



STRENGTHENING THE ROLE OF RES COOPERATIVES IN THE ENERGY TRANSITION | *Policy Brief*

INTRODUCTION

This policy brief was compiled to inform and give tailored advice to regional, national and EU- authorities on policy development in the field of sustainable energy transition and energy democracy in Europe. In particular, it **aims at supporting renewable energy (RE) cooperatives.**

RE cooperatives not only offer an alternative to a centralised market – which is dominated by a few actors – and give citizens the opportunity to participate directly in the renewable energy market, but they also play an important role in the EU energy transition and can further strengthen energy democracy.



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PROVIDE A CLEAR LEGISLATIVE FRAMEWORK FOR THE DEVELOPMENT OF RES COOPERATIVES

The Renewable Energy Directive (REDII) still represents the most relevant regulation for renewable energy communities. By setting out the activities that RECs may carry out, it contributes to an EU-wide standardization of citizen energy and its consolidation in the European energy market [1].

Since Member States have a margin of action for the concrete design of a legal form of RECs, **EU policymakers** should give better guidance to Member States on the transposition of the revised RED II into national law. This could be done by providing a guiding document that navigates through the most relevant articles for RECs and gives advice on the national transposition. Additionally, expert workshops are a suitable tool to bring together relevant EU stakeholders with national authorities, researchers and other experts from the field. The discussion in such workshops should be on concrete steps to implement the Directive and the question on how it can fill the gaps in the national policy framework on RECs. The currently ongoing triilogue negotiations with the European Council and the European Parliament on the reform of the Directive should therefore increase the ambition for renewable energy shares and maintain the strong position of RECs in local energy transitions [2].

National policymakers should assure the transposition of the Revision of the Renewable Energy Directive (REDII) into national law. Especially the articles 2 (16) and 22 of REDII, but also article 16 of

the Directive 2019/944 are relevant for enabling RECs in energy markets since they can replace or guide national legal definitions for energy cooperatives. This can also prevent legal fragmentations within a state due to non-uniform legislations between regions. As a concrete example, in the case of Spain the implementation of REDII and the Directive 2019/944 could counterbalance the legal differences that exist in the different regional legislations.

Furthermore, **national policymakers** should demand for more guidance in this process of transposition. This support can be provided by players at the European level, e.g. the European Commission, the European Committee of the Regions, or European networks for energy communities. For instance, expert workshops or stakeholder consultations can provide useful insights for the establishment of a legal framework on prosumership and decentralised energy production.

CREATE A COMPETITIVE FRAMEWORK FOR RECS

In the REDII Directive, the EU calls Member States to create an energy market that is non-discriminatory for RECs, especially in article 2 (16) and article 22. Nevertheless, in many European States, energy markets are still dominated by big players and oligopolies. Due to their citizen-driven and decentralized character, many RECs act on a rather small scale and have little financial resources in comparison to bigger energy companies. In this sense, RECs face severe competition through big players. This is the case because the rules in the national

and European energy markets have initially been created for a little number of companies.

EU policymakers should develop guidelines for a competitive framework that is organised more horizontally and enables decentralised grids, including small energy production initiatives and non-profit business models such as citizen energy. As part of this, decisionmakers in tender assessments on the **regional and municipal level** should not only base on cost criteria, but also consider non-financial benefits for communities, such as social and environmental improvements provided by energy cooperatives.

Since many RECs have no or few full-time employees, administrative and bureaucratic burdens can easily become a major obstacle for the acquisition of new projects. This is the case especially for smaller players of citizen energy in the market. To strengthen the position of small RECs in the competition with larger energy companies, **national and regional policymakers** should create alternatives to tenders for large capacities. Regulations on mandatory tenders for renewable energy projects above specific thresholds should be removed since the payment of project planning steps represents a significant financial burden for energy cooperatives [3]. This concerns for instance the case of Germany where the obligation to tender for PV plants with a capacity over 750 kWp makes it difficult for small cooperatives to be competitive with bigger energy companies [3]. Regarding small scale energy communities such as “plug-and-play” projects in neighbourhoods

and buildings, flexible regimes should be introduced that allow for unbureaucratic integration into the electricity grid [4].

