Leveraging European Public Funds to Support Energy Communities

Policy Briefing

Introduction

The present briefing builds on the ongoing collaborative work between REScoop.eu, CEE Bankwatch Network and Climate Action Network, mapping to what extent 3 major types of EU Funds (Recovery and Resilience Fund, Cohesion & Regional Development Funds, Modernisation Fund), are being used by Member States to support energy communities. We took a broad approach to energy communities considering both European definitions: Citizen Energy Community (CEC) and Renewable Energy Community (REC)[1].

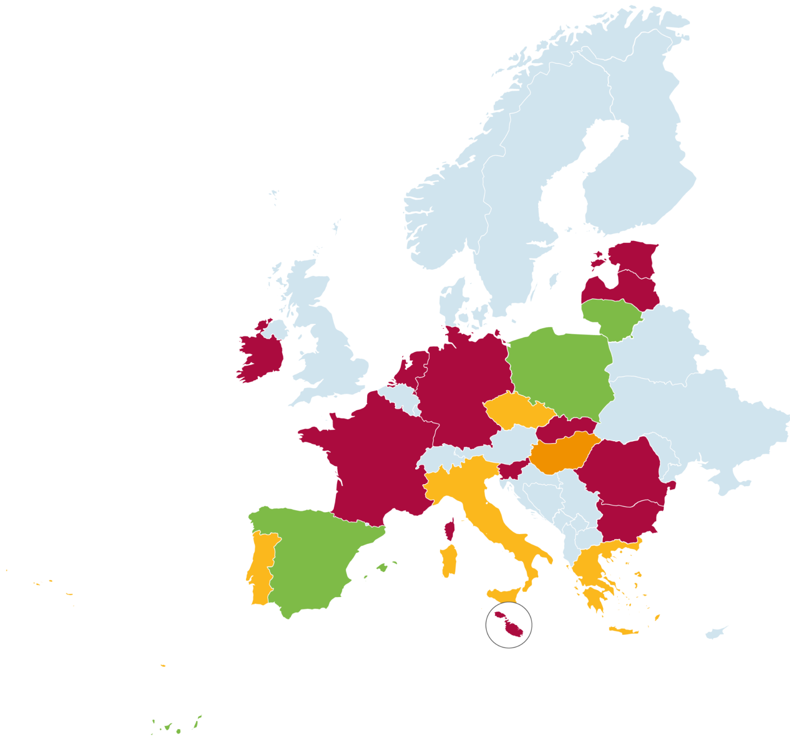
Governments across the EU are encouraged to leverage public funds to support energy communities, and thus to accelerate the energy transition, promote citizen inclusion, and garner acceptance towards renewables. This briefing is directly linked to our Public Financing Tracker: an online tool that can be used for advocacy purposes by campaigners, and as a clear communication roadmap for policymakers.

The EU provisions for renewable energy communities (RECs) specify that Member States shall provide an enabling framework to promote and facilitate the development of RECs, which should include tools to facilitate access to finance, among others. The Public Financing Tracker rates the progress of 19 EU Member States[2] in supporting energy communities by leveraging EU public funds. For more information on the elements that a complete enabling framework should include, you can visit the transposition tracker, which collates all relevant information on existing enabling frameworks and support schemes. As a broader trend, countries that have hitherto not created dedicated legislation and/or enabling frameworks for energy communities, also do not utilize public EU funds to support them (e.g., Bulgaria and Romania). There are also cases such as Germany, Ireland and the Netherlands, where due to the existence of robust enabling frameworks, EU funds are not used to support energy communities.

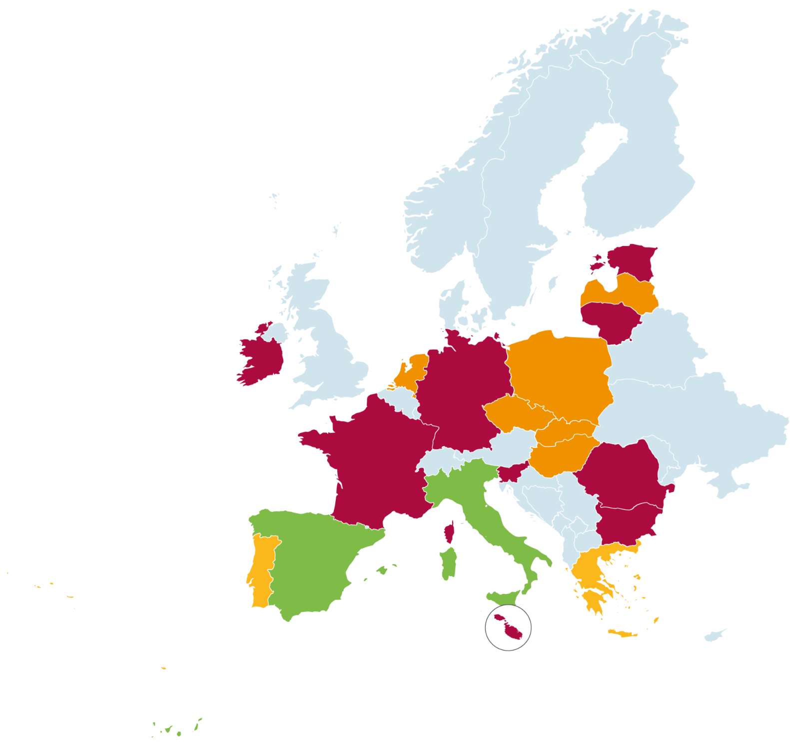
The three color coded maps can be found below:

