REPowerEU

The seeds are planted. Now, the persistent gardening begins.

Briefing

Taking Stock of the REPowerEU Process

Background

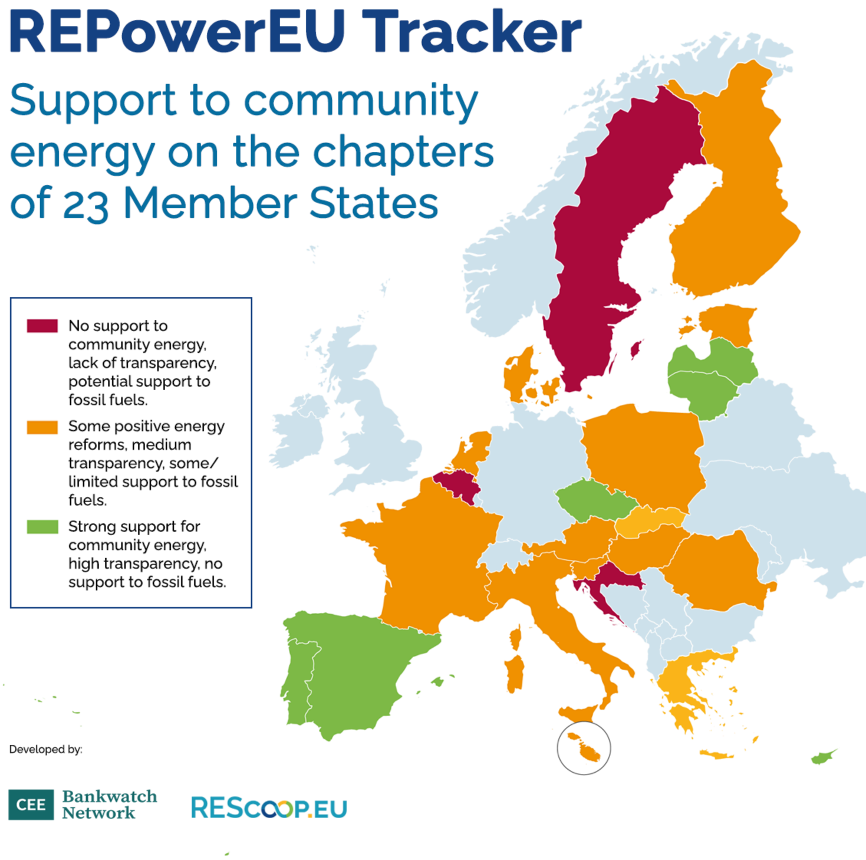
Almost 5 months after the deadline of 31 August 2023 for Member States to request loans from the European Commission under the Recovery and Resilience Facility, almost all EU27 Member States[1] have submitted their revised National Recovery and Resilience Plans (NRRPs), which include additional reforms and investments. Building on the work of the REScoop.eu public financing tracker[2], the present briefing highlights the key findings from analysing the REPowerEU chapters of 22 Member States. A full breakdown of the REPowerEU chapter of each country can be found in REScoop.eu's REPowerEU tracker.

We observe -and welcome- significant improvements in the REPowerEU chapters of various Member States, since our last joint analysis with CE Bankwatch of 15 draft chapters in October 2023[3]. **As things stand 14 countries now explicitly mention energy communities in their National Recovery and Resilience Plans**

[1]The Revised Plans of Ireland, Luxembourg, Bulgaria, and Germany are not yet featured on the Commission's website, and are thus not part of this analysis. https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages_en

[2] https://www.rescoop.eu/financing-tracker

[3] https://www.rescoop.eu/toolbox/repower-communities-not-fossil-fuels



Highlights from our analysis

Creating an enabling legal and regulatory framework

A key pillar of the REPowerEU strategy is empowering citizens to participate in the renewable energy transition, to accelerate the phase out of fossil fuels. It is thus a welcome step that certain countries have used the recent NRRP revision process to move forward with important reforms (and investments) to facilitate the full transposition of the Renewable Energy Directive.

- **The Cypriot REPowerEU chapter** entails a reform which will establish the regulatory framework for energy communities through elaboration of existing laws through secondary legislation. This reform will enable the establishment of energy communities, and recognise 'Active Consumers',

- **The Latvian REPowerEU chapter** entails a reform which will create a regulatory framework for energy communities by i) setting the conditions and procedures for registering and operating energy communities, ii) introducing an obligation for electricity traders to offer at least one product for the purchase of electricity from energy communities, and iii) <u>introducing an obligation for local and regional authorities to channel part of the electricity produced within an energy community, or of the economic benefit derived from it, to vulnerable groups.</u> This last point addresses another important element of the transposition process: Ensuring that energy communities are accessible to low-income & vulnerable households.

