

Cohesion programming for energy communities – a long road ahead

Policy brief

Introduction

For the past year, REScoop.eu and CEE Bankwatch Network have been collaborating on a research project dedicated to analyzing cohesion policy programs as it relates to their support to energy communities (RECs and CECs). This report covers 8 countries that were selected based on the capabilities of the CEE Bankwatch Network, their relevance to the region, and the availability of information. This set of countries is meant to be extended in further research. The countries covered are Hungary, Poland, Czech Republic, Slovakia, Estonia, Romania, Latvia and Bulgaria.

This paper is an extract of the conclusions of this report and highlights some lessons learned from the research process.

The process of Cohesion Programming

European Structural and Investment Funds, also known as cohesion funds, represent a major opportunity for Member States to invest in projects in line with the EU's priorities. In some countries, those funds represent a significant share of public investments and can lead to implementing a sustainable path. For the 2021-27 period, cohesion policy amount to a total of EUR 392 billion and is distributed among several funds, including European Regional Development Funds (ERDF) and Cohesion Funds, for which a certain threshold of green investments is required (respectively 30% and 37%). Those funds are feeding operational programs that are managed by national authorities, and can be either thematic (e.g. for the energy transition) or regional. They can highly support the transition at local level, involving citizens on projects such as energy communities.

State of Play

The programs have been prepared by national managing authorities for several months. While they were supposed to begin their implementation at the start of the 2021-27 period, the process has been considerably delayed. The slowed-down process is mainly caused by the Recovery and Resilience Facility (RRF) preparation and implementation, which mobilized Member States' capacity for the last two years. The approval of most of the programs is due by the end of 2022. In some countries the implementation has already started, and calls for proposals are already open.

Member State	Status	Expected approval timeline
Hungary	In preparation / Submitted / Approved / Implemented	Submitted, approval expected by the end of the year or maximum beginning of 2023. However, the Partnership Agreement is not approved yet due to concerns on compliance with rule of law, preventing any programmes to be approved.
Poland	In preparation / Submitted / Approved / Implemented	Most of the Operational Programs have been already approved. The remaining one European Funds for Social Development should be approved by the end of the year. However the implementation will be blocked until Poland fulfils some enabling conditions necessary to release the funding.
Czech Republic	In preparation / Submitted / Approved / Implemented	OPs were approved in late summer 2023 and calls opened straight after.
Slovakia	In preparation / Submitted / Approved / Implemented	The OP has been submitted and the programs is expected to be approved by the European Commission by the end of 2022.
Romania	In preparation / Submitted /	Submitted to the Commission, awaiting approval, which is expected by the end of the year or maximum the beginning of 2023.

	Approved / Implemented	
Estonia	In preparation / Submitted / Approved / Implemented	Implementation should be taking place as of the publication of this report.
Latvia	In preparation / Submitted / Approved / Implemented	The OP has been submitted to Cabinet of Ministers for approval, then its final version will be submitted goes to EC, for the final approval which should be by the end of the year.
Bulgaria	In preparation / Submitted / Approved / Implemented	Submitted to the Commission, awaiting approval, which is expected by the end of the year or maximum the beginning of 2023.

Opportunities for Energy Communities

Since 2018, and the start of the transposition of the Clean Energy Package, Renewable Energy Communities and Citizen Energy Communities (RECs and CECs) have strongly grown both in numbers and nature. However, many barriers are still standing in the way of further development of those citizen-led organizations:

- Lack of transposition¹: in a majority of CEE Member States, the transposition of the definitions is not allowing for community organizations to be correctly targeted by support mechanisms
- Lack of access to capital
- Lack of appropriate financing tools
- Lack of appropriate administrative measures

¹ The Transposition Tracker developed by REScoop.eu is a tool assessing the state of the transposition with regards to the two definitions – RECs and CECs - in the 27 Member States of the EU. It includes a map, which gives a broad overview of the status of the legislative process in each country around the definitions of Citizen Energy Communities and Renewable Energy Communities, it also allows to spot discrepancies.

On top of those barriers, we have identified a high amount of corporate capture in many European countries. Corporate capture is characterized by community-led models being taken over by private actors, or monopolized by large businesses.

Those barriers can partly be overcome through the creation of dedicated support and financing programs for energy communities. This should already be the case if appropriately implemented, as the development of enabling frameworks is mandatory for RECs in the Renewable Energy Directive (RED). Member States therefore, should take the existing opportunity for cohesion programs, and deliver this type of support – and engage European citizens in the transition process as supported by the European Commission's guidelines².

Overall challenges in cohesion programs

Throughout the research process for this report, we managed to have several conversations with managing authorities and the European Commission – who highlighted their willingness to include energy communities in cohesion programs. However, it is to be noted that most of the countries we surveyed did not highlight priorities nor created the tools that will support the development of citizen-led initiatives in their countries. Specifically, there are 4 typical misconceptions in the programming around energy communities.

Misconception #1 : Not including specific objectives

Many programs did not include a specific objective dedicated to supporting energy communities. This is particularly important as some programs include energy communities as a target of the supported actions but not the beneficiaries of the support themselves. Energy communities are specific in their organizational form, but not in their activities, therefore direct support to trigger foundations is more suitable than indirect support to include energy communities in pre-existing projects. The experience from the cooperative movement shows that most energy communities will reach a point of stability after the employment of the first full time equivalent. Therefore, first projects are crucial to ensure the financial stability of the organization.