MITIGATE ADMINISTRATIVE BARRIERS FOR THE FOUNDATION AND INTEGRATION OF RES COOPERATIVES IN THE ENERGY MARKET

RES cooperatives face different administrative barriers in their process of foundation and integration in the energy market. Depending on the country context, technical and administrative barriers have negatively affected the trust of citizens as potential investors and participants in RECs. **EU policymakers** have the possibility to provide overall guidelines that enable citizens to gather in energy communities and to actively participate in the energy transition as prosumers. Therefore, **EU policy authorities** should provide more flexibility for the foundation of energy communities and support national and regional decisionmakers to remove standards such as minimum financial resources or minimum thresholds for the feed-in of produced energy. Bureaucratic and legal complexities for the creation of energy communities should also be removed, whereas the lending of money through banks should be facilitated.

Moreover, **national and regional policymakers** should create a level playing field for RECs in the energy market through a stable and predictable regulatory framework for citizens as investors [1]. If a continuous development of the regulatory framework for renewable energies is ensured in the long term, more

renewable energy projects can establish in the energy market. Market structures should be designed in a way that allows for predictable developments and investments. Particularly small players such as RECs need to be considered for their market entry.

Explicit legislation on social innovations in citizen energy can substantially reinforce the participation and ownership of RECs in the energy transition. The legal framework should also enhance the debureaucratization of the foundation process of RECs and provide flexibility regarding the allocation of permissions for RES projects, as our research revealed particularly for the case of France [3]. **EU decisionmakers** should support national and regional policymakers in these processes to shape appropriate policies.

ENHANCE THE INVOLVEMENT OF MUNICIPAL AND REGIONAL AUTHORITIES

The municipal and regional level are crucial for the enhancement of social innovations in the energy transition. Due to their proximity to citizens and their knowledge on specific local conditions, municipal and regional authorities have the capacity to accompany energy projects and to increase public support for new infrastructure developments.

EU policies should therefore directly address municipalities and regional authorities and provide adapted capacity-building on participatory energy transitions, e.g. through funding programmes. These policies should especially raise awareness on the crucial role

of RECs and citizen participation and point out the advantages of this form of energy production [5].

The involvement of municipalities and regional governments in the promotion of citizen energy is a way to improve the direct communication and trust between communities and national institutions. In this sense, **national and regional policymakers** need to recognize the crucial role of the regional and local level for the promotion of social innovations in decentralised energy transitions. They should build a legal framework that grants autonomy to municipalities and regions in their exchange with and support of energy cooperatives. To this end, municipalities also need a stable financial endowment from the national level to ensure that they can establish an exchange with citizens.

To further support the decentralisation of the energy production, sub-national and local authorities should also be enabled to provide subsidies to specific RES projects. Especially the involvement of municipal authorities can help identify potential citizen energy projects that need political and financial support and enhance the building of partnerships. Economic support policies for RECs should be designed in an accessible manner and avoid additional administrative barriers for the retrieval of funds. Legislative barriers that restrict municipal and regional economic support for energy communities should therefore be removed. This concern – among others – France, where regulations should be revised which prohibit sub-national authorities from providing subsidies to

RES projects already benefiting from feed-in-tariffs.

Due to their proximity to citizens, regional and municipal authorities are also capable of addressing issues like energy poverty, social diversity and gender balance in energy communities [1]. The inclusion of marginalized communities such as low-income households in energy cooperatives could be achieved through subsidy schemes provided by the municipalities. Since RECs should be made accessible to all citizens in the energy transition, **both EU and national policymakers** should also help RECs consider dimensions of energy poverty and social diversity [1]. Especially **EU authorities** could create and share guidelines on how municipalities can effectively contribute to the diversification of energy cooperatives' target groups.

STRENGTHEN AWARENESS-RAISING AND CAPACITY-BUILDING MEASURES

Overall, **EU, national and regional policymakers** should raise awareness among citizens to promote prosumership and alternative forms of energy provision. Nowadays, social innovations in the field of energy production are less known amongst many citizens, especially outside environmental communities and high-income households. For example, information campaigns and awareness-raising events at different levels help spread knowledge about energy cooperatives among citizens. Municipalities play a crucial role in the dissemination of such awareness campaign material. The awareness-raising measures can considerably improve the

reputation of energy communities particularly in countries and regions where cooperatives are often associated with a socialist past, e.g. in Romania or Croatia but also Eastern Germany [6; 7]. Through clear legal and administrative regulations on citizen inclusion and participation, **national and regional policymakers** can assure an improved communication between citizens and institutions. Locally implemented projects can also help contact citizens directly and assure the inclusion of low-income households in energy cooperatives, thereby addressing energy poverty [3].

