

Public Consultation on the EIB Energy Lending Policy

29 March 2019

REScoop.eu is the European Federation of Citizens Energy Cooperatives. It represents 1.500 citizens energy cooperatives from across Europe and over 1.000.000 people. These cooperatives account for an overall investment of EUR 2 B and an overall production capacity of 1 GW. REScoop.eu represents the interest of citizens and energy cooperatives at the EU level and fosters international collaboration between them. REScoop.eu is a sector federation of Cooperative Europe, the European branch of the International Cooperative Alliance.

[REScoop MECISE](http://REScoop.MECISE) is a European Mutual for Energy Communities Investing in a Sustainable Europe. By pooling funds from cooperatives, local authorities and even private investors, REScoop MECISE can provide financial solutions to citizens energy cooperatives from across Europe.

Below is our response to the EIB's Public consultation on its energy lending policy.

General

Q1. Do paragraphs 15-27 above provide a reasonable characterisation of the longterm energy transformation? Are there additional dimensions that the Bank should consider when reviewing its Energy Lending Policy?

The (European Investment Bank (EIB) rightly acknowledges that citizens and communities will take on an increasingly important role in the energy transition as active market participants. According to a 2015 CE Delft Study, almost half of EU households could produce renewable energy by 2050, about 37% of which could come through involvement in a citizens energy cooperative. The study concludes that when demand response, energy storage and energy efficiency are included, 83% of Europe's citizens could participate in the energy sector by 2050.¹

Citizen participation in the energy transition represents significant potential investment. The new Clean Energy Package (CEP), and its resulting EU legal framework to support 'citizens' and 'renewable' energy communities, as well as renewables self-consumption, should contribute towards meeting this potential.

The existing EIB lending policy will need to be amended to fit the new context of the CEP, including its intent to ensure citizens can participate both individually and collectively through energy communities across the energy market. The CEP explicitly acknowledges the unique characteristics of energy communities, citing them as providing added value in terms of different environmental, economic and social benefits, as well as challenges in operating in the market.

Citizens and communities face unique challenges in investing in renewables, energy efficiency and other clean energy technologies, compared to larger commercial enterprises. In order to promote a democratic energy system, the EIB will need to ensure that its lending policy guidelines acknowledge these differences, and should help smaller and non-traditional market actors to access EU funds on a level playing field with other traditional market actors.

¹ CE Delft (2015). *The Potential of Energy Citizens in the European Union*.
https://www.cedelft.eu/publicatie/the_potential_of_energy_citizens_in_the_european_union/1845.

Furthermore, many citizens are currently not able to benefit from participation in the energy market because they are vulnerable, energy poor, or rent their dwelling. The EIB will need to ensure that its lending policy guidelines promote social fairness and solidarity between EU citizens and communities, so that all citizens are empowered and that no one is left behind.

Q2. As set out in Box 1, the Bank believes it has a robust framework to ensure that energy projects being financed are compatible with long-term climate targets. Do you agree? Are there areas where the Bank can improve?

The Bank has improved its lending framework to support local investments in renewables and energy efficiency since the last time it revised its lending policy. Nevertheless, the EIB still has a long way to go in order to ensure its activities are consistent with Europe's long-term climate objectives.

As citizens will be essential to a successful clean energy transition, the EIB will need to improve access to citizen and community-led projects. Furthermore, the EIB needs to quickly phase out its funding of fossil fuel and nuclear projects. The market has failed to ensure energy companies and industry move away from fossil fuels. For its part, however, the EIB must send a strong political signal that European money will no longer go towards these types of projects.

Q3. Within the broad areas of renewables, energy efficiency and energy grids, are there particular areas where you feel the Bank could have higher impact?

Yes. As we will explain below, the EIB could facilitate better access by citizens and communities to funds in the areas of renewables, energy efficiency and energy grids.

Q4. How can EIB reinforce its impact towards ensuring affordability, addressing social and regional disparities and support a just energy transformation?

