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Social Climate Fund DNSH Consultation

Date: 12/08/2024

Leveraging energy communities to achieve the Social Climate Fund's objectives.

The Social Climate Fund (SCF) exemplifies a new commitment to allocating resources and providing concrete tools to ensure no one is left behind on the journey to net-zero emissions. It aims to provide temporary direct income support and facilitate measures and investments to enhance the energy efficiency of buildings, decarbonize heating and cooling systems, integrate renewable energy generation and storage in buildings, and improve access to zero- and low-emission mobility and transport.

The Regulation underscores the significance of grassroots efforts and local knowledge, recognizing the potential of energy communities to achieve the Fund's objectives. The inclusion of investments in energy communities as eligible measures under the SCF marks a significant achievement, highlighting their role in promoting empowerment and a just transition. This is in line with Directive 2018/2001 (Recast Renewable Energy Directive, or RED II), which acknowledges that RECs add value in many different ways, including enhancing local acceptance of new renewables projects, increasing the amount of capital available for local investment, choice for consumers, and greater participation by citizens in the energy transition. The RED II also notes that RECs help address socio-economic issues such as energy poverty, and allow groups like vulnerable consumers and tenants to actively participate in the energy transition.

In addition, the RED II acknowledges the unique characteristics of RECs and the need to mitigate challenges they face in operating in the market. Recital 71 notes that the specific characteristics of RECs, including their small size, ownership structure, and their number of projects "can hamper their competition on an equal footing with large-scale players." In early 2024, the Energy Communities Repository, on behalf of the European

Commission, released a report which demonstrates the systematic challenges that energy communities face.[1]

As such, the RED II calls for measures to offset disadvantages relating to specific characteristics of local RECs including enabling RECs to operate in the energy system and easing their market integration. Furthermore, under Article 22 paragraph 4, Member States must put in place an enabling framework to ensure, inter alia, that unjustified regulatory and administrative barriers to RECs are removed, and that RECs are subject to fair, proportionate, and transparent procedures.

In the context of the DNSH consultation, we emphasise the critical role energy communities can play in achieving the SCF's objectives:

- With the case study examples below we demonstrate concrete evidence of their added value and the multidimensionality of their potential role in achieving these objectives.
- We offer recommendations on how the SCF can further promote and enhance energy communities' value by addressing and removing (existing) barriers.

Energy communities as "eligible measures": added value beyond increasing accessibility of RE technologies

The SCF should be leveraged to raise opportunities for co-ownership and democratic decision-making in the energy transition. Actively engaging and de-risking vulnerable households' participation in energy communities is one way to break the cycle of dependency on support schemes and exposure to the volatility of energy market prices. A collective approach, invoking collective rights and responsibilities, will be crucial to mitigate social and political backlash against energy transition measures.

While a comprehensive impact assessment of the community energy sector on energy poverty alleviation is not available for the EU, scattered and national research gives an idea of the significant potential in delivering substantial social benefits and savings on energy bills. For instance, the 2024 UK Community State of the Sector Report highlighted £4.4 million saved on energy bills from efficiency and fuel poverty initiatives in 2023, a 53% increase since 2020. On average, community energy projects deliver £9 of social benefit for every £1 spent. More broadly, research has demonstrated that energy

[1] See Energy Communities Repository (2024). Barriers and action drivers for the development of energy communities & their activities.

community projects generate 2 to 8 times more economic benefits to the local area compared to private for-profit projects.[2]

Anecdotal, qualitative evidence demonstrates additional potential. Energy communities take action to alleviate energy poverty and strengthen a just energy transition by:

- Increasing accessibility of affordable renewable energy

By pooling resources and finances, energy communities can fund renewable energy projects that might be too costly for individual households to undertake alone, thereby reducing individual costs and spreading the benefits across all members. A collaborative approach also ensures that renewable energy is accessible to a broader population, including those traditionally excluded due to lack of property ownership (ex. tenants or social housing residents) or suitable installation space.

In the Flemish region of Belgium, Energiecoöperatie OostBrabant (ECoOB) has launched the Zonnebouwers+ (Sun Builders) project to provide low-cost renewable energy to households in vulnerable situations. By collaborating with local social services, ECoOB identifies low-income households that do not have the financial means to invest in renewable energy. In turn, ECoOB contacts the households and offers to install solar panels at no upfront cost. Rather, ECoOB covers the initial investment and retains ownership of the installation for up to 18 years. During this period, households pay a fixed tariff of €8.00 per month (for an average household) to consume the electricity generated on their own roof. Importantly, this is lower than the Belgian social tariff. Meanwhile, ECoOB collects income from both the monthly fees and by selling excess power to the grid. It also handles all technical and administrative tasks. At the end of the 18-year period, ECoOB donates the installation to the household.