In addition, capacity-building for the municipal and regional level authorities on the assessment of the impacts that social innovations (such as RECs) have, can provide valuable information on qualitative and quantitative outcomes of citizen energy. Data-driven impact assessments especially cover the social, environmental and economic levels (such as job creation or the quantity of supplied households through an energy project). Such impact assessments can ease the decision-making processes for local authorities and can contribute to the adaptation of energy policies to local circumstances [8]. As a positive outcome, the direct communication between RECs and sub-national institutions will increase citizens' trust in political participation. **EU policymakers** should accompany this positive relationship and diversify funding opportunities for RES cooperatives and local authorities for a collaborative capacity-building [3], for instance through the European Regional Development Fund (ERDF) or the Just Transition Fund, or

further offers of the Energy Community Repository's Technical assistance¹.

National and regional policymakers should also develop indicators and objectives for the evaluation of citizen energy advancements. The introduction of national and regional citizen ownership targets can help provide concrete political ambitions and policy steps for the promotion of social innovations. Scotland, Wales, and the Netherlands can provide useful insights in this field as best practice cases [9].

STRENGTHEN EUROPEAN AND NATIONAL NETWORKS IN THE FIELD OF SOCIAL INNOVATIONS

National and European networks between RECs, energy agencies and civil society organizations in the field of RES play a major role in the dissemination of best practices for bottom-up energy transitions. Even if legal frameworks for RECs differ between Member States, RECs face comparable challenges in the implementation of their social innovation projects [5].

Policymakers at the EU level should further support the networking between RECs and other crucial players in the field to enhance the cross-border exchange of solutions and approaches that aim to include citizens in the production of renewable energies. Especially through funding opportunities such as Horizon Europe, but also through common capacity-building, transnational

networks on citizen energy can be fostered substantially.

National and regional policymakers should also facilitate the networking between RECs, local authorities and civil society actors from the field of energy and environment, e.g. crowdfunding platforms or local NGOs. Alliances between these multiple players can further raise awareness on social innovations and energy democracy and help adapting energy policy frameworks to local circumstances. At the end of the day, this collaboration may also increase the social acceptability in specific renewable energy projects.

CREATE FINANCIAL MECHANISMS AND INCENTIVES FOR THE INCLUSION OF ENERGY COMMUNITIES

The regulatory framework for RECs on the **national and the regional level** should introduce target-oriented financial incentives that foster the further expansion of energy communities. These benefits should be directed at cooperatives themselves as well as their members. **EU policymakers** should therefore accompany and support national and regional stakeholders to shape financial incentives for energy communities that are in line with EU law.

Foremost, **EU and national policymakers** should ensure stability in the energy market to attract citizen investment in energy cooperatives. This especially concerns volatile prices, but also the supply of materials needed to develop

¹ Available at https://energy-communities-repository.ec.europa.eu/support/technical-assistance_en

new solar or wind energy projects driven by citizens. The general inflation and the increase in interest rates of bank loans represent additional obstacles for the development of citizen energy projects. For this reason, policymakers need to create an economic regulatory framework in which citizen energy projects can be embedded and established.

In concrete terms, mechanisms such as higher feed-in-tariffs can significantly increase the cooperatives' profits. Therefore, such policy mechanisms should be either put in place or be renewed (e.g. in Germany the feed-in tariffs will be raised again starting in 2023).

Moreover, reduced grid costs for RECs would make citizen energy more financially attractive for households, especially for vulnerable ones. Finally, tax

reductions and other fiscal incentives for RECs are a way to support energy communities in their competition with large energy companies and to reduce financial hurdles, especially in the start-up phase.

As a best practice example, France has acknowledged the crucial role of sub-national authorities and introduced a *Bonus Participatif* in 2016. It helped to promote the financial involvement of local stakeholders in renewable energy projects since citizen projects could benefit from financial subsidies if they had applied participatory financing or investment [1; 8]. This financial bonus has been replaced by a bonus in the scoring for projects for selection in the tenders of the Ministry of Ecological Transition [10].

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