

BARRIERS AND THREATS TO THE PEOPLE-OWNED ENERGY REVOLUTION

BARRIERS TO COMMUNITY OWNERSHIP COVERED BELOW

- Inadequate grid access
- Difficulty accessing financial capital
- Problematic legal framework
- Burdensome bureaucracy and permitting

THREATS TO COMMUNITY OWNERSHIP COVERED BELOW

- The switch from support schemes to bidding systems
- Poor definition that allows for abuse
- Nimbyism and local backlash against renewable energy

INTRODUCTION

As we face the dawn of a new decade, community energy in Europe is at a crossroads. What started as a small idealist movement on energy ownership has grown in some countries to be a recognized force pushing the whole energy transition forward. Yet, in many countries, community energy faces a range of barriers and threats that blocks the potential from being unleashed.

In Germany, France, the Netherlands and Denmark a huge number of community projects are thriving and contributing to the strong growth of renewables in these countries. The concept of Renewable Energy Communities was explicitly legally recognized in the Clean Energy Package of legislation that will govern energy policy throughout the EU up until 2030. Under the Renewable Energy Directive, as part of this package, communities have been granted the rights to produce, store, sell and consume their own energy.



WHAT DO WE MEAN BY A COMMUNITY ENERGY PROJECT?

When we refer to a **community energy project** in this paper we mean any project that creates collective or public (i.e. municipal) ownership of renewable energy by a community or group of citizens. This includes both municipal projects and cooperative projects.

Renewable Energy Community (REC) is the specific legal term as defined in the Renewable Energy Directive and is also used when appropriate.

This explicit recognition and support that is being given to community ownership is in large part due to the benefits that community energy projects bring, to not only the energy system, but to society at large. Renewable Energy Communities (RECs) reduce energy poverty, raise awareness and appetite for the energy transition and bring local economic benefits. For example community owned wind farms give eight times as much local added value as internationally owned projects.

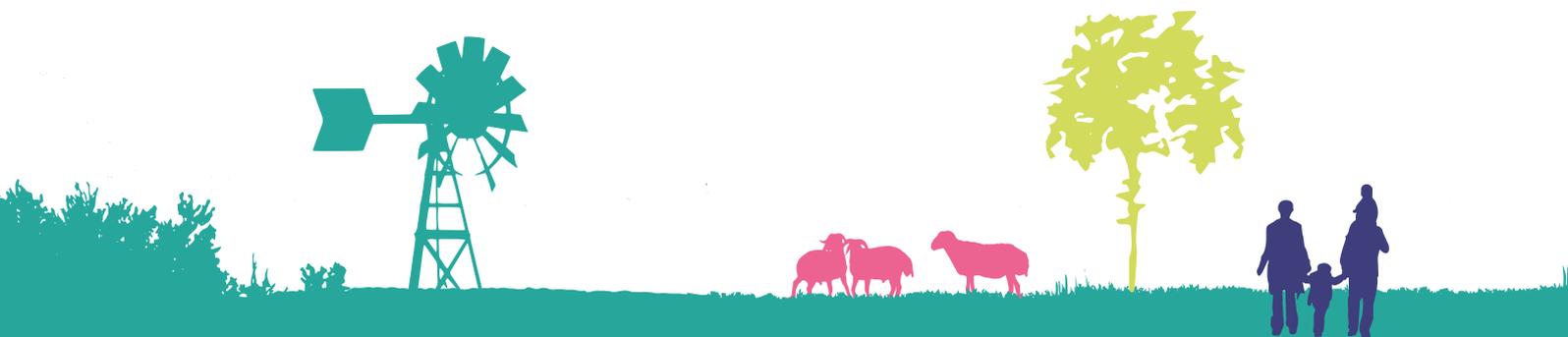
There is also an intrinsic value to groups working collectively on something and being joined together in a common aim. It is the very existence of a group who come together in an attempt to achieve something for the common good that gives value to individual members. Studies on perceptions and assessments of community transition in Germany, reported that the development of renewables has increased the communal spirit and cohesiveness between the community members. At this current moment in European history where division, distrust and extremism are re-emerging as major risks, any movement that improves trust and cooperation in society should be supported and encouraged.

However, in many countries a range of barriers and threats face community projects that wish to establish themselves. The rights given to communities by the new Clean Energy Package are much needed. Many barriers stand in the way of communities exercising these rights. Our current energy system is set up to benefit the incumbents in the energy market, these are in many cases Energy Giants who are stuck in an old-fashioned centralised model of fossil fuel production. The whole system is challenging for new actors and decentralised renewable energy to progress beyond the margins.