[1] https://energy.ec.europa.eu/topics/markets-and-consumers/energy-communities_en
[2] At the time of writing this briefing, 19 Member States are analyzed. However, as this research advances, all EU27 will be included in the financing tracker.

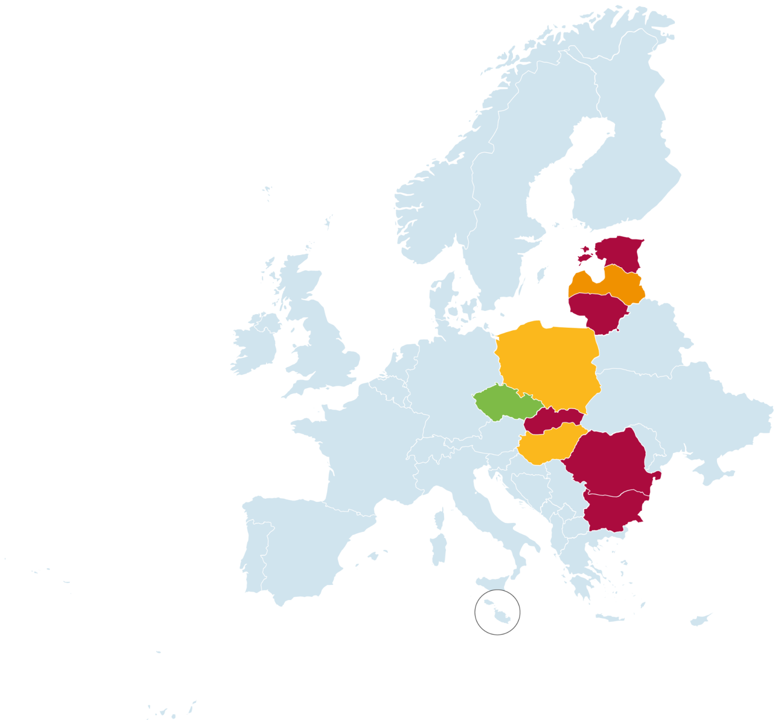
Recovery and Resilience Fund



Cohesion & Regional Development Funds



Modernisation Fund



Analytical Framework

Understanding the four colors

The map has been color coded based on four tiers:

- First, a number of member states simply ignored energy communities. There were no mentions of energy communities or related concepts in the targeted operational programs. We marked those countries in red.

- Second, some member states mentioned energy communities in their programs but in a very limited capacity. Either energy communities were only included as a target amongst many others, or the scope of actors and activities was limited. We marked those countries in orange.

- Third, member states added energy communities to their programs. Energy communities were specifically targeted which allows us to hope for specific programs to be built tailored to their needs. However, energy communities were often then limited to a specific type of actor or a specific activity (e.g., energy communities consisting only of Municipalities, or businesses). This is not in line with the European definitions of Renewable and Citizen energy communities, and will thus not produce the expected impact. We marked those countries in yellow.

- Fourth, the member states included energy communities in their programs, with specific programs targeting their needs, and with a full scope of activities and actors included. These fulfill the objectives and requirements of EU funding guidelines. We marked those countries in green.

The overall color given to a certain fund, for a certain country, was tabulated based on 13 sub-criteria touching on various topics such as broader program design, transparency, and alignment with transposition. The color is an overall assessment taking into consideration the national and regional programs.

Decoding the 13 sub-criteria

General questions – allocation, definition, transposition

1) Do the programmes mention energy communities as separate targets? If so, is there a specific allocation foreseen?

We observe that in several countries, funding programmes do not mention energy communities at all (e.g., Bulgaria, Estonia), whereas in other countries there are many cases where energy communities are mentioned, albeit clustered under broader umbrella targets (like generally promoting renewable energy). Due to their special characteristics (open, voluntary, not primarily for profit), **energy communities should be targeted as separate targets**, with a **specific quantitative target** for their growth, and a **specific budget allocation**.

