

## A supportive EU legal framework for energy communities in energy efficiency

### Introduction

In May 2019, the European Union (EU) institutions concluded the final legislative files for the Clean Energy for All Europeans Package (CEP),<sup>1</sup> a legal framework that will help the EU meet its 2030 climate and energy objectives. With this legislative package, the EU has signalled a strong shift in the role of citizens from passive consumers to active participants in the energy transition. For the first time, EU legislation also acknowledges the role citizen and community ownership of clean and renewable energy resources (RES) can play in helping the EU meet its climate and energy objectives while driving local social innovation.

In December 2020, the Council decided to increase the EU's climate ambition for 2030 to a reduction of at least 55% compared to 1990. In order for this more ambitious target to be achieved, the RED II and the Energy Efficiency Directive (EED), and the Energy Performance of Buildings Directive (EPBD) will need to be revised. This represents an opportunity to realise synergies between the different Directives and further enhance the role of citizens as active consumers and members of energy communities in the energy transition.

In particular, the EED should be revised to recognise the role of energy communities in the achievement of the EU's energy efficiency objectives. The EED should also provide a basis for the establishment of enabling national measures to help energy communities reach out to citizens and empower them to uptake energy efficiency measures.

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<sup>1</sup> In particular, the recast Directive 2018/2001 (Renewable Energy Directive II, or REDII), recast Directive 2019/944 (the Internal Electricity Market Directive, or IEMD) and recast Regulation 2019/943 (the Internal Electricity Market Regulation, or IEMR)

## The added value of energy communities in helping achieve Europe's energy efficiency objectives

Energy efficiency is an area of activity for many energy communities.<sup>2</sup> The underlying goal of these initiatives is often to achieve an energy efficiency first approach, where members are encouraged to achieve an equilibrium between consumption and RES production. This is done through outreach and encouragement of investments by members so that they can save money on their energy bills (kilowatt/hours). While many energy efficiency initiatives carried out by energy communities are stand-alone activities, many are also linked to community renewables projects, which provide a revenue source for investments in renovations and energy savings technology.

Many community energy efficiency initiatives also focus on addressing vulnerable and low-income households. As such, for energy communities energy savings is seen as a way to create a more inclusive energy transition. In particular, 'energy solidarity', which refers to actions developed by energy communities and their members to support energy-poor households, is a cornerstone of many energy communities. Also, many energy communities, as retailers of electricity and heat, supply and engage energy-poor households in their area of action. Consequently, energy communities can play a significant role in using renewable energy sources and energy efficiency interventions to help alleviate energy poverty and improve living conditions for low-income and vulnerable households.

There is a demonstrable impact between one's involvement in an energy community and their energy consumption. A study of the H2020 REScoop PLUS project<sup>3</sup>, which was carried out using data from cooperative suppliers in five European member states, revealed that energy cooperative members could reduce their energy consumption up to 20% compared to non-members with similar consumer profiles. Furthermore, in a study carried out by the University of Twente on members of five cooperative energy suppliers, the majority of respondents indicated that energy savings have become more important to them since becoming a cooperative member. This study also showed that 27% of cooperative members had planned personal investments in renewable energy technologies since joining a cooperative<sup>4</sup>.

As such, energy communities can help contribute towards the stated aims of the EED. Energy communities can help raise the awareness of citizens about the benefits of increased energy efficiency, provide them with accurate information on the ways in which it can be achieved, and provide access to information from metering and billing.<sup>5</sup> Furthermore, by increasing social acceptance of RES and other clean energy technologies,<sup>6</sup> energy communities can foster further investment in energy efficiency and contribute to the reduction of the energy consumption of their members.

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2 See <https://www.rescoop.eu/toolbox/energy-communities-a-way-to-bring-all-europeans-along-in-the-energy-transition>

3 Nikolaos Sifakis et al., 'How Much Energy Efficient are Renewable Energy Sources Cooperatives' Initiatives?', *Energies* 2020, 13, 1136, 12-13.

4 Coenen, Hoppe, Chalkiadis, Akasiadis, and Tsoutsos. 2017. Exploring energy saving policy measures by renewable energy supplying cooperatives (REScoops). ECEE Summer Study Proceedings.