The EIB must ensure that its lending policy helps address the disparity in investment power by certain groups of citizens, particularly those that are vulnerable, experiencing energy poverty, or are unable to invest in certain renewables and energy efficiency technologies because they do not own their own dwelling. The EIB should also prioritise investing in rural areas, where the potential for investments in local renewables generation and energy efficiency projects has the potential to contribute towards development, rejuvenation, and economic resiliency.

Theme 1: Energy Efficiency First

Q5. In the case of new buildings, do you have an opinion on the proposed approach to support only buildings that go beyond the mandatory nZEB standard after 2021? What level of ambition should the Bank focus upon, inside and outside the EU?

N/A.

Q6. The Bank has developed a number of financial and technical assistance products to help promote energy efficiency in private and public buildings. Have you had any experience with these

products? If so, do you have a comment or opinion as to how they can be further developed or improved?

We have experience with Project Development Assistance. Specifically, we have just concluded participation in a four-year Horizon 2020 project: REScoop MECISE. In this project, six renewable energy cooperatives from different Member States attempted to link renewables and energy efficiency investments.

Through our experience, we concluded that a three or four year window for Project Development Assistance projects is far too short for small and medium enterprises (SMEs), including citizens energy communities. Developing renewable energy projects still takes a lot of time, and it is only after completing such projects that SMEs, including citizens energy communities, can consider investing in energy efficiency projects and other challenges. In order to address this issue, it would be sensible to extend the time needed to come up with unconditionally binding contracts in Project Development Assistance projects, such as European Local Energy Assistance – ELENA.

In the ELENA program, only building related projects are eligible. We would recommend that for renewable energy communities, wind turbines and solar parks also be allowed when the electricity generated is supplied to the members of the community. This would bring more renewable electricity to citizens who can't afford PV on their roofs, don't have a suitable roof, or who rent a roof. For instance, 75% of the cooperative members of the Belgian renewable energy cooperative, Ecopower, only have one share of EUR 250. Yet, their cooperative supplies them with green electricity from their own installations at the lowest price on the Flemish market.

Q7. Do you have lessons learned to share in order to improve the financing of energy efficiency in SMEs? Is technical assistance an important dimension? If so, do you have any views as to which type of technical assistance that is the most effective to provide?

The existing lending policy of the EIB is still too tailored to the needs of big utilities and big projects. Moving forward, the EIB should develop instruments that are more tailored to the needs of SMEs, including citizens and renewable energy communities.

We can share some lessons learned from our own experiences with the EIB. In particular, we have found that the threshold of EUR 30M for ELENA or EUR 25M for soft loans from the EIB is often too high for SMEs, in particular citizens energy communities. The latter typically invest in and undertake smaller and less profitable projects.

Energy communities and local authorities (including cities and municipalities) need more support from the EIB to aggregate small-scale projects to reach the requested size. A simplified administrative procedure and hands-on support from the EIB for citizens and renewable energy communities, based on a better understanding of our concept and business model, is needed.

Another option could be to create dedicated funding structures for renewables, energy efficiency, and smart grid projects undertaken by citizens and renewable energy communities. Similar to the Islands Facility and the City Facility, the Bank and the EU Commission should launch a 'Citizens Facility' to fully unlock the potential of community energy and get more people involved in the energy transition.

Theme 2: Decarbonising Power and heat

Q8. Declining costs and competitive auctions are transforming a number of renewable markets (e.g. onshore wind, utility-scale PV). How can the Bank best support these relatively mature technologies? In the context of increasing market integration, is there a need for financial instruments to help attract longterm private finance?

While renewable energy technologies such as onshore wind and ground-mounted PV may be more mature, this cannot be generally assumed across the EU. Depending on a number of factors, including the development of the market for renewables, liberalisation, and the level of administrative and procedural barriers, the cost of borrowing can vary significantly across Member States. For instance, financing a wind park in Germany is not the same as financing a similar wind park in Greece. In many Member States, therefore, stable access to investment support and operational support schemes such as fixed feed-in tariffs and premiums will be necessary.