- **The Czech REPowerEU chapter** entails a reform to establish a regulatory framework for energy communities, incentivizing activities such as collective energy production and consumption, without any 'undue restrictions'' on the size and geography of such projects.

- **The Polish REPowerEU chapter** entails a reform on conducting an analysis to identify regulatory and administrative bottlenecks for the development of energy communities. In particular, the analysis shall include a policy gap assessment between national and EU regulatory framework, as well as identify barriers hindering the development. <u>A thorough assessment of the barriers that energy communities are facing (and proposals to ameliorate them), is an important part of the Renewable Directive transposition process.</u>

Information and citizen empowerment

From the 'Save Energy' campaign to the Solar Energy Strategy[4], a cornerstone of REPowerEU is to concentrate, streamline and simplify information for consumers on how to access self-consumption, community energy, and energy efficiency

[4] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52022DC0221

solutions. Similarly, Article 22(g) of the Renewable Energy Directive calls for countries to facilitate access to information around energy communities, so that a wider variety of citizens and other stakeholders can participate. **It is thus a welcome step that several countries used the NRRP revision process to create national/regional One Stop Shops to facilitate information sharing around energy communities**, and other aspects of the energy transition (e.g., energy poverty, renovations, electric vehicles, financing opportunities). Examples include Cyprus and Portugal. Others, including Poland Hungary are set to feature template documents for the legal establishment of energy communities. including technical and economical feasibility studies. **These developments are in line with the Recast Renewable Energy Directive, Energy Efficiency Directive, and the Energy Performance of Buildings Directive.**

Lithuania and Czechia went further: their information campaigns will also specifically target Municipalities, on how to set up and operate energy communities. <u>This addresses another important element of the transposition process (Art22(h) of the RED), relating to capacity building for public authorities.</u>

Finally, while many countries (e.g., Denmark and Portugal) have included dedicated reforms and investments for **extensive green up/reskilling programs**, they have not made an explicit connection to energy communities. From digital literacy for demand response and awareness raising on energy savings, to PV installations and housing retrofits, **energy communities are well placed to imbue their members with new soft and hard skills that are necessary for the energy transition.**

Pursuing multiple goals and business models

From offshore wind to biogas from agricultural residue, the REPowerEU strategy calls for an acceleration of the renewable transition through diversification of energy sources. As most Member States have adopted a legal framework for energy communities, and are now moving to the elaboration of secondary legislation, energy communities are maturing, enlarging, and experimenting with new business models. Beyond production and (self)consumption, **Managing Authorities should view energy communities as dynamic organizations that**

can and should enjoy non-discriminatory access to all sectors of the energy market.

We welcome the various reforms (and investments) of different Member States in their revised NRRPs, which pave the way for energy communities to participate in various (new) market activities:

- Greece and Latvia will implement a reform to allow citizens in multi-apartment buildings to share energy
- Czechia's new regulatory framework explicitly foresees the inclusion of energy communities in the renewable heating sector, and the flexibility market (storage and demand response).
- Portugal's revised NRRP posits energy communities as a vehicle to promote various energy efficiency actions, including the renovation of public, private, and commercial buildings.
- Spain's revised NRRP goes the furthest: it explicitly foresees supportive measures for energy communities to undertake storage, demand response, building renovation, and broader energy efficiency activities.

Accelerated Permitting

Several countries have used the NRRP revision process to push for reforms and investments to digitalise and modernize their grids, as well as overhaul the permitting process. This includes for example Estonia, Austria, and France. While these reforms are not specifically articulated as support measures towards energy communities, they address a fundamental issue that (community-based) renewables projects currently face: long and untransparent permitting processes.

A key component of the successful transposition of the RED is that "**there are fair, proportionate, and transparent registration & licensing procedures**". **This is further emphasized with the recent revision of the Electricity Market Design**, which imposes a duty to both Transmission and Distribution System Operators to publish in a clear and transparent manner information on the capacity available for new connections, on the status and treatment of their connection requests and also obliges them to collaborate with each other in publishing such information. In addition, there is also a specific reference on energy communities, as it is indicated that the Distribution System Operator shall not discriminate between system users or classes of system users, including renewable energy communities and citizen energy communities, particularly in favour of its related undertakings.