Misconception #2 : Restricting the type of participants/stakeholders

The Hungarian programs included energy communities as a key beneficiary. Unfortunately, they also prioritize the funding to energy communities to be created and managed by municipalities. This restriction of eligible actors involved in energy communities might prevent the full development of the community energy movement

² https://ec.europa.eu/regional_policy/en/policy/how/improving-investment/citizens-participation/

in the country. The goal of energy communities is to create local transition forums to foster collaboration between local actors. Therefore, it is crucial to highlight the relationship between citizens and other local actors, rather than to target public or private institutions. The challenge is to create local buy-in.

Misconception #3 : Restricting the activities scope of the support

Several programs restrict the support to energy communities to a specific activity, or even confuse energy communities (a market actor in the energy sector) with collective self-consumption (an activity in the energy sector).

It is important to clarify that energy communities (RECs and CECs) are first and foremost an organizational concept. This concept is dedicated to recognizing the role and benefits that community energy organizations are bringing to the energy system at large³.

Energy communities should be supported on the merit of their organizational model, which allows for citizens to engage in the energy transition at large. Therefore, restricting support to a single service type is often going to prevent a systemic support to be provided to citizen-led initiatives. Energy communities are particularly successful at deploying complementary services⁴ dedicated to promote a local energy transition.

Misconception #4 : Targeting the wrong projects

Some of the programs are targeting projects that are not in coherence with the maturity of the community energy movement in their country. For instance, the Latvian programs targets larger projects – considered industrial size. This would be very relevant in a Member State with mature community energy organizations – but not in a country where citizen-led initiatives are still in their infancy. Managing authorities should adapt the support of their programs to the specific national needs. For instance, programs that support capacity building organizations and bundle smaller projects to allow the community energy sector to develop in maturity and scale.

Based on this analysis, and in order to create positive programs for energy communities, we believe that Member States could provide programs for energy communities following those principles:

Recommendation #1 : Create specific programs and, when available, partner with network organizations.

³ Recital 92 of the Directive 2019/944

⁴ See the COMPILE Toolkit, H2020 COMPILE project, 2021, available at <https://www.compile-project.eu/products/coolkit/best-practice/>

Energy communities have a specific organizational form with specific objectives and value added to the system. Therefore, it is important to create programs that value and target the environmental and societal benefits brought forward by energy communities. This can be challenging for managing authorities considering the size of those organizations, and volunteer staff. Energy communities are often situated between NGOs, SMEs, and public authorities.

In order to solve this issue, we propose to work with network organizations – when they exist. The best example is the work of the Dutch government with EnergieSamen⁵. The mechanism referred as the “citizen-financing bike lane” is providing a complete solution to community energy initiatives. The Dutch government provides financing to a partnership of private banking partners and EnergieSamen – the Dutch federation of renewable energy cooperatives. This partnership allows to provide tailor-made financing solutions to community energy initiatives, and to support their development through capacity building

Recommendation #2 : Support grassroot information and organizing.

Energy communities are built by people and for people. This is a model that is often unfamiliar, and is in development in many of the Member States we analyzed. Therefore, the information and capacity building support are crucial in the first stages to help deploy successful programs targeting energy communities. This can be often done through the support to network organizations and public one-stop-shops.

A good example of this type of network support blended with financing support is Energie Partagée in France⁶. This network blends two approaches to the issue of the development of community initiatives in France. First, the network manages a fund supported by the French government, which gathers citizen equity to invest into community-led projects. The network also has regional branches which provide capacity building and technical support to initiatives and citizen collectives, looking to kick start their activities. Those regional offices support both projects that are financially supported by the network and others.

Recommendation #3 : Provide blended funding supports.

Due to the nature of their financial development, energy communities need specific financial tools and products which are often not available from traditional banking partners. The capital raising process for a community energy project for instance is often different from the typical project financing for profit. Revolving funds for instance

⁵ <https://energiesamen.nu/pagina/77/ontwikkelfonds-voor-energiecooperaties>

⁶ <https://energie-partagee.org/>

are often needed to trigger community led projects, and could be financed through ERDF funds.

The best existing example that provides this type of de-risked financing and revolving funds, is the Scottish Government's "Community and Renewable Energy Scheme" (CARES) in the UK⁷. This fund, managed by a local community energy federation, provides loans and grant financing for community energy projects. Thanks to this program and others, the Scottish region is looking to build up to 2GWh of community energy projects by 2030.

Conclusions

The development of cohesion programs has been a difficult process for all stakeholders. Often the lack of transparency and participation, made it difficult for NGOs to input into the process. However, it is still a long road ahead into the implementation of those programs – and an opportunity for managing authorities to better embed the support to community-led organizations into their cohesion policy programs.

Energy communities are a new topic for many managing authorities. And the creation of programs dedicated to their growth is a complex task. Therefore, our focus will be on collecting experiences, and creating concrete guidelines for managing authorities to produce the results necessary to face the energy crisis and support bottom-up citizen engagement.

Energy communities provide a unique opportunity to transform the European energy market, to make it more resilient, and to serve the needs of European citizens – while driving a strong transition agenda. Energy communities have been developing in many countries even before the creation of dedicated support and the acknowledgement of the European definitions. However, considering the current challenges of the energy crisis, the question ministries and managing authorities should ask themselves is: how fast should energy communities be deployed. CEE Bankwatch Network and REScoop.eu will continue to work to support managing authorities to create relevant programs that scale and accelerate the development of energy communities.

⁷ <https://energysavingtrust.org.uk/programme/community-and-renewable-energy-scheme/>