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Community Heating & Cooling: The Road to Energy Democracy

Position paper on citizen-owned renewable thermal energy

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Heating and Cooling

Heating and Cooling (H&C) is everything that is involved with generating and supplying heat or cold, and is responsible for half of the EU's energy consumption. Renewable H&C is generated by harnessing solar energy, bioenergy, geothermal energy, renewable electricity, and ambient heat. This thermal energy can be used directly, indirectly, or stored to manage energy peaks. This Position Paper's recommendations are a result of an analysis of community heating and cooling projects in Belgium, the Netherlands, Italy, and Denmark.

Community Heating and Cooling

Community H&C are thermal energy systems owned by the participating citizens, as well as any other participating members such as municipalities or SMEs.

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Introduction

The Clean Energy for all European Package (CEP) represents an unprecedented acknowledgment by the European Union (EU) that consumer empowerment and citizen participation are indispensable to our Union's energy transition. Indeed citizen ownership of energy infrastructure leads to a higher acceptance of renewables.

While the role of energy communities has been highlighted in the Renewable Energy Directive (RED), the Energy Efficiency Directive (EED), the Electricity Market Design (EMD), and the Buildings Directive (EPBD), their potential for heating and cooling has remained patchy across the EU.

Through a study of four Member States and their energy cooperatives working on citizen-owned heating and cooling projects, this Position Paper, and its accompanying "Guidelines on Community Heating and Cooling"[1], have identified good and bad practices to enable the democratisation of thermal energy.

Given that half of the EU's energy consumption is heating and cooling, and the current legislative focus on decarbonisation, we must embrace this opportunity to empower citizens to own and participate in their heating and cooling networks.

Drivers to citizen-owned H&C

Democratic ownership

Allowing citizens to own the H&C system is a unique trait of energy communities. The one-person-one-vote rule is the best way for consumers to have a say in their local thermal energy system. District heating and cooling is considered a natural monopoly, it is therefore key to allow citizen control to avoid unfair prices and supply volatility.

Not-for-profit

Contrary to many company-owned heating and cooling networks, financial incentives are not the main purpose of Community H&C. Citizens that organise themselves for district heating solutions are more focused on affordable tariffs and social benefits than profit-oriented companies. In Denmark, the level-playing field among companies and cooperatives is centered around the non-profit principle.

Transparency

The democratic governance of Community H&C systems requires transparency vis-à-vis the consumers, as they need to have a say over the price and returns of heating and cooling.

Creation of local value

Since citizens control the energy system, they have an incentive to reinvest the revenues into local initiatives, instead of transferring profits to shareholders.

1 To be published in September 2023, these guidelines include the data that supports these policy recommendations.

Community H&C in the EU

GOOD PRACTICES	CHALLENGES AND BARRIES
H&C touches upon several policy areas, including environment, contract law and urban planning, which are different in every Member State. There are nevertheless several similarities across the EU that have helped replicate citizen-owned H&C	To replicate the good practices, we must also identify the practices that discouraged citizen participation.
▪ Municipal support (e.g. admin & finance)… 	▪ No differentiation between energy communities and private industry = Lack of clarity for citizens and municipalities 
▪ Full transparency on heating prices and costs 	▪ Lack of adequate local resources = Heat monopoly controlled by private actor 
▪ Not-for-profit price setting 	▪ Lack of capital and long permitting 
▪ Strong financial framework 	
▪ Capacity building through shared knowledge and services 	

Policy Recommendations

The lack of minimum EU harmonised rules for Community heating and cooling is hampering its development across the Bloc, as energy communities face challenges such as long permitting periods, burdensome and complex access to finance, or inadequate support for starting projects. In turn, this has created an unbalanced level-playing field in which energy communities often struggle with access to information, finance, overcoming regulatory barriers, or burdensome administrative procedures. To this end, we recommend that the Commission develops transposition guidance for energy communities, including Community H&C. Such guidance could be created within the framework of the transposition and implementation guidance for RED II, and ask Member States to include district heating in their assessment of drivers and barriers for the development of renewable energy communities and their enabling framework.

The main elements that any EU and national policy should incorporate to encourage the uptake and replication of Community H&C are **funding, enabling legislation, and capacity**. More specifically, we ask the EU and its national governments to:

Policy Recommendations for Member States

- Clearly differentiate energy communities from traditional market actors, and create a level-playing field among them. This could be achieved by adding **social and environmental requirements to public tenders** for heating and cooling projects.

- Introduce or strengthen **transparency rules** for tariffs and costs towards consumers. Having better access to information about heating and cooling costs and tariffs, and possible alternatives, will dissipate citizen's doubts about the different energy choices.

- **Shorten, simplify, and ringfence permitting processes** for citizen-owned heating and cooling projects, while maintaining strong environmental standards.

- Provide municipalities with the necessary **tools to support energy communities**, including financial and administrative support, such as municipally-guaranteed loans, in line with RePowerEU. National funding programmes should put special emphasis on supporting municipalities and groups of citizens to develop local heating and cooling projects.

EU-wide Policy Recommendations

- Introduce the **not-for-profit principle** in EU legislation touching on H&C. The introduction of the not-for-profit principle for energy has been a success in Denmark, where it has ensured stable energy prices for consumers. This principle has in turn been key to ensure a level-playing field between energy communities and traditional market actors.

- Enshrine **citizen participation** in heating and cooling legislation to accelerate and democratise the energy transition. The Commission itself acknowledges that energy communities "contribute to increasing social acceptance and investments linked to local energy projects, which benefit communities both at societal and economical level[1]. We must now reflect this reality in our legal acts.

- Create a **Community Energy Expert Group** under the lead of DG ENER, with special emphasis on the work and replicability of energy communities. This expert group, open to the EU's stakeholders working on energy communities and citizen empowerment in the transition, can advise the Commission on energy democratisation topics, such as Community H&C.

- **Update the EU's 2016 "Strategy on Heating and Cooling"**, to include energy communities and reflect the new political and climate reality of our times.

- Create a **line for energy communities within the next revision of the EU budget** to carry out heating and cooling projects, and strengthen enabling conditions for **bank financing**. Encourage the use of Recovery and Resilience Funds, Cohesion & Regional Development Funds, and Modernisation Funds for community-led projects. Unlocking targeted public financing to mobilise private investment will help achieve our climate targets, while representing a fraction of the investment needed to support massive heating projects.

1 European Commission, *In Focus: Energy Communities to Transform the EU's energy system*, 2022