

Key priorities for trilogues on the Renewables Directive, Energy Efficiency Directive, and Governance Regulation

As representative of energy communities across 12 EU Member States, REScoop.eu¹, is committed to seeing that the EU's *Clean energy for all Europeans* package provides a fair deal for consumers as 'energy citizens', and ensures no one is left behind in the energy transition. By 2050, almost half of all EU households could be involved in producing renewable energy, about 37% of which could come through involvement in an energy community.²

As the co-legislator, the European Parliament and the Council now have the task of ensuring that citizens across Europe are able to harness this potential. Below, we present our key recommendations for the trilogue negotiations as they move forward.

Recommendations for the Renewable Energy Directive

1. A strong definition for renewable energy communities that distinguishes them from traditional commercial energy companies, and ensures autonomy, openness and democratic governance.

The first step in providing a supportive EU framework for 'renewable energy communities' (RECs) is to provide a clear and robust definition that acknowledges 'who' these RECs are and how they are different from traditional commercial energy companies.

Given that the Commission proposed a definition of 'local energy communities' in the Electricity Directive, and criteria for RECs in the Renewable Directive, it is necessary that there be clarity and coherency between these two concepts. We recommend that RECs be seen as a subset of energy community, at least in terms of ownership and governance.

We welcome elements of both the Council and the European Parliament approaches to the definition and criteria for RECs. In particular, we support the Council's focus on effective local control, and language that ensures RECs have a primary aim to benefit the community as opposed to profits. However, we also support the European's Parliament's strengthening of criteria for RECs. This will help to guarantee the autonomy, or independence, of RECs from outside actors (e.g. energy companies, investors, or developers) or single members, ensuring that energy communities are driven by the local community.

¹ REScoop.eu is a federation that represents around 1,500 individual REScoops (also known as 'energy communities') and their 1 million citizen members across Europe. Our members produce and supply renewable energy, perform energy efficiency and other services, operate distribution networks, and provide electric car-sharing.

² CE Delft (2016). *The Potential of Energy Citizens in the European Union*.

http://www.cedelft.eu/publicatie/the_potential_of_energy_citizens_in_the_european_union/1845

In general, we prefer the Parliament's criteria-based approach to RECs. By ensuring that a majority of board seats are reserved for local members, and providing that a majority of votes should be with local citizens or the local authority, independent local control can be maintained. Regardless of the final approach agreed upon by the co-legislator to define a REC, however, it should at least ensure the inclusion of the following elements:

- **The principle of 'autonomy'**, which is currently embodied in the European Parliament's proposals for REC criteria. This cooperative principle ensures that the community is controlled by members and shareholders participating as final users. Outside investors or undertakings (e.g. that finance or develop projects), or single members, must not have a controlling position within the board or be able to use the REC for their own benefit.
- **Democratic governance**, which provides for equal decision-making rights, irrespective of the amount invested by the member of the REC.

The definition should also promote public acceptance. There is a risk that under both the Council and Parliament approaches, smaller private developers and well financed investment clubs could exclude other citizens, which would be detrimental to public acceptance. Therefore, we recommend that the co-legislator include **the principle of 'openness'** in the definition/criteria for RECs, which provides that membership should be open to all persons as final, and in this case also local, users of the community's services that are willing to accept the responsibilities of membership. This principle is contained in the Council and European Parliament definitions of 'local/energy community' in the Electricity Directive, which is cross-referenced in the REC definitions of both the Council and the Parliament. For the sake of coherency, this principle should also be applied to the definition of RECs.

2. Provisions to provide enabling frameworks that promote participation in energy communities and in self-consumption should be maintained.

While RECs have experienced growth in some Member States, very little is currently understood about them in other countries. Furthermore, in many Member States, policies and models of self-consumption are currently evolving (e.g. collective self-consumption), and many barriers to participation remain in place. Greater understanding of these barriers to participation in energy communities and self-consumption, and how to enable wider participation from groups such as vulnerable, low-income, and tenant consumers, is needed.

In both Article 21 on active customers and Article 22 on RECs, the European Parliament proposed that Member States should assess barriers to participation and develop enabling frameworks accordingly. While this is not something the Council considered in its General Approach, we encourage the co-legislator to agree on including these provisions in order to provide a strong basis for creating enabling frameworks for energy communities and self-consumption. These provisions will help Member States identify and get rid of existing barriers to participation, particularly for local authorities and low-income, vulnerable, and tenant consumers.

3. An equal playing field for participation of renewable energy communities in support schemes needs to be ensured.

It is well known that auctions/tenders pose significant barriers to participation from smaller players.³ RECs can compete successfully in tenders, particularly those that include criteria on local community benefits. However, young RECs are unable to spread higher risk across multiple projects, to finance sunk costs without certainty of success, or to meet high participation criteria.

The Parliament addressed this issue by establishing appropriate thresholds to exempt small actors from participating in tenders that are consistent with the current *Guidelines on state aid for environmental protection and energy*, providing a basis to use alternative procedures for RECs, and by providing useful guidance in the Recitals on how to facilitate participation of RECs in tenders. The resulting provisions give Member States flexibility in designing adequate measures to ensure RECs are not excluded from support schemes and competitive bidding processes. The co-legislator should maintain these provisions to ensure that adequate support schemes may be designed for RECs, and that they are not excluded due to the design of competitive bidding procedures.