It is also important not to overlook the challenges that renewable energy communities face in realising such projects. It is well known that auctions/tenders pose significant barriers to participation from smaller players.² However, RECs experience significant difficulties raising finance for projects and participating in tenders due to other unique characteristics, not just size. For instance, due to their local nature, they rely largely on finance from local members, who are mostly households and small businesses. They also lack decision-making efficiency due to their democratic decision-making structures. In addition, their reliance on volunteers or part-time staff prevents them from operating as efficiently as other project developers. Furthermore, young RECs are unable to spread higher risk across multiple projects, because they have a very small or non-existent portfolio of projects to hedge risk against. Lastly, many citizens are unable or unwilling to take on the risk of financing sunk costs for feasibility studies, permits and other administrative procedures without certainty of success, or to meet high participation criteria.

The EIB needs to ensure that citizens can access appropriate investment support (e.g. special loans and guarantees) to invest in renewables projects including onshore wind and PV, and even offshore wind. This will help ensure a level playing field for citizens and their communities that want to develop and own local renewable energy projects to support development priorities. In addition, as was already mentioned, the Bank and the EU Commission should consider launching a 'Citizens Facility' to fully unlock the potential of community energy, including a specific focus on assisting the development and investment of renewable energy community projects.

Q9. Does the EPS for power generation remain an appropriate safeguard? Do you agree that adjustment should be made to support flexibility and adequacy? In light of recent developments in renewables, the Paris Agreement and the Sustainable Development Goals, would an exemption to the EPS for power plants in least developed countries continue to be justified?

N/A.

² Ecofys (2013). *Design features of support schemes for renewable electricity, Task 2 report* within the European Project "Cooperation between EU MS under the Renewable Energy Directive and interaction with support schemes"; IRENA (2015). "Renewable Energy Auctions: A Guide to Design"; and AURES (2016). "Recommendations on the role of auctions in a new renewable energy directive".

Theme 3: New energy technologies and business models

Q10. Are there ways in which the Bank could provide more targeted support to distributed resources (demand response, small-scale generation and storage projects)? Are new business models or technologies emerging in this context, with specific financing needs? Is the Bank's portfolio of financial products and instruments adequate to support this technological transition?

Currently, the EIB's lending policy takes a very centralised approach. However, the energy system is trending towards smaller, local, decentralised technologies and market actors. The EIB will need to reframe its approach accordingly to ensure that these new technologies and business models receive appropriate support as their markets continue to develop.

Citizens and renewable energy communities represent a very distinct category of business actors in this regard. Energy communities, in particular renewable energy communities, represent a different type of market actor compared to traditional commercial undertakings. Together, the unique characteristics of energy communities place them, and those that organise as cooperatives in particular,³ in a legally and situationally different position.

First, the aims of energy communities are different from traditional commercial enterprises. This is reflected in the use of social or cooperative-oriented ownership models, instead of the pursuit of profits. Relatedly, the participants in an energy community are often required to accept a lower level of return on investment. This alternative purpose allows the community to focus on developing additional local renewables projects or providing its members with services. It also allows energy communities to focus on delivering socio-economic benefits to the local community, for example fight energy poverty, creating solidarity schemes to help members that are vulnerable, fund education initiatives on energy, or invest in/renovate local infrastructure, such as public buildings.

Second, energy communities operate internal ownership and governance structures based on voluntary, open and democratic decision-making based on the one-person-one-vote principle. Cooperatives in particular integrate a set of seven *International Cooperative Alliance Principles*.⁴ This model is advantageous in that it promotes benefits that energy communities provide. At the same time, however, this particular governance model presents challenges for energy communities in terms of decision-making efficiency, and obtaining finance for their activities.

