The obligations referred to in paragraph 1 of this Article shall not apply **to critical infrastructure or** if they undermine public security or impede the response to public health emergencies."*

b) Paragraph 5 should be amended as follows:

~~*Member States may require that contracting authorities and contracting entities, when concluding contracts as referred to in paragraph 1 of this Article, take into account, where appropriate, wider sustainability, social, environmental and circular economy aspects in procurement practices with a view to achieving the Union's decarbonisation and zero pollution objectives. Where appropriate, and in accordance with Annex IV, Member States shall require contracting authorities and contracting entities to take into account Union green public procurement criteria or available equivalent national criteria.*~~

To ensure transparency in the application of energy efficiency requirements in the procurement process, Member States shall ensure that contracting authorities and contracting entities make publicly available information on the energy efficiency impact of contracts with a value equal to or greater than

the thresholds referred to in paragraph 1 by publishing that information in the respective notices on Tenders Electronic Daily (TED), in accordance with Directives 2014/23/EU, 2014/24/EU and 2014/25/EU, and Commission Implementing Regulation (EU) 2019/1780 (40). Contracting authorities may decide to require that tenderers disclose information on the life cycle global warming potential, the use of low carbon materials and the circularity of materials used for a new building and for a building to be renovated. Contracting authorities may make that information publicly available for the contracts, in particular for new buildings having a floor area larger than 2 000 m2.

~~*Member States shall support contracting authorities and contracting entities in the uptake of energy efficiency requirements, including at regional and local level, by providing clear rules and guidelines including methodologies on the assessment of life cycle costs and environment impacts and costs, setting up competence support centres, encouraging cooperation amongst contracting authorities, including across borders, and using aggregated procurement and digital procurement where possible.*~~

c) Paragraph 7 should be deleted. Instead of complex revised procurement and budgetary regulations, subsidy programmes for hardship cases appear to be preferable.

Article 11 – Energy management systems and energy audits

Proposal for an amendment

a) Paragraph 2: The publication of action plans and implementation rates for recommendations for measures from the energy audit should be optional.
b) Paragraph 4: Should be deleted.

Justification

a) Publication and the necessary monitoring of the current status represent an excessive bureaucratic burden for companies < 10 TJ. The publication of action plans and implementation quotas should be optional for these companies and not mandatory.

b) These requirements place a heavy bureaucratic burden on companies without providing any apparent added value. Furthermore, the publication of this information could jeopardise sensitive and disclosed trade and business information.

Energy Performance of Buildings Directive (EPBD)

Article 9 – Minimum energy performance standards for non-residential buildings and trajectories for progressive renovation of the residential building stock

Proposal for an amendment

Regarding paragraph 1 subparagraph 5: Owners of non-residential buildings should be given more time to comply with the lower maximum energy performance thresholds corresponding to a specific energy efficiency class.

Justification

Due to the proposed extension of the deadline for rescaling the efficiency classes to May 29, 2029 (see proposal for Article 19), the implementation period would otherwise be too short. The reason for this is that compliance with the thresholds for individual non-residential buildings is to be verified based on certificates of overall final energy efficiency.

Article 19 – Energy performance certificates

Proposal for an amendment

a) Paragraph 2 should be amended as follows:

*„By 29 May 202~~6~~**9**, the energy performance certificate shall comply with the template in Annex V. It shall specify the energy performance class of the building, on a closed scale using only letters from A to G."*

b) Paragraph 4 should be amended as fallows:

*"Member States shall ensure that energy performance certificates are issued in accordance with Article 20(1) and by independent experts ~~on the basis of an on-site visit, which may be carried out, where appropriate,~~ by virtual means and**, if not feasible, by** ~~with~~ visual checks."*

c) Annex V – Template for energy performance certificates: As a relatively inexpensive and low-threshold instrument, the energy performance certificate should continue to provide a baseline assessment. It should therefore not contain any differentiated efficiency considerations, such as the U-values of individual components.