5 EED Recitals 26 and 33.

6 According to recital 70 of the RED II, 'The participation of local citizens and local authorities in renewable energy projects through renewable energy communities has resulted in substantial added value in terms of local acceptance of renewable energy and access to additional private capital which results in local investment, more choice for consumers and greater participation by citizens in the energy transition. Such local involvement is all the more crucial in a context of increasing renewable energy capacity. Measures to allow renewable energy communities to compete on an equal footing with other producers also aim to increase the participation of local citizens in renewable energy projects and therefore increase acceptance of renewable energy.'

## EU Policy's acknowledgment of the role of energy communities in energy efficiency

The symbiotic link between energy communities and energy savings is already acknowledged under EU energy policy. Specifically, the RED II and the Internal Electricity Market Design Directive (IEMD) recognise renewable energy communities (RECs) and citizen energy communities (CECs) as a way to advance energy efficiency at household level and help fight energy poverty through reduced consumption and lower supply tariffs.<sup>7</sup>

The Governance of the Energy Union Regulation (Regulation 2018/1999, or Governance Regulation) also acknowledges the role that RECs can play in meeting national energy efficiency objectives, asking Member States to indicate policies and measures to promote the role of RECs in contributing to the implementation of, inter alia, long term renovation strategies, in their National Energy and Climate Plans (NECPs).<sup>8</sup>

### The EED: a missing piece of the puzzle

While the role of energy communities in achieving energy savings is acknowledged in EU energy policy, the EED does not recognise the role of community-based organisations in helping achieve EU energy efficiency objectives. Likewise, there is no reference of RECs and their role in buildings renovations in the EPBD. This lack of recognition prevents the development of policy support from the EU level to encourage RECs and their members to take up activities that achieve energy savings.

While the Governance Regulation includes some minimum requirements for Member States in developing support for RECs in energy efficiency, these provisions are insufficient. Section A 3.2 (v) of Annex A of the Governance Regulation states that, in their national energy and climate plans, Member States “shall, *where relevant*, describe planned policies and measures to promote the role of local renewable energy communities” in contributing to the implementation of:

- energy efficiency policies under their energy efficiency obligation schemes and alternative policy measures under Article 7a and 7b of the EED;
- long-term renovation strategies;
- energy services in the public sector, energy performance contracting and other energy efficiency service models;
- energy efficient public procurement;
- energy audits and energy management systems;
- consumer information and training; and
- other measures to promote energy efficiency.

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<sup>7</sup> RED II Recital 67; IEMD Recital 43.

<sup>8</sup> Governance Regulation, Annex I, Part 1(3.2)(v)

However, this language only requires Member States to describe policies, and measures, not to develop them. Without any connection to sector-specific legislation, therefore, these provisions are meaningless.

The need to enhance the synergies between the EED and the RED II, and the need to engage EU citizens to the achievement of higher ambitions for energy efficiency, have been identified by the Commission as important topics for improvement, as they have been placed as questions to the EED revision consultation released by the Commission in February 2021. Below, we present recommendations for amending the EED so that it properly acknowledges and support energy communities, in particular RECs, in energy efficiency. These improvements will help maximise the role of citizens in the energy transition, as well as the synergies between energy efficiency and renewables objectives.

## **1. The EED must acknowledge RECs in furthering EE and provide them with support so that they can further contribute to achieving EE objectives**

The EED needs to clearly recognise the role of RECs in empowering citizens to change their consumption behaviours and choose more efficient energy usage. Specifically, the EED should include a recital acknowledging the role of RECs in driving energy savings at the household level, the benefits that REC can deliver related to energy savings, and the potential synergy between supporting RECs and additional investments in energy efficiency and renewables.

As RECs are already defined in Article 2 of the RED II, there is no need for a new definition in the EED. Nevertheless, there is a need to cross-reference Article 2(16) of the RED II.

The reason we do not ask for a cross-reference to the CEC definition in Article 2 of the IEMD is because under the RED II, there is a more active requirement for Member States to set up enabling frameworks to facilitate the development of RECs at the national level. In contrast, the IEMD only requires Member States to set up an enabling regulatory framework to provide a level playing field for CECs. This is an important distinction when justifying national support mechanisms, such as financial support.

## **2. The EED needs to include supportive enabling measures to help RECs reach out to citizens and empower them to uptake energy efficiency**

The EED should facilitate national level support to RECs that want to engage in energy efficiency activities. In particular, the EED should include language requiring Member States to develop policies and measures for energy efficiency in their enabling frameworks for RECs, which is already required under Article 22(4) of the RED II.