Digitalisation, simplification, and transparency will be key in overhauling the permitting process, **including by creating dedicated 'bike lanes' for energy communities**. The Commission's recently announced "Grid Action Plan"[5] foresees a "Pact for Engagement" to promote multi-stakeholder dialogue and ensure the social acceptance of renewable energy projects. **Energy communities can function as honest brokers to facilitate these local dialogues, while ensuring that costs, benefits, and new job opportunities are shared equally, and largely remain within the local community.**

Fit-for-Democracy: Implementing the Recovery and Resilience Plans in a Community-Oriented Way

Genuine Inclusion and Participation

All funds earmarked under the Recovery and Resilience Facility must be spent by the end of 2026. More than halfway through its implementation period, a structural under-absorption of the funds is observed, while smaller actors, including citizens, (energy) cooperatives, and civil society, persistently remain excluded from the process[6]. The maps of most countries' top 100 recipients[7] of RRF funds indicate an over-representation of larger companies, including from the fossil fuel, cement, and aviation industries. There's an inversely proportional relationship between citizen/civil society involvement and the ambition of social and climate outcomes in public policies. In many cases, the drafting of the RRF (and the recent REPowerEU chapter) was largely outsourced to large private

[5] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52023DC0757
[6] https://bankwatch.org/wp-content/uploads/2023/06/2023_06_20_No-recovery-without-citizens_why-public-involvement-is-key-to-Europes-green-transformation.pdf
[7] https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility_en#map

consultancies. This is similarly observed in specific calls for funding from the RRF (e.g., Greece).

Persistent public pressure led to the scaling down, or complete removal, of fossil fuel investments in the REPowerEU chapters of various countries, including Czechia, Hungary, and Greece. Although not obligatory under the RRF regulation, Monitoring Committees are an important tool to facilitate cross-stakeholder dialogue and project oversight[8]. When not present, this work could be complemented by:

- **the National Climate Laws** of different Member States, which foresee different fora for public participation in the creation of climate and energy policies
- **the Multi-Level Climate and Energy Dialogues**, foreseen under the Governance Regulation
- **Streamlining the Partnership Principle (applied to Cohesion funding) to all EU funds**, thus horizontalizing and strengthening public participation requirements

With the upcoming review of the Governance Regulation, the Code of Conduct revision for Cohesion Funding, as well as the ongoing revision of the National Energy and Climate Plans, **the role of public participation should be strengthened, with clear responsibilities for involvement of different stakeholders, and meaningful follow up on their comments.** Clear sanctions and grievance mechanisms should also be foreseen, if these conditions are not met, in line with the Aarhus Convention, to which the EU and its Members are signatories.

Financing: a Race to the Top

Public funds can set the bar high on the types of activities that produce social and environmental co-benefits, and should thus be rewarded. Greece's recent

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[8] Analysis by CE Bankwatch has shown that Monitoring Committees have played an important role in overseeing Cohesion funds. However, under-representation of civil society remains a key issue in several countries.
https://bankwatch.org/publication/monitoring-cohesion-policy-funds-in-central-and-eastern-europe

call for funding for energy communities in Just Transition areas[9], specifically targets collective self consumption projects, with a view of tackling energy poverty. A similar strategy has been adopted in Lithuania and Latvia, where calls for funding are tied under a broader strategy to tackle energy poverty, including with the participation of Municipalities.

REScoop.eu and Bankwatch have both developed detailed guidance on the development of community-responsive tendering[10] and procurement schemes[11]. Similarly, **REScoop.eu has developed detailed guidance[12] on how Managing Authorities can navigate the State Aid legislation** to support energy communities with public funds. More specifically, the legal framework for RECs created by the CEP 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 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. The CEEAG now provide clear and positive options that allow Member States to innovate in designing renewables support schemes that can help jump-start local community ownership of renewables production and promote social innovation. There are different options that the CEEAG allows Member States to pursue so they can implement their obligations under the RED II to create dedicated space for RECs in their support schemes. Good examples in this regard are the cases of Ireland and Germany.

RRF and Cohesion funds could equally be used to facilitate deep renovation projects through the Energy Performance Contracting model, as successful examples from across Europe have demonstrated[13]. This is where the nexus between public EU funds, and national and private funds lies. While EU funds can cover the riskier, start-up costs in the project development chain (e.g.,

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[9]https://www.rescoop.eu/financing-tracker/cohesion-regional-development-funds/greece-cohesion-and-regional-development
[10]https://bankwatch.org/wp-content/uploads/2023/05/2023_05_31_Selection-criteria-for-energy-communities_a-practical-checklist.pdf
[11] https://www.rescoop.eu/toolbox/procurement-guide-for-community-energy
[12]https://www.rescoop.eu/toolbox/how-can-the-state-aid-guidelines-help-energy-communities-address-the-energy-crisis
[13]https://www.fi-compass.eu/library/market-analysis/implementing-energy-efficiency-projects-energy-performance-contracting

feasibility studies), revolving Community Energy Financing Schemes[14], bank loans and guarantees, will carry larger projects into realisation.