Justification

a) Member states are required to transpose most of the complex EU directives of the Green Deal into national law in parallel. For example, the implementation deadline for RED III is May 21, 2025, for EED October 11, 2025, and for EPBD May 29, 2026. For member states to be able to fulfil this task, they should be given more time to implement individual, particularly challenging regulatory requirements. The rescaling of efficiency classes is very time-consuming. Therefore, the implementation deadline should be postponed from May 29, 2026, to May 29, 2029.

b) The energy performance certificate should continue to serve as a comparatively inexpensive and low-threshold instrument for determining a building's energy performance. An on-site inspection of the building is labour-intensive and therefore costly. For this reason, the standard procedure for issuing energy performance certificates should be based on an assessment using virtual means. This new regulation would also contribute to the affordability of energy performance certificates, as required in the same paragraph.

c) Such a detailed approach would also contradict Article 19(1) of the EPBD, according to which Member States must ensure that energy performance certificates are affordable. Furthermore, removing additional possible criteria would make it easier to distinguish between energy performance certificates and renovation passports than is currently the case.

Common rules for the internal market for electricity and amending Directive (electricity market directive)

Article 56 paragraph 2 – Unbundling of accounts

Proposal for an amendment

"Electricity undertakings, whatever their system of ownership or legal form, shall draw up, submit to audit and publish their annual accounts in accordance with the rules of national law concerning the annual accounts of limited liability companies adopted pursuant to Directive 2013/34/EU. ***The requirements for corporate sustainability reporting shall only apply to companies within the meaning of Article 1(1) of Directive 2013/34/EU.***

Undertakings which are not legally obliged to publish their annual accounts shall keep a copy of these at the disposal of the public in their head office."

Justification

As Article 56 paragraph 2 of the electricity market directive refers to Directive 2013/34/EU, it should also only apply to undertakings within the meaning of Article 1(1) of Directive 2013/34/EU as sustainability reporting is regulated by the CSRD. Therefore, the electricity market directive and the CSRD should be streamlined.

Common rules for the internal markets for renewable gas, natural gas and hydrogen (gas market directive)

Article 75 paragraph 2 – Unbundling of accounts

Proposal for an amendment

"(2) Natural gas and hydrogen undertakings, whatever their system of ownership or legal form, shall draw up, submit to audit and publish their annual accounts in accordance with the rules of national law concerning the annual accounts of limited liability companies adopted pursuant to Directive 2013/34/EU. ***The obligations relating to corporate sustainability reporting shall only apply to undertakings within the meaning of Article 1(1) of Directive 2013/34/EU.***

Undertakings which are not legally obliged to publish their annual accounts shall keep a copy thereof at the disposal of the public at their head office."

Justification

As Article 75 paragraph 2 of the Gas Market Directive refers to Directive 2013/34/EU, it should also only apply to undertakings within the meaning of Article 1(1) of Directive 2013/34/EU as sustainability reporting is regulated by the CSRD. Therefore, the electricity market directive and the CSRD should be streamlined.

Council Regulation on the protection of species of wild fauna and flora

Proposal for an amendment

To speed up approval procedures, European species protection law should focus more on protecting populations rather than individual animals.

Justification

This could significantly simplify species protection assessments, with the result that projects necessary to achieve a climate-neutral energy supply could be implemented more quickly. In addition, EU legislators should create the possibility of a deadline-based rule in the approval process.

Council Directive restructuring the Community framework for the taxation of energy products and electricity

Table C. — Minimum levels of taxation applicable to heating fuels and electricity

Proposal for an amendment

	Business use	Non-business use
…	…	…
Electricity (in euro per MWh) CN code 2716	**0**	**0**

Justification

The boost of cross-sectoral electrification is essential for achieving the climate targets within the European Union. The complexity of electricity tax rules leads to a substantial administrative burden for national tax authorities. This causes significant bureaucracy at the national level. The option of exempting electricity from taxation would eliminate this obstacle and foster and shape the energy transition.