

The German onshore wind tenders, community energy & lessons for the clean energy package

In Germany, an experiment is under way to move towards tenders for new renewable energy capacity while also trying to maintain citizen participation, which has been a major driver of the energy transition in Germany. With two rounds of tenders now complete, there are a number of lessons to take away. At the EU level in particular, we have the opportunity to learn from Germany's experience to ensure that the clean energy package results in a safe space for REScoops across Europe to participate alongside larger players in order to realise the energy transition. The questions and answers below aim to provide the citizen's perspective.

1. What 'happened' in DE's first two onshore wind tenders?

To make sure that citizen energy projects were not crowded out by Germany's move to a tendering system for new renewables, the 2017 Renewable Energy Act (EEG) created a set of criteria and special rules for 'citizens energy companies'. In the first round, using these rules, 93% of successful bidders were 'citizens energy companies'. In the second round, 90% of the successful bidders were 'citizens energy companies'. Among the winning bidders in the first round, 20% of the bidding volume can be assigned to one medium-sized project developer that obviously organized the founding of different 'citizens energy companies' by its own management. In the second round, one professional planner supported different 'citizens energy companies', which together made up 65% of the winning bids.

2. Why do REScoops need special considerations when designing tender schemes?

REScoops are small, democratically owned and governed businesses that operate based on the seven International Cooperative Alliance Principles. REScoops see that the energy transition has more to offer than profits – it can and should contribute to local social, economic and environmental community needs. Auctions and tenders pose significant barriers to participation from smaller actors, including REScoops in renewable energy development. Most REScoops will only ever attempt – at most – a hand full of projects, therefore preventing them from being able to spread risk across multiple projects. Furthermore, because of their particular ownership and governance models, REScoops experience difficulty to raise enough capital to meet high transaction costs, or to meet strict tender qualification criteria.

3. What is our first impression of DE's onshore wind tender results?

We are concerned that due to the broad net cast by the criteria for community energy projects under the 2017 EEG, some project developers and companies have been allowed to take advantage of rules that were intended to ensure citizen-owned and controlled projects were not pushed out of the market due to the move to tenders.

4. What is the key thing to keep in mind when interpreting the results of the tender?

The real issue is the overall scope of projects that fit the definition of citizen energy societies created by the 2017 EEG. The controversy should not be about energy cooperatives per se. Commentators and critics talk a lot about 'energy cooperatives' in this whole story. However, it is important to point out that under the scheme created by the EEG, an energy cooperative (or '*Genossenschaften*', which is the name of the legal form for cooperatives in Germany) is just one way you can create a citizen energy project. In fact, under the 2017 EEG a 'citizens energy company' can take any legal form of a company as long as it meets certain criteria.

5. How did REScoops actually perform in DE's onshore wind tender?

While citizen energy projects as defined by the 2017 EEG did well, *Genossenschaften* have barely fit into the whole story. A lengthy ongoing analysis is currently under way to understand all of the entities involved in all of the successful tenders, but it requires an assessment of each project, one-by-one. However, from the data that we have been provided by our German Member, DGRV, **only 1 single energy cooperative (legally speaking) was directly successful in the first tender.** All the other '93 percent winners' were the so-called 'citizen energy companies' that fit the definition provided by the EEG. **No single cooperative won directly in the second German wind energy tender.** Although we know of 2-3 cooperatives in each tender that won a bid by working with separate established companies.

6. What are REScoop.EU's concerns regarding the tender results?

Even if all the criteria was followed, it is doubtful if all projects that have a community energy label are really being driven from the ground up by the local community (i.e. the citizens that live there). The added value of a REScoop is that it empowers local citizens to co-develop, own, control, and have equal say over the project, and that the aim is to provide community benefits as opposed to profits. Without these key elements a renewables project cannot be considered a REScoop, and indeed without this many projects in Germany may face public resistance. Many are worried that the tender results could lead to a lack of project realization and delays in project completion, but it could also contribute to a loss of trust in citizen energy projects, for which public support is currently very high – and for good reason. Moreover, it is feared that the next German federal government will abolish the regulations for 'citizen energy companies' because they were abused.

7. What is the proper response to the tender results?

The proper response is to look at how to strengthen the criteria for citizens energy projects (e.g., the minimum number of participants, stronger democratic governance, openness criteria, introduce restrictions on profit distribution), so that real community energy projects get a fair chance at a level playing field with larger energy companies and project developers. It would be misguided to simply limit certain treatment for citizen energy projects, or to scrap it altogether. That is what big energy companies want. It plays right into their hands.

8. What are the lessons to be learned from the tender results for the EU level debate on Renewable/Local Energy Communities?

Germany's experience shows just how important it is to have a strong definition or 'local energy communities in the Electricity Directive, and robust EU criteria for 'renewable energy communities' under the Renewable Energy Directive. With the Clean Energy for All Europeans Package, there is an opportunity to provide a safe space for citizens and communities to participate in the energy transition. Because existing rules were made for larger actors, REScoops, which are smaller and operate according to different principles from traditional companies, feel a bit like cyclists on a four-lane freeway. Essentially, REScoops face a distinct competitive disadvantage in participating in tenders vis-à-vis commercial energy companies and project developers.

The Clean Energy Package represents a chance to change this by providing a basis for REScoops to be acknowledged in national regulatory frameworks, and to be guaranteed equal, fair and proportionate treatment. In the context of tenders, this means special consideration and possible (if necessary) exemptions from participating in tenders. However, in order not to create distortions to competition – not just generally but more importantly against REScoops – we need concrete definitions and/or criteria that properly identify and establish reasonable limitations on 'who' gets to benefit from special considerations or exemptions. To the extent possible, special considerations for energy communities should also focus on options for enabling community participation that minimise incentives for 'gaming' the system.