Through increasing accessibility of locally produced renewable energy, energy communities can shield households from the volatility of the energy market and create community resilience by channeling funds to sustainable and socially impactful projects. The example of Belgian energy cooperative Ecopower showcases the potential benefits for vulnerable households: whereas commercial suppliers charge the market price plus a profit margin, Ecopower offers electricity at cost (passing on real production and operating costs, without making a profit or loss). This offered a buffer against market volatility and skyrocketing energy prices for its clients during the energy price crisis, while simultaneously keeping wealth and resources within the local community. To lower the financial barrier of buying a cooperative share to access such benefits, Ecopower also set up a collaboration with the municipality of Eeklo to provide

[2] https://energie-partagee.org/etude-retombees-eco/?utm_sq=g9rkh4d2cl and https://www.cleanenergywire.org/news/german-parliament-approves-controversial-renewables-reform/local-added-value-community-wind-farm

750 low-income households with pre-financed shares, which are gradually paid back through savings on their energy bills.[3]

- Investing and implementing energy efficiency or renovation solutions

A CEES survey conducted in late 2022 among 48 energy communities across Europe reveals that while many initiatives are still grappling with becoming more proactive in addressing energy poverty, more than half of respondents attempt to tackle this issue by offering free information and advice on energy efficiency measures.[4] Providing energy efficiency advice and distributing energy efficiency materials are already well-established practices among energy communities. For instance, Coopérnico (Portugal), Zupthen Energie (the Netherlands), Energiecoöperatie deA (the Netherlands) and ZEZ (Croatia) offer energy efficiency solutions through home visits, actively engaging with communities and households to equip them with the knowledge and tools necessary to implement energy-efficient measures. This includes offering materials for short-term energy consumption improvements (such as LED bulbs, insulation strips and slow cookers) to offering advice on energy bills, public support schemes and comparing suppliers. Their experience shows that such efforts, although quite time and resource intensive, are scalable and replicable across different contexts and can make a significant positive impact on households' knowledge and understanding of energy issues.[5] Such concrete, tailored solutions are more effective than blanket measures such as energy vouchers and are necessary for generating long-term impact.

On the other hand, implementation of retrofitting measures among vulnerable households remains a rare practice among energy communities, due to its high resource intensity and administrative complexity. For vulnerable households, the prospect of major renovations can be especially intimidating and disruptive. To handle such situations, careful planning, guidance and engagement are key. However, this requires a combination of soft skills, deeply technical interventions as well as substantial time and resource investments, which often remain lacking for community energy initiatives.

- Offering education, awareness raising and tailored guidance

Energy communities offer education, awareness-raising and tailored guidance to their members and the wider community, by organising workshops, seminars and outreach programs that educate participants on the benefits of sustainable energy practices and renewable energy technologies. Such workshops and events can foster trust and

[3] https://www.ecopower.be/nieuws/power-up-maakt-groene-burgerstroom-toegankelijk-voor-kwetsbare-gezinnen
[4] https://www.energysolidarity.eu/cees-survey-energy-poverty-action/
[5] https://www.energysolidarity.eu/solidarity-toolkit/

willingness to participate in the energy transition and enhance community acceptability of renewable energy projects.[6]

In the UK, Westmill Solar together with Westmill Wind fund an independent charity called Westmill Sustainable Energy Trust (WeSET), which promotes sustainable energy through arts, education, and energy projects. Financed by surpluses generated through running community energy services, the fund supports local community activities through grants. Last year, £40,000 was distributed to 10 projects within 25 miles of Westmill. Examples include £5,000 for rooftop solar panels at a mental health charity, £2,495 for non-fossil fuel vehicle research, and £1,000 for climate-focused school visits.

In Germany, the second funding stream of the energy community EWS Schönau, focuses on independent civil society projects and campaigns related to the energy transition. For example, the cooperative is supporting an initiative to hold a referendum to make Berlin carbon neutral by 2030, funding projects for solar energy education at schools, and supporting research into using electric cars as distributed storage devices that can feed energy back into the grid.

- Setting up inclusive social/community activities to break cycles of social exclusion

Energy communities' information moments are often set up in a way that allows for informal networking and conversation, which brings people together in a welcoming environment. Portuguese energy cooperative Coopérnico's energy cafe's, especially targeting more vulnerable households in the community, are informal get-togethers designed to boost energy knowledge and know-how while also establishing relationships with people in the community. They are set up in a way in which participants feel comfortable to share their lived-experiences and feel valued for the expertise they bring.

