

# REScoop.eu – Response to the Union Renewable Energy Financing Mechanism

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## Introduction

REScoop.eu is the European federation of citizen energy cooperatives. Its members are now recognised as 'citizens energy communities' (CECs) and 'renewable energy communities' (RECs) by the Clean Energy for All Europeans (CEP) Package. REScoop.eu currently represent around 1,500 of these energy communities across 13 different Member States. These energy communities operate across the energy system, from generation and supply of renewable energy to performance of energy efficiency services, heat and electricity distribution, electric mobility, demand response, and other activities involving flexibility. Almost all of the members are small and medium enterprises (SMEs).

We would like to respond to the Commission's proposed Regulation on the Union Renewable Energy Financing Mechanism (Financing Mechanism). In particular, we would like to highlight this proposed Regulation's blind spot with regard to support of RECs. We would also like to propose specific changes so that this Regulation is in line with the CEP's commitment to set a supportive European legislative framework to support citizen and community ownership of renewables production.

## 1. The recast Renewable Energy Directive acknowledges RECs as indispensable for the achievement of EU renewables objectives

Local community ownership of renewable energy resources presents many opportunities for Europe's citizens. In particular, the financial benefits that local ownership of renewables can provide is substantial. According to a number of studies, local ownership of renewables can deliver between three and eight times the additional

local economic benefits that a foreign company-owned project can deliver.<sup>1</sup> This is because RECs keep revenues circulating locally and are more focused on supporting local jobs.

The CEP, and in particular Directive 2018/2001 (The recast Renewable Energy Directive, or RED II), represent an unprecedented step towards acknowledging the value of local citizen and community ownership of renewable energy resources. The Commission based its proposals for a new EU framework for energy communities on the premise that acknowledgment and support for particular forms of citizen ownership and involvement in the market is necessary to successfully transition Europe to a clean, decarbonised energy system. Specifically, Recital 70 of the RED II states that *“renewable energy projects through [RECs] 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.”* Recital 67 of the RED II also acknowledges that RECs help address socio-economic issues such as energy poverty, and allow those that could not otherwise be able to participate in the energy transition.

The RED II also explicitly acknowledges the unique characteristics of RECs that present challenges for their ability to participate in the market. In particular, Recital 71 states that the specific characteristics of RECs, including size, ownership structure, and their number of projects “can hamper their competition on an equal footing with large-scale players.” Energy communities, in particular RECs, represent a different type of market actor compared to traditional commercial undertakings. In particular, RECs adopt specific legal forms that incorporate non-commercial aims, as well as local, open, democratic decision-making structures that focus on local ownership and control. These unique characteristics place energy communities, and those that organise as cooperatives in particular, in a legally and situationally different position than other commercial market actors.

As such, the RED II aims to promote and support the development of RECs through acknowledgment, establishing a clear set of rights and responsibilities, and requiring the development of national enabling frameworks for RECs. Furthermore, Article 22(7) of the REDII requires Member States to take the specificities of RECs into account when designing support schemes so that they are able to compete for support on an equal footing with other market participants.

Recital 26 of the RED II also provides guidance to Member States for how they can support an equal footing for RECs, including through providing information, technical and

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<sup>1</sup> See Énergie Partagée (2019), Étude statistique de terrain: Les retombées économiques locales des projets citoyens; and Gottschalk et al (2016), Regionale Wertschöpfung in der Windindustrie am Beispiel Nordhessen (Institut dezentrale Energietechnologien, IdE).

financial support, reducing administrative requirements, including community-focused bidding criteria, creating tailored bidding windows for RECs, and allowing RECs with small installations to be remunerated through direct support.

## **2. The Union Renewable Energy Financing Mechanism must acknowledge and support RECs**

We welcome the EU Commission's commitment to ensure the delivery of the 2030 EU renewables target through the creation of a special Financing Mechanism. However, this mechanism must be consistent with the legal framework that was established under the RED II. This includes, in particular, ensuring proper support is provided to local community renewables projects. This is important in order to ensure coherency between the RED II and the Union Renewable Energy Financing Mechanism, the Commission's Green Deal commitment to support citizen investment and ownership, as well as ensure a socially fair and inclusive energy transition. More importantly, support for local ownership of renewables can help ensure local economic resiliency, contributing towards the EU's post-COVID recovery objectives.

Therefore, it is unfortunate that the Commission's proposed Regulation does not once acknowledge the need to support RECs with the Union Renewable Energy Financing Mechanism. If this mechanism does not acknowledge communities or the need to provide them with any support, there is a risk that they will be excluded from sharing in the benefits it provides. This would be a missed opportunity for promoting energy democracy in Europe, as well as a socially fair economic recovery.

## **3. Proposals for amendments**

The Financing Mechanism presents an opportunity for the Commission to directly support the development of RECs at national level. Therefore, we ask the Commission to adopt the following changes to the proposed Financing Mechanism:

1. Acknowledge the importance of RECs. The Regulation should acknowledge the EU's support for RECs in the RED II and the added value of RECs towards the EU's 2030 renewable energy objectives. Furthermore, the regulation should acknowledge the need to offset market disadvantages that RECs face due to their specific characteristics relating to size, ownership structure and number of projects.
2. Integrate the principle of ensuring diversity of market actors, and local public acceptance into the Mechanism. Within its general principles of the grant award procedure under Article 14, the following principle should be added: ensuring diversity of different types of market actors, including based on size and non-commercial purpose. Furthermore, grant award procedures should be required to promote local public acceptance and local financial participation and ownership in awarded projects.

3. Add a requirement that the specificities of RECs must be taken into account in the implementation of the Regulation, in order to allow them to compete for support on a level playing field with other market actors. The Regulation should integrate requirements from Art 22(7) of the RED II, which require Member States to take the specificities of RECs into account when designing national support schemes. This will ensure alignment between the regulation and the requirements of the RED II around support schemes. This could be achieved through a general provision to ensure an equal footing for RECs in the implementation of the Regulation, or integration of RECs into specific provisions throughout the regulation. Nevertheless, this requirement should achieve the following:
  - the Commission should be required to include specific calls for proposals related to RECs under Article 10;
  - the Commission's evaluation of submitted proposals under Article 11 should be required to take into account for a level playing field for RECs;
  - the specificities of RECs should be taken into account in the rules for receiving investment and operating support under Articles 17 and 18;
  - the rules for award criteria under Article 20 should ensure an equal footing for RECs to receive support.
4. Sites or volume capacity for RECs should be included in the list of information provided by host Member states in their expression of interest. The Mechanism should encourage Member States to earmark support from the Mechanism so that it is directed towards REC projects. In particular, under Article 6 (3) of the proposed Regulation, Member States should be required to include information on the volume of aid that should be provided to REC projects.
5. The Regulation should provide a basis for delivering administrative support to RECs that want to access the Mechanism. The Mechanism should include provisions that allow RECs or other SMEs to access the mechanism on a level playing field with larger market actors. This could include, for example, special bidding windows that allow applicants to receive assistance in applying for support through grants, loans, and other investment and operational support.

For more information, contact: Josh Roberts, Advocacy Officer [josh.roberts@rescoop.eu](mailto:josh.roberts@rescoop.eu)