2) Is the definition of energy communities respected? a. Open and voluntary participation for all categories of entities b. Effective control by citizens, local authorities and smaller businesses c. The purpose of generating social and environmental benefit

As many countries still have not finalized the transposition of European definitions for Renewable Energy Communities and Citizen Energy Communities, there is a severe possibility of misallocation of funds and corporate capture[3] (e.g., in Hungary and Greece). **Public finance should only be targeted towards RECs (and CECs) that are citizen-led, community-owned, open and voluntary, and whose main purpose is to deliver social and environmental benefits**, not profit - as per existing legislation. Under the Czech Modernisation Fund, benefiting community projects must also meet the conditions and requirements arising from Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, namely the requirements under Art. 22.

3) Is investment dedicated towards energy communities proportional to total funds dedicated to renewable energy? Is it proportional to the size of the national EC movement?

We observe that in most countries, only a small share of the total public funds available is dedicated to energy communities. Characteristically, the Polish Recovery and Resilience Fund earmarks 97 million euros for energy communities, a mere 0,4% of the total grant component, to support only 10 energy communities and clusters across the country. If adequately supported and have their investments de-risked through public finances, **energy communities can unlock billions in further private capital[4]** towards the energy transition at the EU level.

---

[3] Corporate capture refers to RECs and CECs which are established under the complete control of a specific market actor and for the benefit of that actor. Those organizations are often misleading consumers - using the concepts and models of energy communities for sole financial profit. More information on the pitfalls of corporate capture can be found on the COMPILE financing guide under the REScoop versus FINcoop debate.

[4] https://www.sciencedirect.com/science/article/abs/pii/S1364032120305888

4) Are there different financing tools available that fit different situations (grants, loans, guarantees, blended finance)

In most of the analyzed countries the prevalent form of financing support is grants. Start-up grants are essential for covering the upfront costs (legal, technical, administrative) for new energy communities (e.g, a small PV park in Slovakia). However, additional financing tools, like guarantees, or loans, can ensure that different types of (mostly larger) community projects can develop (e.g., a district heating network in the Netherlands). **Managing Authorities should consult with local community energy groups to tailor available financing instruments to their needs**.

Link to a wider scope of activities and objectives

5) Do the foreseen schemes mention a link between energy communities, building renovation and energy efficiency? Do they recognise the potential of citizen-led renovation?

The community energy movement has been steadily maturing over the past years, embarking on projects beyond just production & self-consumption. As envisioned in the EU Directives, energy communities across Europe are promoting innovative business models such as demand-response, storage, electric mobility, community-led renovations and heating & cooling, and most recently even in offshore wind concessions (e.g., Belgium). **Managing Authorities should acknowledge this innovative potential of energy communities to participate as actors across the whole spectrum of the energy system**. In Italy, some tenders pertaining to the European Regional Development Fund, award extra points to community energy projects that include an angle of technological innovation (e.g., coupling energy production with storage). Similarly, a Czech scheme supported by the Modernisation Fund specifically targets community energy groups that engage in intelligent energy optimization and efficiency at the building level. Energy communities tend to scale vertically rather than horizontally[5]. Which means that the development of a wide activity range is a great way to promote the development of a mature community energy movement at national and regional level.

6) Are energy communities recognised under multiple objectives (I.e., GHG reduction, energy savings, technological innovation, tackling energy poverty)?

Energy communities are an organizational concept that goes further beyond single activities (e.g., energy production). Energy communities can tackle energy poverty, as a European-wide study recently showed[6]. Similarly, due to access to professional advice & relevant equipment, energy community members reduce their energy consumption by up to 10%[7]. **Managing Authorities should recognise this multifaceted nature of energy communities, when designing support schemes.**

Transparency and inclusiveness

7) Is there a holistic strategy to provide financing across different levels of project development (i.e., facilitating grid access, one stop shops, awareness raising & capacity building, pilot financing, administrative, business model and legal advice).

To ensure that an energy community develops its project successfully, it should receive support across all stages of project development - from conception to implementation. Beyond CAPEX costs, certain countries are funding educational & awareness raising activities (e.g., Latvia - Cohesion Funding), One-Stop-Shops for legal & technical advice (e.g., Spain - Recovery and Resilience Fund), and upgrades to the grid to facilitate the connection of community energy projects (e.g., Czech Republic & Lithuania - Cohesion Funding). **Managing Authorities**

[5] D. Petrovics, M. Giezen, D. Huitema, Towards a deeper understanding of up-scaling in socio-technical transitions: The case of energy communities, Energy Research & Social Science, Volume 94, 2022, 102860, ISSN 2214-6296,

[6] https://www.energysolidarity.eu/renewable-energy-communities-alleviate-poverty/
[7] https://www.rescoop.eu/uploads/rescoop/downloads/REScoop-Best-Practices-Report-2.pdf

should work closely with national networks of energy communities, to identify all stages of project development that could warrant financial support.