- Facilitating solidarity between members of the community and beyond

As showcased in the Community Energy for Energy Solidarity project, energy communities generate positive social impact through facilitating solidarity between members of the community and beyond, contributing to the pursuit of distributional justice in the energy system.

In France, Enercoop set up an endowment fund - Energie Solidaire - that collects energy surplus donations from producers and microdonations on energy bills from Enercoop clients. The money raised is used to support organisations that are already

[6] Boostani, P.; Pellegrini-Masini, G.; Klein, J. The Role of Community Energy Schemes in Reducing Energy Poverty and Promoting Social Inclusion: A Systematic Literature Review. Energies 2024, 17, 3232. https://doi.org/10.3390/en17133232

working on energy poverty, mainly accompanying energy poor households in achieving energy-efficient home renovations.

In Greece, Karditsa Energy Community launched an action to address energy poverty. Under the slogan "Don't throw away your fuel", teachers and students from the school collected residual coffee, which was then transformed into pellets by ESEK and donated to the municipal service supporting vulnerable families. Vasileios proudly exclaims, "we donated one tonne of coffee pellets"! Going forward, they aim to replicate this type of campaign."

A number of energy cooperatives also offer the possibility to make an investment for the next generation. An example is the Belgian cooperative Allons en Vent, which built a wind turbine called "L'éolienne des enfants", which means the "children's wind turbine". With shares only costing 100 euros over 1200 grandparents and parents were able to give their (grand) children access to renewable energy. The turbine was installed in 2006 and inaugurated by a children's orchestra. Today, the children have grown up and are running the cooperative.

- Reinforcing democratic values and practices

Energy communities reinforce democratic values and practices by fostering inclusive participation, collective decision-making, and local empowerment. Members of energy communities have a say in the governance and operations of the projects, ensuring that decisions reflect the diverse needs and interests of the community. This participatory approach promotes transparency, accountability, and shared ownership, which strengthens trust and social cohesion. By involving local residents in the planning, implementation, and management of renewable energy projects, energy communities enhance civic engagement, encourage active citizenship, and empower individuals to contribute to sustainable development and energy independence.

To ensure that everyone feels comfortable and empowered to participate in collective decision-making and active governance over the energy community, Spanish energy community Som Energia, before its General Assembly, organises a training where the governing bodies of the cooperative are explained to the members. The cooperative has also performed a thorough analysis of all the responsibilities and the rights that the Board has and it shares it during this training. In the context of this training, specific workshops take place according to gender. In the case of the workshop for women and other identities, it is very useful to work on the existing barriers and to encourage the presentation of candidatures. Every year this workshop has produced applications from women who initially did not intend to apply. In addition, the Governing Board approaches members to encourage them to apply for the Board of the cooperative.

- Increasing opportunities for collaboration and knowledge sharing

In response to the EU-wide energy crisis and rapid changes it triggered in energy systems, REScoop Vlaanderen (the Flemish Federation of Citizen Energy Cooperatives) noted a growing ambition among its members to enhance their social impact. Recognising the need for and value of collective effort, in 2023, the Federation set up a Social Impact Working Group. During regularly scheduled meetings, the Working Group invites members, civil society organisations and government agencies to share their initiatives and projects to tackle energy poverty and enhance social justice in the Flemish energy transition. It also creates opportunities for external experts to provide insights on specific topics or themes.

- Strengthening inclusivity and diversity in the energy system

Energy communities strengthen inclusivity and diversity in the energy system by actively involving and targeting diverse groups, including low-income households, marginalized communities, and various stakeholders in the energy transition. By ensuring that a broad range of perspectives are considered, energy communities help address energy inequalities and ensure that the benefits of the energy transition are more widely and equitably distributed.

During its first General Assembly, CommonEn, a Greek energy community in Ioannina, hired a child-care provider to assist members who are parents. This initiative was widely appreciated. Members felt that it significantly reduced stress and made participation in the assembly easier. They unanimously agreed that without this support, women who are parents would likely have been excluded from attending the General Assembly.