Community energy is sometimes misunderstood as something small and cute, but it in fact has the potential to go to large scale, especially when local municipalities and citizen groups work together. It can be seen as something for the rich elite who own property, but instead it can be for everyone. It is the rules of the game that often hold back community and publicly owned projects from flourishing.

ASSESSING THE BARRIERS TO COMMUNITY ENERGY

Member states are now required under EU law to assess the barriers and potential for renewable energy communities in their territories. (RED Article 22, Para 4). In some countries very specific barriers may exist, but the threats and barriers mentioned in this report are somewhat universal. Member states should carry out a thorough consultation with the community energy actors in their country to assess what is holding back public and community ownership. This briefing, we hope will also provide a starting point for policy makers to start to understand the barriers, how they interact and most importantly how to remove them.



FOUR BARRIERS HOLDING BACK COMMUNITY ENERGY

1. GRID ACCESS

For a community to sell their energy successfully they first need to be able to access the energy grid. But too often this access is blocked.

The energy grid system is analogous to the road network. Energy “traffic” flows on both local roads (low-tension grid) and the motorways (high-tension or transmission system). All renewable energy installations need to be able to “inject” their energy into the grid to be able to even access the energy market. It often proves very difficult for RECs to gain access to this grid because it is operated for profit by grid operators who are not required and do not see it in their interest to connect local community owned projects.

Much of Europe’s grid needs to be upgraded and grid operators are reluctant to put in place the required investment. The energy grid that we currently have is not fit for the decentralised renewable system that we need now. The regulated business model of the grid operators does not incentivise them to upgrade the asset that they own. European policy instruments such as the PCI list continue to fund fossil gas instead of supporting grid transformations. This results overall, in many parts of Europe, to a significant deterrence to new energy actors. Applications for a grid connection can take years, during which time projects cannot progress and other permits they have applied for and received expire.

THE SOLUTION: The energy grid is a “natural” monopoly, there’s only one grid and a new entry to the market is not going to build a competing one. As such it should be treated as a common asset and held in public hands and operated for the public good. City municipalities are well placed to operate their local grids and to ensure they are fit for a decentralised and locally owned energy system.

GRID ACCESS - THE IRISH EXAMPLE

In the Republic of Ireland, accessing a grid connection for a community energy project is almost impossible. The Irish system has allowed speculation to occur on grid connections. The possibility to access the grid was auctioned over the past 15 years under the GATES system. This has meant that grid connections have been bought by developers long before any project was built. A significant number of these connection offers are held by developers without planning permission and no intention to develop a project, it is clear there is physical capacity available in places. This situation renders the grid “full” before renewable energy is even flowing. Meanwhile for a community wishing to connect a local energy project, it is a gamble whether they will be able to get a connection offer at a price that is affordable; and they will be waiting in excess of 10 years for any clarity on whether or not they will ever get connected.



2. ACCESS TO FINANCIAL CAPITAL

The most basic barrier that often faces a group trying to create a Renewable Energy Community is lack of funds. This of course affects vulnerable groups in low income areas most profoundly as they simply do not have the capital to easily invest.

A new project requires funding in different amounts and forms: from the pre-planning stage through the development, investment and operation phases. A central part of the financial problem is that banks and other loaning institutions often have a poor understanding of what a community energy project is and what kind of business model is appropriate. In only a few countries are there enough projects that have successfully established for banks to have enough confidence to lend.

The other barriers mentioned in this briefing also have a contributory effect. A bank is not going to lend to a project if they suspect that they will not get grid connection or that the administrative burden will overwhelm them.

Overcoming the financial barriers requires a mix of innovative approaches and dissemination of existing instruments, such as development seed funds or loan guarantee mechanisms. In some cases a revolving fund can be created to lend to projects with a strong business plan, to be repaid with moderate interest only if they are successful; but if the project fails for some reason the loan becomes a grant and the community is not liable. A revolving fund such as this functioned very well in the UK for some time but has been discontinued due to lack of political support.

THE SOLUTION: The creation of targeted instruments that can respond to different types of community is one part of the solution. A way for small and medium sized project to access large funder such as the European Investment Bank should be considered. Another part of the solution for projects themselves is a wider collaboration with ethical and alternative banks, whose DNA makes them more receptive to the values and constraints of community projects. They are, for one thing, more readily available to follow and support smaller projects and often share the values of cooperativism.

3. A PROBLEMATIC LEGAL FRAMEWORK

Renewable Energy Communities are very different to other actors in the energy market. They play a vital and positive role in the energy transition and they deserve to be treated as such. RECs therefore need a specific legal framework. In countries where they are not recognised or specifically catered for in legislation they struggle to thrive.