### **■ A new Article supporting energy communities**

The EED should introduce a new article requiring Member States to include support for energy efficiency measures in their enabling frameworks for RECs under Article 22(4) of the REDII. This article could also require Member States to adopt supportive policies and measures to support RECs as is already described in Annex I, Part 1(3.2)(v) of the Governance Regulation, which has already been mentioned above.

### ■ Art 12 - Consumer Information and Empowerment

The EED already contains an article that requires Member States to develop measures to help empower and inform household and other small energy consumers around their energy use. This article should include a new paragraph that requires Member States to develop support measures for RECs that want to undertake activities to provide outreach and education on reduction of energy use. This could come through, for example, providing finance to local authorities, or through local one-stop-shops that can provide advice to local citizens and small businesses that want to adopt energy savings measures. Support could also be met through special supportive renewables schemes, which Member States must implement under Article 22(6) of the REDII.

### ■ Art 7 - Support for RECs/inclusion in EEO's as an alternative policy measure

The clear impact in terms of savings and demand reduction afforded by energy communities should be recognised in Article 7b as part of alternative policy schemes recommended to Member States. However, due to the barriers mentioned above, mobilizing investments for energy efficiency activities is often challenging for RECs and CECs. Nevertheless, the creation of direct funding streams supporting the creation of community-based efficiency schemes through RECs or CECs, could help alleviate this challenge. To address this issue, Article 7 should include a new provision that encourages Member States to set up supportive community-based efficiency schemes as part of their alternative measures.

Correspondingly, we would recommend language in Annex 5 in order to ensure that realised energy savings by RECs and CECs and encouragement of collective action of consumers can be verified.

### ■ Art 19 - addressing barriers to energy efficiency in shared housing

Article 19 of the EED encourages Member States to “take appropriate measures to remove regulatory and non-regulatory barriers to energy efficiency,” referring specifically to split incentives between owners and tenants or among owners, and barriers to investments by public bodies. It also mentions that “measures to remove barriers may include providing incentives, repealing or amending legal or regulatory provisions, (..) or simplifying administrative procedures” and that this can be combined with providing “education, training, and (..) assistance on energy efficiency.”

Setting up an energy community can be a great way to collectivise effort and finance investment in energy efficiency and renewables in shared dwellings, both under tenant-landlord relationships and in buildings under shared ownership. As such, Member States should be required to assess potential and barriers for energy communities in such situations. This assessment could be conducted under the umbrella of Member States' existing requirements to assess potential and barriers for the development of energy communities under Article 22(4) of the RED II.

Based on this Assessment, Member States should be required to put in place support for the development of energy communities as a solution to barriers to energy efficiency in collective rented and well as owned dwellings.

### ■ Art 17: Acknowledging RECs in information and training

Education and training are part of the founding principles of cooperatives. As such, of the RECs that engage in energy efficiency activities, information and training is already a strong

focus. Article 17 should acknowledge the role of RECs in this area, and Member States should be required to support them in undertaking these activities.

### **3. As part of its efforts to tackle energy poverty, the revised EED should provide support to RECs that include alleviation of energy poverty in their objectives**

The EED's revision comes at a crucial time. Over 50 million Europeans are estimated to live in unhealthy, leaky homes, with indecent housing linked to over 100,000 premature deaths per year and contributing towards a public health burden of over €140 billion across the EU. Currently, the EED does not properly address the needs of vulnerable European consumers.

The EED should provide funds to allow low-income households to undertake energy efficiency measures, and require Member States to implement national funds for the same purpose. Article 20 and article 7 should include specific provisions to allow Member States to support these national funds. Member States should be obliged to deliver dedicated 'one stop shops' and outreach services to ensure energy poor communities are empowered to engage with energy efficiency measures. These should be implemented by independent and trusted organisations, such as RECS, that work with the energy poor. This service should be inclusive and actively reach out to vulnerable groups facing challenges such as digital exclusion. Specific incentive schemes should be promoted through the Article 7 and Article 12, to support renewable energy communities taking on the challenge of energy poverty alleviation.

Given the important role that energy communities play in reaching out to low income and vulnerable households, they should be supported with adequate funding to help them tackle energy poverty. In particular, funding to support the creation of community-based efficiency schemes through RECs, could be part of the key alternatives policies supported by Member States. In order to continue mobilizing private investments in energy efficiency, Article 20 could also include specific provisions prioritizing funding to REC schemes and encourage Member States to create funding schemes to help RECs tackle the challenge of alleviating energy poverty.