Another great example is Repowering London. This not-for-profit organisation supports some of London's most deprived communities in taking control of their energy generation and consumption. Since its creation in 2013, Repowering London has installed 840 kWp of solar panels, saved 900 tonnes of CO_2, and raised over £200,000 for local community projects. Repowering London engages with local representatives and community groups to reach those most in need, such as food banks, kitchens, and gardening groups. Recognising that those who need help the most can be the hardest to reach, Repowering London recruits community members as Energy Champions. These local leaders help grow the cooperatives and ensure the needs and aspirations of local residents are heard and understood. People in vulnerable situations often self-isolate to hide their precarious living conditions. Energy Champions, with their local knowledge and community ties, build trust and break down barriers for those facing these challenges.[7]

[7] https://www.rescoop.eu/news-and-events/stories/june-success-story-fighting-energy-poverty-while-empowering-londoners

The SCCALE 203050 project's Inclusivity Guidebook provides numerous additional examples of how energy communities concretely increase diversity in the energy system.

Removing barriers to mainstream social impact

The SCF offers opportunities to remove some of the current common barriers to elevate energy communities' social impact. To achieve this, it should be ensured that

1. the DNSH requirements do not impose an undue burden on energy communities
2. SCF application procedures are transparent, clear and well-targeted
3. The SCF is leveraged to lower uncertainty in policy and regulatory frameworks for social innovation

1. Energy communities and the DNSH principles

- The application of the DNSH principle under the SCF should support the achievement of the EU's objectives of consumer empowerment and a fair energy transition

RECs were included as potential recipients under the SCF due to the social innovation potential they offer, particularly through raising awareness, promoting inclusiveness in community initiatives, and through the ways they can promote solidarity towards households that experience vulnerability and/or energy poverty.

The DNSH principle needs to be applied under the SCF in a way that is consistent with allowing energy communities to access SCF funds to address energy poverty and help vulnerable consumers benefit from participating actively in the energy transition. More generally, it should support the implementation of the Energy Union's objective of putting citizens at its core, where citizens take ownership of the energy transition, benefit from new technologies to reduce their bills, participate actively in the market, and where vulnerable consumers are protected.[8] Application of the DNSH principle under the SCF should also support the Green Deal's objective to ensure a socially fair and inclusive energy transition,[9] as well as the objective of the EU's REPowerEU objective of at least one renewables-based energy community in every municipality with a population higher than 10,000 by 2025.[10]

[8] European Commission (2015). Communication on A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy, COM(2015)080.
[9] European Commission (2019). Communication on the European Green Deal, COM(2019)640.
[10] European Commission (2022). EU Solar Energy Strategy, COM(2022)221.

- The size of REC-owned generation projects are small and pose less risk of causing significant harm

The size of REC projects around power generation and cogeneration of heat/cool and power from technologies such as solar and wind are typically quite small and therefore pose less risk of triggering DNSH. In 2021, REScoop.eu produced a report for DG Competition on the size of community-owned renewable energy projects, with a specific focus on solar PV and wind. This report compared the size of REScoop.eu projects from eight EU Member States: Belgium (Flemish and Walloon Regions), Croatia, Germany, France, Portugal, Spain, Greece and the Netherlands. This report concluded that while in a few Member States where the energy community sector is already mature, there is capacity to build quite large projects, in most Member States community-owned wind projects tend to stay under 20 MW and lower. The report also showed that there is a preference for energy communities to develop solar projects, which are much smaller.

Based on this Report, the thresholds referenced above were used in the Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG) to allow RECs to be excluded from participating in auctions or tenders in order to receive support under national renewables support schemes. The CEEAG acknowledged the challenges RECs face in participating in auctions and tenders, and therefore deemed that smaller projects developed by RECs would have less risk of distorting competition.

Likewise, community-owned renewable energy projects, due to their typically smaller size, also pose less risk of significant environmental harm. Such projects already need to comply with national and EU requirements around conducting an Environmental Impact Assessment (EIA), which is still required for individual projects outside renewable acceleration areas. Such thresholds are also consistent with the aims of the most recent amendments to the Renewable Energy Directive in Directive (EU) 2023/2413 (RED III). Specifically, Article 16, Article 16b, and Article 16d aim to simplify the permit granting process for renewable energy production, and for smaller projects by RECs and self-consumers in particular. The lack of environmental impact for smaller installations by RECs is emphasized also in the recitals of the RED III, in particular recital 42.

- Placing the burden of proof on energy communities to show no significant harm would act as a barrier preventing them from accessing the SCF

Placing the burden of proving DNSH on energy communities would add significant burden and would be counter to the aims of including RECs as eligible recipients under the SCF. While many energy communities would like to develop renewables projects to address vulnerable households and energy poverty, their limited capacity and resources necessitates support to facilitate such activities. Energy communities were included under the SCF to serve as one of the potential sources of providing such support. If smaller energy communities, who already struggle to navigate existing

administrative burdens, need to prove that their projects DNSH, they will not be able to access funds under the SCF.