Third, energy communities are often organised at local level through the dedicated commitment of individuals, which may or may not have expertise in the energy field. Because of their start-up nature, they often rely on limited paid staff or volunteers. Therefore, energy communities often experience difficulties navigating complex administrative procedures and engaging with distribution system operators and regulators.

As the above suggest, energy communities face distinct financing needs and challenges. In particular, they require significant investment support in order to undertake many of the preliminary steps towards realising a particular project.

As we have already highlighted, the EIB's lending policy needs to be further tailored towards these needs. A dedicated 'Citizens Facility' would be appropriate to ensure community projects can have access to financing on a level playing field with other larger, well-resourced market actors.

³ See Court of Justice of the EU (CJEU). Joined Cases C-78/08 to C-80/08, *Paint Graphos Soc. coop. arl* [2011] C 311/06.

⁴ International Cooperative Alliance. *Cooperative identity, values and principles*. Available at: <https://www.ica.coop/en/cooperatives/cooperative-identity>.

Q11. The Bank has developed a number of products – both financial and advisory - targeted to supporting innovative energy projects. Do you have a view on these instruments? Can the Bank improve or better target the financing needs of the energy demonstration sector?

We do not currently have any experience with the products on offer from the EIB to support innovation. Nevertheless, we participate in a number of Horizon 2020 research and innovation projects. Based on our experience with such projects, we conclude that it is not very easy for SMEs, in particular citizens energy communities, to apply for such projects. In almost all cases, citizens energy communities will participate as a smaller partner (e.g. as a pilot site) in a research and development project. It is also often difficult for citizens energy communities to fully benefit from the technologies that are developed through their participation in such projects.

Given the necessity of uptake by citizens and importance of public acceptance for new innovations, communities need to be involved in research and development projects. The EIB's lending policy could play a strong supportive role in this regard. First, the EIB could require, or at least prioritise, innovation projects to include measurable community participation in the project. Moreover, R&D projects funded by the EIB could be required to ensure that citizens energy communities participating in the project are able to benefit from their participation, for instance through the ability to exploit the results of the project. The EIB could also provide assistance (including but not limited to the creation of a dedicated Citizens Facility) to communities that want to apply to participate in such projects.

Q12. Some renewable technologies or applications remain relatively expensive. Should the Bank continue to finance such projects, even in the absence of an innovative component?

N/A.

Theme 4: Securing the infrastructure needed during the transformation

Q13. In light of the long-term nature of the network development plans, which type of projects should the Bank focus upon? In addition to PCIs, should the Bank prioritise newer investment types, for instance in digital technologies?

Projects of Common Interest (PCIs) have placed a significant investment into centralised, transmission infrastructure projects. However, the energy system is quickly becoming more decentralised. Therefore, PCIs, as well as EIB funds for power networks, should further prioritise distribution infrastructure and technologies that will be necessary in order to integrate renewables safely and flexibly.

Citizens energy communities will play an increasingly significant role in not only generating renewable energy, but also managing demand and providing flexibility and other services to both distribution and transmission system networks. Therefore, in line with the above, the EIB must prioritise projects at the distribution level that involve SMEs, including citizens energy communities.

Q14. What is your view on the investment needed in gas infrastructure to meet Europe's long-term climate and energy policy goals, while completing the internal energy market and ensuring security of supply? What approach could strike the right balance to prevent the economic risk of stranded assets?

The EIB must end its support of fossil fuels, including large centralized infrastructure projects that continue the EU's reliance on gas and other hydrocarbons.

Q15. Should the Bank refrain from supporting hydrocarbon production, in addition to exploration? If so, should gas be treated the same as oil? Within and outside the EU?

If we are going to have any chance of avoiding the worst effects of climate change, we need to stop exploration, extraction and use of fossil fuels. The market is currently incapable of ending these activities immediately. However, the EU and the EIB have a duty to all European citizens to stop funding fossil fuels and nuclear energy. This should be applied to all fossil fuels equally and regardless of whether projects are sited in or outside the EU.