8) Is the design and communication of the schemes/measures transparent? Is there an opportunity to provide feedback and suggest improvements that will be taken into account?

Previous analyses of the Cohesion & Modernisation funds led by CEE Bankwatch[8] have shown a consistent lack of transparency and inclusion in the design and implementation of public funding programs. Often, public consultations are held but without any concrete follow-ups or accountability mechanisms towards involved parties (e.g., Hungary). In other cases, there is a lack of transparency or opportunities for public participation (e.g., Greece - Recovery and Resilience Fund). **Managing Authorities should provide concrete pathways of participation for civil society in the managing and operation of public EU funds.**

9) Are the selection criteria satisfactory? Do they prioritize various social components (number of physical persons, energy poor households, technological innovation, inclusion and accessibility, territorial development)?

To maximize social and environmental impact, preferential support should be given to energy communities fulfilling certain social criteria (like a minimum number of citizen participation, the inclusion of people suffering from energy poverty and disadvantaged households, and/or self-consumption and other not-for-profit projects that benefit the local community). Only a handful of energy communities schemes deriving from EU funds have been open and selection criteria are rarely ready, but managing authorities should strive to prepare them taking into account the specific needs of energy community

[8] https://bankwatch.org/publication/the-modernisation-fund-in-central-and-eastern-europe and https://bankwatch.org/blog/public-participation-at-stake-in-participatory-processes-in-the-eu

projects, and get inspired from existing cases. Although they vary considerably, Italian Regional Development Funds are pioneering this streamlining of social criteria in tenders for energy communities. To qualify for support, energy communities must include energy vulnerable households (Sicilia Region), or implement projects in rural and disadvantaged areas (Lazio Region).

10) Is the process of creating the tenders decentralized? Are regions and municipalities given flexibility to design their own tenders?

National authorities should decentralize and delegate the financing process, with the active involvement of local and regional authorities. Citizens should be able to keep track of emerging national financing opportunities, and hold national authorities accountable for the timely and transparent disbursement of relevant funds. To create more transparency, national authorities should keep a public repository of funding opportunities, empowering local and regional authorities to carry out the actual disbursement.

11) Are there relevant procedures in place (e.g., capacity building workshops/ working with network and intermediary organizations) to facilitate the participation of energy communities in the open calls?

Taking advantage of public financing opportunities might be a daunting task for new and small energy communities, consisting of citizen-volunteers. Partnering with community energy organizations can work extremely effectively as a tool to raise awareness about potential funding opportunities and help such groups navigate the application process[9]. **Managing Authorities should work in partnership with existing community energy organizations and other relevant stakeholders (e.g., Municipalities, Universities, NGOs) to coach (new) energy communities on how to access existing EU public funds.**

[9] The Development Fund co-managed by the energy cooperative network organization Energie Samen, has been very successful in ensuring that (new) energy communities acquire the necessary capacity to access national funds.
https://energiesamen.nu/pagina/77/ontwikkelfonds-voor-energiecooperaties

12) Are the funding programs stable and predictable through time (so that ECs have time to learn, prepare for it, and apply through processes of social learning)?

Public financing programs should be transparent and stable, without excessive amendments. Funding cycles should be clearly communicated in advance. This allows energy community organizations to better prepare for the funding programs. Crucially, **energy communities require a predictable policy environment to carefully structure their business and financing plans**.

13) Leveraging the REPowerEU chapters to strengthen (financial) support provided towards energy communities.

The REPowerEU chapters that Member States are adding to their Recovery and Resilience Plans presents another important opportunity to democratize the energy transition. As per the Commission's updated guidelines in February 2023[10], Member States are encouraged to design concrete support schemes for energy communities as a vehicle to tackle energy poverty. Since they are primarily community driven, many energy communities have developed poverty alleviation programmes, using profits from renewables projects to support vulnerable households. Poland is a case in point of using the REPowerEU chapters to further support energy communities: the Chapter (*still in the drafting phase at the time of writing*) foresees a doubling in funds allocated to energy communities (additional EUR 91.5 million) and the number of energy communities and clusters supported in the investment part is increased from 10 to 60.