Recommendations

For the above reasons, the DNSH principle under the SCF should be applied with the presumption that RECs with smaller projects already meet the guiding principles of DNSH under the SCF, assuming they comply with applicable EU and national environmental legislation, including EIA requirements.

Specifically, the following activities should be added to the Energy Annex:

- power generation and cogeneration of heat/cool and power outside renewable acceleration developed by RECs equal to or below 6 MW of installed capacity or equivalent (excluding hydro); and
- power generation and cogeneration of heat/cool and power from wind outside renewable acceleration developed by RECs equal to or below 18 MW of installed capacity.

2. Targeting energy communities with SCF financing support

A common problem is not only an overall lack of available funding but also a lack of transparency and highly complicated application procedures for funding resources that are available. This is not only flagged by energy communities searching for support to increase their social impact, but also by households themselves. Different partners in the CEES project pointed out that energy poverty alleviation measures were ill-targeted and failed to structurally help people in need. Both EU level policy makers and Member States should ensure accessibility of and clarity around application procedures. Especially with regards to promoting energy communities' social role, such procedures should be transparent, easily understandable and accompanied with guidance on their implementation.

Additionally, the risk of corporate capture persists. Especially with funding made available for social innovation and energy justice, Member States should ensure that financial support ends up in the right hands.

Detailed criteria have been developed to guide Managing Authorities (of the Social Climate Fund) on how to target authentic, citizen-led energy communities with public financing support.[11] Limits to profit distribution, the type of legal form (e.g., cooperatives), autonomy and effective control (one member one vote systems) are

[11] https://bankwatch.org/publication/selection-criteria-for-energy-communities-a-practical-checklist

some of the built-in governance mechanisms that energy communities must enforce so as to qualify for public funds. All of the above could be exclusion criteria in selecting beneficiaries under public support programs of the Social Climate Fund.

A bonus criterion could be different types of social impact an energy community effects: extra points could be awarded to energy communities with a minimum amount of citizens and a diversity of stakeholders (e.g., SMEs, Municipalities, social enterprises, NGOs). Inclusion of gender justice and energy poverty components should also be awarded.

Managing Authorities could co-manage the distribution of the funds together with community energy coalitions or similar intermediaries. Experience from the Development Fund in the Netherlands (co-administered between the Dutch Government and the national community energy coalition), as well as the ongoing Energy Communities Facility, shows that when such intermediary organisations are involved there can be two important co-benefits: 1) they help build the capacity of energy communities to identify the fund and prepare a solid application, thus also saving considerable time for the Managing Authorities, by ensuring streamlined and quality applications, and 2) they help tackle corporate capture by ensuring rigorous social criteria (as outlined above), so that only authentic energy communities get to apply. This approach also leads to a mainstreaming of social impact, by triggering a race to the top for beneficiary energy communities.

Lastly, the Social Climate Fund can earmark funds for energy communities to help with awareness raising, identification of vulnerable households, and peer to peer mentoring (e.g., through One Stop Shop activities). This by-and-for-the-community approach helps build agency and trust.

3. Advancing enabling frameworks for energy communities

Currently, the roll out of energy poverty alleviation initiatives by energy communities is hindered by the absence of enabling frameworks for energy communities, the lack of effective policy or data on energy poverty, the absence of solid monitoring and assessment systems, uncertainty in policy and regulatory frameworks and persisting silos between energy, climate and social policies. While the SCF alone will not be substantial enough to address each of those gaps and challenges, it's crucial that the Fund is leveraged towards those initiatives that facilitate the broadest possible impact and that generate sustainable frameworks that allow for social innovation and justice to spread and reach those most in need.

In Flanders, the Technical Assistance Hubs, an initiative by the Flemish Government, aim to support the set up of local energy communities to help people facing energy poverty. These hubs are organised at the inter-municipal level and provide technical, financial, and legal support and aim to bring together a broad range of expertise from

different stakeholders in the field, such as existing energy communities, local authorities, and social welfare and anti-poverty organisations. The goal is to create a sustainable energy system by engaging local actors like schools, municipalities, and citizens in renewable energy projects and to give more people access to the benefits and activities of energy communities. While this initiative is still in its early days, it's structure demonstrates potential to create clarity, capacity building and exchange around financial, regulatory and legal hurdles experienced when setting up an energy community with the aim of addressing energy poverty. Such one stop shops providing a broad range of assistance and opportunities for direct financial support could accelerate the mainstreaming of energy communities' social impact.