Without an enabling framework, the regulations and permitting procedures that apply to potential RECs are often scattered and incompatible. Even worse, there can be laws that exist to suppress or slow community ownership of the energy system such as the so called sun-tax that existed in Spain. Until it was revoked, this law made it effectively impossible for communities and individuals to produce and use their own energy. Such a sun tax has now been made illegal under the new provisions in the Clean Energy Packages.

However the removal of prohibitive laws is just the first step. RECs need a supportive legal framework to be able to thrive.

THE SOLUTION: National governments need to put in place an enabling legal framework that promotes and facilitates the development of RECs in their national context. For many EU member states this will be completely new, and it needs to be done with appropriate consideration of the cultural and national context and in consultation with groups who are trying to establish projects already.

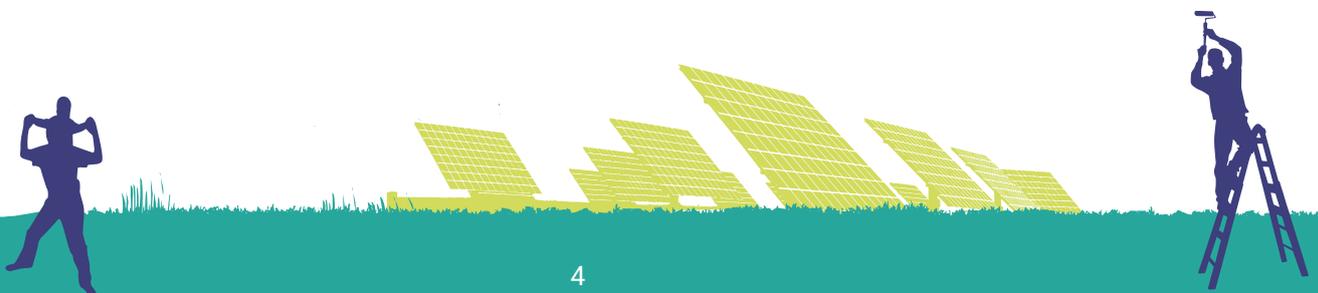
4. BURDENSOME BUREAUCRACY AND PERMITTING

Especially for new projects, navigating bureaucracy is an uphill battle. At the same time as facing the challenges of building up a new organisation, the members also have to deal with slow or unclear government bureaucracy, often applying for a series of permits from various agencies of the state.

A profound knowledge about the market status of different technologies is often necessary, as well as planning knowledge and project development skills. Projects need to apply for planning, for grid connection, and to find finance - and this often simply overwhelms the community and they stop.

Nothing takes the excitement and momentum out of a community project as fast as endless permitting procedures. Traditional energy companies know their way around the energy market and have these skills, this gives them ultimately a clear advantage in the field. Dealing with bureaucracy is something completely different for a company with their own legal department than for volunteers trying to do something good for their community.

THE SOLUTION: Community Energy projects need to have one national contact point in government where they can go for advice and support. This administrative contact point can give them all the information they need in one place and guide them through the process.



CZECH REPUBLIC: A LACK OF LEGAL FRAMEWORK FRUSTRATES COMMUNITIES

One Czech village is trying to push forward through a difficult context for community energy in Eastern Europe.

Kněžice is a village and municipality in the Czech Republic. It is also the first Czech 'energy independent' municipality. By relying on locally sourced biomass, Kněžice does not have to pay for imported coal, and can instead channel these funds into local businesses. The project has boosted the local economy and reduced CO2 emissions. It is a living testimony to how community energy can lower consumer bills, promote local businesses and reduce environmental impacts, however it is the only project of its kind in the country. The opportunity for many other villages such as this remains untapped, as the lack of legislative support prevents other municipalities from following the example of Kněžice. In fact, community energy in the Czech Republic is limited to a small number of municipal-run renewable energy projects which were all developed while there was still support for renewables in 2013.

The Czech Republic, more than doubled its renewable energy capacity between 2004 and 2013 through a generous feed-in-tariff. However, when feed-in-tariffs and other support for renewable energy were discontinued

in 2013, it marked a dead-end for renewables, including community energy. Today, there is no support for any form of renewable energy community energy or otherwise. In fact, the current legislative framework in the Czech Republic, does more harm than good, as renewable energy projects face a myriad of permitting issues this would be a challenge for any project but creates an impossible administrative barrier even for municipal projects. In Kněžice they want to install PVs on municipal buildings, but it is not possible under the current legislation. The future transposition of the Renewable Energy Directive provides hope for community energy advocates in the Czech Republic. A coalition of communities, municipality associations, mayors and civil society are now mobilizing to ensure that the transposition of the directive will remove administrative barriers and allow projects to go ahead.