4. Self-consumers need a robust set of rights and a clear scope/definition.

The Commission's proposal aimed to provide self-consumers, both individual and collective, with a set of rights that would provide a basis for the development of clear policy frameworks and regulatory certainty at national level. The Council's General Approach, however, would allow each Member State to put significant barriers in place (i.e. costs that are not network related such as taxes, levies, etc.) that would reduce the added value of such rights. Member States would also be able to limit self-consumption by defining it narrowly, and discriminate against households and small business self-consumers by treating them identically to larger energy companies.

The co-legislator needs to reach a balance that at the very least:

- maintains a right for small self-consumers to access the public grid;
- allows self-consumers to feed-in excess electricity to the grid for fair compensation based on its value – or cost – to the energy system;
- distinguishes household and small business self-consumers from traditional suppliers so that they are not encumbered by complex and overly burdensome administrative costs and requirements; and
- ensures that Member States cannot penalize or prevent self-consumption through imposing taxes, levies, etc. that are not cost reflective.

³ Ecofys (2013). *Design features of support schemes for renewable electricity, Task 2 report* within the European Project "Cooperation between EU MS under the Renewable Energy Directive and interaction with support schemes"; and IRENA (2015). *Renewable Energy Auctions: A Guide to Design*.

5. The potential value – not merely costs – of self-consumption to the energy system must be acknowledged in the remuneration self-consumers receive.

RECs and self-consumers should cover their costs to the grid and to consumers, this is clear. However, with storage, demand response, digitalization and advanced metering systems, self-consumers not only have the opportunity to export excess renewable electricity to the grid – they can provide services that help the DSO operate the grid more cost-effectively in the long-term. Self-consumers need to be integrated in the market in a way that ensures they have a business case for investing in these technologies and are rewarded for easing the deployment of increasing amounts of variable renewable energy into the system. The key challenge is to identify different services and to calculate their benefit to the energy system, society and environment, so that the value of active customers is adequately acknowledged and that DSOs can recover adequate costs to safely operate the grid in the long-term.

The European Parliament included language that would provide a basis for assessing savings or costs of self-consumption, through a cost-benefit analysis conducted by the national energy regulator. This would input into the remuneration self-consumers receive, and also the network charges they would need to pay. This is a balanced and principles-based approach whereby the national regulators develop a methodology for assessing the costs and benefits of different distributed energy resources, including self-consumption, to the grid, society and environment. We encourage the Council to remain open to this market-based approach so that the co-legislator may reach a balance between remunerating and incentivizing active customers while ensuring grids can be financed and that all consumers benefit.

6. Citizens need to have access to information and guidance on how to participate in REC projects

We welcome the European Parliament's proposals to enhance informational rights for citizens and RECs in Articles 15, 16 and 18. In particular, we strongly support the proposal for single administrative contact points to have a distinct focus not just on self-consumers but also on RECs. Such a mechanism at national level is essential to provide dedicated support to local citizens that want to set up new RECs but are hindered from doing so due to the lack of technical information or guidance.

In Member States where dedicated contact points for RECs have been established to provide citizens with technical and financial advice, such as Scotland and Denmark, the benefits for RECs has been profound. We encourage the co-legislator to keep RECs as a distinct focus of single administrative contact points so that citizens from across the EU have a place to go for informational and technical support. This will have a positive impact in terms of helping RECs obtain necessary permits and grid connection, and to participate in support schemes, including competitive bidding procedures.

7. RECs should be entitled to access guarantees of origin without having to participate in auctions, while use of guarantees of origin for transparency should remain mandatory

The current system of guarantees of origin (GOs) is not perfect – it allows significant green-washing and must be improved to provide more transparency to consumers. Nevertheless, RECs, particularly producers that are also suppliers, rely on GOs to be able to prove to their member-customers that the electricity they consume, which they also own, is green.

The Council's position would be extremely damaging to RECs, allowing Member States to refrain from issuing them GOs, or worse – require RECs to purchase GOs through an auction if they benefit from a support scheme. Furthermore, it would make use of GOs for transparency optional, essentially getting rid of any additional value that GOs provide.

The European Parliament provides a much more balanced approach. Although it does not address the primary issue with GOs – that of transparency – it at least addresses the so-called 'double compensation' issue in a fair manner. We urge openness on the part of the Council to ensure that GOs do not become meaningless or prevent RECs from using GOs to provide transparency to their customer-members.

Recommendations for the Governance Regulation

8. 2030 objectives/trajectories for RES production by cities, self-consumers and renewable energy communities (both planning and reporting) should be maintained

National energy and climate plans (NECPs) will help provide transparency to citizens, energy communities and cities how they can help drive the energy transition. The development of specific objectives and trajectories for 2030 on renewable energy production by energy communities, self-consumers and cities will help provide policy and investment certainty for these actors. We encourage the co-legislator to maintain the language adopted by the Parliament that would require the development of specific 2030 objectives for energy citizens.

9. The Governance Regulation needs to support the role of energy communities in addressing vulnerable and low-income consumers, including through energy efficiency

Many RECs aim to achieve an equilibrium between consumption and renewable production through achieving energy savings and energy solidarity. Existing RECs encourage responsible investments by members so that they can save money on their energy bills (kilowatt/hours), particularly vulnerable and low-income households. Often using nearby or onsite renewable energy installations as a means to generate revenue, a number of RECs incorporate explicit aims to facilitate participation by tenants and those that are experiencing energy poverty.

The EU framework should encourage this important aspect of RECs. In particular, the co-legislator should ensure that the Governance Regulation, through planning and reporting, provides transparency on the role of RECs in supporting the achievement of energy efficiency objectives at national level.