General Policy Recommendations

- **DG REGIO** should collate **best practice examples of selection criteria in public financing programs**. This work should culminate in a best practice guide that should instruct the work of Managing Authorities in changing

[10]https://commission.europa.eu/publications/guidance-recovery-and-resilience-plans-%20context-repowereu_en

eligibility criteria within existing budget lines. The European Commission will play a pivotal role to support managing authorities in the development and implementation of project calls.

- DG REGIO should support Managing Authorities and dedicated support networks to understand and manage reporting rules for community actors, emphasizing the capacity of managing authorities to disburse EU funds with confidence to smaller and community-led actors.

- The Commission (DG REGIO) should encourage a smooth implementation of OPs so that they can benefit energy communities. Similarly, it should use the upcoming cohesion policy mid term review to (re)define energy communities as a programming priority area of funding. **National Monitoring Committees** should include civil society representatives, to ensure that funding is inclusively and transparently spent, and that it actually reaches its intended beneficiaries, i.e. energy communities, as defined in the Electricity Market Design (EMD) and REDII Directives.

- In line with the above point, **national Managing Authorities and national Governments** can take several steps to either increase the finance of energy communities or scale up and improve existing programmes. First, they can harness the opportunity of the upcoming cohesion policy mid-term review to amend their existing programmes to increase the financing for energy communities. This can notably be done via means of transfers between existing budget lines, to energy communities. Most notably, any public financing currently envisioned to support fossil fuel projects (as is for example the case in Cohesion & Modernisation funding in Bulgaria, Romania, Czech Republic amongst others[11]) should be redirected to energy communities. Second, those Member States that are not harnessing EU funds for financing energy communities can introduce their eligibility in existing budget lines for energy efficiency investments and prosumer related investments (as is already the case in several Member States), with minimal adjustment needs. Energy communities with strong social impact, and those providing grid stabilizing and

[11] https://bankwatch.org/publication/the-modernisation-fund-in-central-and-eastern-europe

flexibility services (e.g., demand response & storage) could be prioritized.

- The **European Investment Bank** should further channel concessional finance to regional development agencies & national development banks to develop relevant financing programs. These programs should be co-developed with the input of community energy networks - a type of public-private partnership that has worked well in France[12] and the Netherlands.

- Beyond funds from cohesion policy, RRF and Modernisation Fund, **National Governments** can equally set up financial schemes for energy communities using domestic finance (as is the case in Ireland, the Netherlands, and Germany, among others) or other EU financial instruments such as the European Investment Bank.

- The legal framework for RECs created by the Clean Energy Package intended to remedy market failures and create favorable policy and legal environments so that RECs can grow at the national level. With its Climate, Energy and Environmental Aid Guidelines (CEEAG), the European Commission (Commission) has acknowledged RECs as unique market actors and has introduced specific provisions, including exemptions from tendering procedures, in order to allow them to access renewables support schemes. In order to be in line with the current CEEAG and the RED II provisions, **Member States need to set up national support schemes with specific references to RECs** and ensure that they establish a good rationale (necessity) for any proposed REC measures[13].

[12] https://energie-partagee.org/decouvrir/le-mouvement/energie-partagee-investissement/
[13] https://www.rescoop.eu/toolbox/how-can-the-state-aid-guidelines-help-energy-communities-address-the-energy-crisis

Moving Forward

The present briefing, part of an ongoing and evolving research process, provides a snapshot of the state of play around the use of Recovery and Resilience, Cohesion Policy, and Modernisation Funds from 19 EU Member States. The Multiannual Financial Framework 2021-2027 creates an unprecedented opportunity to leverage available EU public finances to expedite the energy transition. To ensure that this transition is inclusive, just, and achieves social buy-in, Managing Authorities should work closely with national community energy stakeholders, and develop financing programs that fit their particular needs and contexts. Recent analysis has shown that for EU funded projects to be effective, both climate and social goals should be considered, and there must be a strong involvement of the local community[14]. The European Commission (including but not limited to DG REGIO) should ensure that there is broad participation by civil society in how these programs are managed, using the 2024 Multiannual Financial Framework review as a 'social-participation-assessment' stopgap. Public EU funds should at no point support fossil fuels (e.g., the Modernization Fund and the REPowerEU chapters of the RRF), as further investment in the sector is not compatible with the EU's or global climate targets[15], and is likely to keep consumer prices up . Instead, energy communities should be supported to deliver deep social and ecological benefits, including tackling energy poverty, delivering energy savings, housing renovations, and local energy sufficiency.

[14] https://www.ceeweb.org/ducuments/publications/EUKI_CSO_position_paper.pdf
[15] https://www.iea.org/reports/net-zero-by-2050