In Kněžice, as in towns and villages all across Eastern Europe, communities are ready and waiting to be part of the solution to climate change but national barriers stand in their way.

THREE THREATS TO THE COMMUNITY RENEWABLE ENERGY REVOLUTION

What we consider here as threats are new and emerging problems that face community energy. Unlike the barriers mentioned above these not only limit the growth of people's ownership of energy but also threaten projects that already exist. Naturally there are connections between what can be considered a threat and a barrier, as there also is between the threats and barriers themselves.

1. THE SWITCH AWAY FROM FEED-IN TARIFFS TO BIDDING

One of the biggest threats to the growth of community energy projects in recent years has been the switch to market-based mechanisms of support. Former support schemes based on guaranteed prices ('feed-in tariffs') are now increasingly(?) being replaced by auction systems. Community energy projects that wish to receive support must bid against each other and other projects to win the financial support.

This changing policy on renewable support systems is a barrier for all renewables as a whole. However, it presses more heavily on small and voluntary organisations. When support schemes have been straightforward and consistent, community energy projects flourish. However, under bidding schemes, those projects that are being run by larger developers with a wide portfolio of projects gain a significant advantage.

The switch to a bidding system in Germany has seen a resulting crash in the number of genuine community projects starting up.

THE SOLUTION: The most obvious solution is to provide a dedicated feed-in-tariff specifically to encourage RECs. This should be well designed to prevent abuse with a robust definition of RECs (see below).

Where bidding must be used, then the auctions can be designed in a way that takes into account the local economic and social value that a REC provides to the local area.



2. POOR DEFINITION THAT ALLOWS FOR ABUSE

When recognising the special framework that community energy projects need, policy makers need to also offer a definition of what a Renewable Energy Project is. A specific enabling framework that gives extra rights and supports can't apply to everyone and it is therefore important to delineate who exactly it should apply to. This requires creating a sound definition that is not open to abuse.

This has proved somewhat of a challenge. Most policy makers have an idea of what a community energy project is. There is a feeling that 'you know it when you see it'. However if special rights are bestowed on legal entities, that creates an incentive for regular market actors to try to fit themselves into this definition and access those special conditions. Community Energy definitions therefore need to be watertight and not open to abuse. In the EU Renewable Energy Directive there is a legal definition of what a renewable energy community is (see below).

The definition of a Renewable Energy Community (REC) in the EU's new Renewable Energy Directive:

Renewable Energy Community means a legal entity:

- a) Which, in accordance with the applicable national laws, is based on open and voluntary participation, is autonomous, and is effectively controlled by shareholders or members that are located in the proximity of the renewable energy projects that are owned and developed by that legal entity
- b) The shareholders or members of which are natural persons, SMEs or local authorities, including municipalities
- c) The primary purpose of which is to provide environmental, economic or social community benefits for the shareholders or members or for the local area where it operates, rather than financial profits;

THE SOLUTION: In preventing abuse from opportunistic projects that are not genuine the third point in the Renewable Energy Directive definition is most crucial. Community projects have a primary purpose of bringing environmental, economic or social value to their shareholders or local area, rather than financial profits. Put very simply they are for community or common good, and should be protected and rewarded on that basis.