While this has not yet been largely explored, RRF and Cohesion funding could be leveraged as guarantees for bank loans, to catalyze much higher quantities of funding. **An EU-wide, EIB backed guarantee scheme could help Member States facilitate the Renovation Wave, utilizing funds from their NRRPs.**

The correct utilization of RRF funding is crucial to ensure the development of innovative and flexible financing options for energy communities. The development of de-risking tools (like guarantees) and loans-to-grants through RRF funding will allow the scaling of energy communities in complementarity with existing national schemes. **Creating fit-for-purpose financing tools will be the key to a wide-scale deployment of various activities by energy communities across the continent**

Lastly, Managing Authorities should help energy communities take their organisational direction one step further: **an additional criterion that should be considered in tendering is "sufficiency**". According to the Intergovernmental Panel on Climate Change sufficiency is "a set of measures and daily practices that avoid demand for energy, materials, land, and water while delivering human well-being for all within planetary boundaries". Beyond energy efficiency, public policies should also lead to a reduction of materials, and natural resources, while enhancing social outcomes. To elaborate with an example, public funds would thus be better suited to support electrified public transport, over the use of private electric vehicles. **Energy communities arguably espouse various sufficiency principles, by prioritizing meeting local energy demand, while pursuing social outcomes like tackling energy poverty.**

[14]https://acce.rescoop.eu/resources/best-practice-report-on-community-energy-financing-schemes

Beyond 2026

As outlined in the recent manifesto by the European Community Power Coalition Manifesto[15] the ongoing revision of the National Energy and Climate Plans presents a great opportunity for Member States to set concrete targets for community energy and self-consumption by 2030. **In its December 2023 country recommendations[16], the Commission called for a more detailed elaboration of the support measures provided to energy communities in the NECPs of various countries** (e.g., Estonia, Romania). A detailed roadmap for the growth of energy communities will provide greater confidence to citizens and investors, and provide clarity on the financing gap up to 2030.

From EU-coordinated tax reform, to another round of EU-bonds issuance[17], as suggested by the recent report of the European Scientific Board on Climate Change (ESA-BCC)[18], the jury is still out on what structure should succeed the Recovery and Resilience Facility post-2026. What's certain is that the EU is currently investing less than 10% of the 1 trillion euros needed annually to reach the 2030 climate goals[19], and with the RRF ending in less than three years, EU funding will be almost halved with no guarantee that the facility will have a successor. Several countries still observe persistent underinvestment in energy efficiency measures, buildings, and transport. With the EU Commission's target for climate neutrality likely being brought forward to 2040, the climate and energy funding gap will further increase.

With the European Court of Auditors recognising that the largest part of this investment gap will be covered by private funds, it's essential to make citizens, and local communities, co-owners of this process. Energy communities can mobilize billions of euros in private finance through crowdfunding by small investors. RRF and Cohesion funds can crowd-in these funds by providing sufficient guarantees and safeguards, especially for larger scale projects (e.g., renovations or wind parks).

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[15]https://communitypowercoalition.eu/wp-content/uploads/2023/09/Empower-and-Acelerate-Energy-Communities_-CPC-2024-EU-Elections-Manifesto.pdf
[16] https://ec.europa.eu/commission/presscorner/detail/en/ip_23_6622
[17]https://institutdelors.eu/en/publications/energy-union-2-0-to-deliver-the-european-green-deal/
[18] EU climate Advisory Board: focus on immediate implementation and continued action to achieve EU climate goals (europa.eu)
[19] https://www.eca.europa.eu/ECAPublications/SR-2023-18/SR-2023-18_EN.pdf

EU-level coordinated funding, akin to the RRF, will continue to be important to avoid fragmentation of the EU's single market, and ensure consistency and ambition across Member States. This is why it will be crucial that the future Commission assess the investment needs and propose accordingly in 2025 an ambitious Multiannual financial framework for the post 2027 period. **From climate assemblies, to open consultations, the process of creating this next MFF must include the voices of citizens, civil society actors, and community energy actors**.