3. NIMBYISM AND LOCAL BACKLASH AGAINST RENEWABLE ENERGY

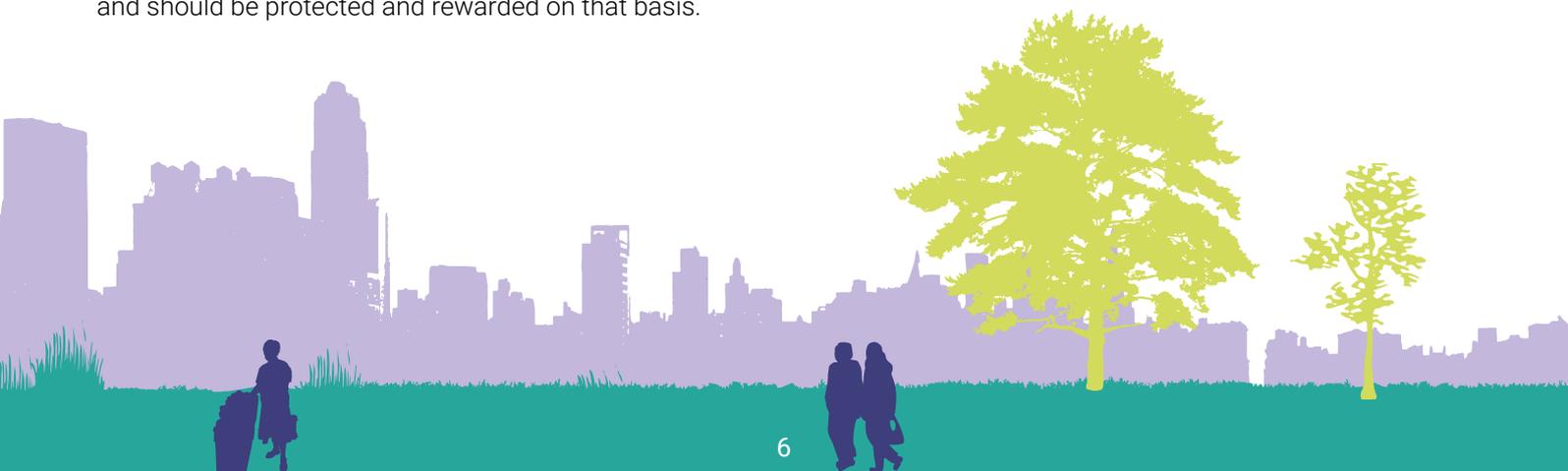
There is a continuing backlash of local resistance against renewable energy infrastructure. This tends to be focused on wind, but can also apply to solar.

In parts of northern Germany, Ireland and the UK, it is impossible to build projects simply due to local resistance. Conservative politicians promise drastic cuts to onshore wind development and it can become a divisive issue caught up in the culture wars of the urban-rural divide. This growing backlash was sadly predictable, and is partly the result of poor renewables policy. When developers come into an area and install a large wind park and extract the profit from the area, it is not surprising that local people feel resentment and distrust builds. Thus, when the next renewables project arrives in the area, opposition is already primed.

What is unfortunate is that once opposition to renewables as a concept has taken root, it is difficult to overcome. Misinformation spreads and myths and lies about wind energy in particular become popularly accepted. This exacerbates many of the other threats mentioned in this report, creating more difficult permitting procedures, weakening political resolve for creating a legal framework and so on. And local projects spend a lot of time battling lies and opposition to their project.

THE SOLUTION: Let community projects lead the transition. When renewables are associated with local and community benefits, they will be popular - as they were in the recent past in Germany. When projects are built by local institutions and groups, they provoke positive interest and support.

IN CONCLUSION, the road to the people owned energy revolution looks rocky at present. Many of the rules of the game are still set up for the big energy giants who keep Europe's energy system stuck in the old fossil ways of the past. There are communities and citizens all over Europe waiting and ready to get involved once the barriers are removed. They and their renewable energy projects just need a fair chance and they can drive the energy transition forward at the speed we need.



COMMUNITY PROJECTS IN THE GERMAN BIDDING SYSTEM

In 2017 German wind auctions the definition was very weak and many energy companies were able to insert themselves into the definition. The framework of benefits that was then available to the defined citizen energy companies were also much too advantageous. The biggest advantage was, that the defined citizen energy companies didn't need a permit and had 24 months more to implement the wind farm, if successful in the tender. This led to the situation that almost 100 per cent of all bids were from citizen energy companies, not genuine projects that were owned by and benefiting local people.

GOOD PRACTICE - THE GREEK EXAMPLE

The Greek Law on 'Energy Communities' was adopted in January 2018 and is an example of good practice in many aspects of how they define and facilitate RECs.

An energy community, according to Greek law, can exercise a variety of activities and can operate on both the heating and electricity market as long as it is based on renewable energy.

The Greek concept of Energy Communities is linked with the cooperative form, which can either be for-profit or not-for-profit. The concept is open to many forms of entity, but crucially excludes large energy companies. Depending on the actors involved, different membership quotas apply. The element of 'proximity' is transposed through the requirement that 50% plus one of the members need to be located in the same District as the headquarters of an Energy Community.

The Law also implements the governance principles of 'effective control' and 'autonomy' by imposing a cap on the amount of shares an entity can hold, as well as the democratic principle of one member one vote. In addition, the law explicitly stimulates the involvement of municipalities and vulnerable households..

Several provisions of the Greek energy law are explicitly dedicated to energy poor and vulnerable households:

- 2% of the profits need to be distributed to them;
- they can be supplied with energy from the energy community, without having to be a member or shareholder;
- virtual net-metering can be applied to cover their energy needs within the Region where the community's headquarters are located.

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