



FINANCING COMMUNITY ENERGY

PUTTING LOCAL ENERGY TRANSITION AND COMMUNITY RESILIENCE AT THE HEART OF THE GREEN RECOVERY

A POSITION PAPER FROM THE COMMUNITY POWER COALITION

The COVID-19 crisis has brought a renewed focus on local economic resilience. As policy-makers all over Europe work to revive our economies ravaged by COVID-19, we call for an economic recovery that ensures our society and our local communities are greener and fairer in the long term.

Community energy initiatives are a crucial part of the recovery. They are vital to speeding up the energy transition, delivering increased local resilience and lighting the path towards a sustainable recovery.

We welcome the support shown by the European Union towards community energy: Energy Communities are explicitly recognised and their role is acknowledged throughout the Clean Energy Package, in particular in the Renewable Energy Directive II (also referred to as REDII). We also welcome progress towards supporting Community Energy Initiatives, through tools such as cohesion funds, and the Recovery and Resilience Facility within the wider NextGenerationEU instrument.

However, a plethora of barriers still exist that slow down or block projects from succeeding and contributing to the recovery.

There are many benefits of community involvement in the energy transition, including:

BENEFITS OF COMMUNITY INVOLVEMENT

- 1. Increased support for the Energy Transition.** Strong public acceptance for the exploitations of new renewable energy sites will become increasingly important especially for wind.
- 2. Local economic development.** The development of local renewables brings local economic development to all communities and the value is more likely to remain locally as well.
- 3. Supports a flexible, secure and decentralised energy grid.** The net impact of local energy production and use on the electricity grid is positive.
- 4. Strengthens community cohesion.** When people cooperate and achieve things together in their community it increases pride, feelings of connectedness and reduces problems of alienation.
- 5. Tackles energy poverty and other local social problems.** Most community energy projects address energy poverty in some way, by helping with retrofitting or raising people out of energy poverty.



1. DIRECTING NATIONAL PROGRAMMING OF EXISTING FUNDING STREAMS TOWARDS MUNICIPALITIES FOR THE LOCAL ENERGY TRANSITION

Existing EU funding instruments such as the Regional Development and Cohesion funds, the Just Transition Fund and the Recovery and Resilience Facility provide good opportunities to support local renewable and energy efficiency projects. Part of these funds should be directed towards local and decentralized energy development. For example there is more than 370 billion euro available as part of this current round of regional development and cohesion funds, and the support of community energy is an encouraged objective of the fund. This is currently being programmed by the national and regional governments. National and regional governments should use the maximum amount of these funds to support cities and local governments to encourage the development of local renewables. DG Regio must ensure that Member states and regions are planning to support local renewable developments on this level.

2. CREATING NATIONAL OR REGIONAL ONE-STOP SHOPS

It is vital for projects to have a single contact point that they can go to to access information and tools for finance. This can help overcome many barriers all at once, including administrative and regulatory burden. These one-stop shops should mainly be on a national basis although for some federal countries they might work better on the regional level. These one-stop shops will help the projects to develop their project business plan, to connect with similar initiatives, to apply for permitting, and build their capacity. They can also support Renewable Energy Communities in applying for EU financing for further support, or directly to a revolving fund.

3. SETTING UP AN EU LEVEL ENERGY COMMUNITY FINANCING FACILITY

The Commission should set up a financing facility for community energy projects, based on the EU City Facility as a model. Renewable energy communities could apply for funding from this facility to develop the concepts of their clean energy projects in their respective territories.

Key is that the facility also offers capacity building, both initially and throughout the project realisation process to give the project an additional chance of success. The facility should give grants for feasibility studies or planning. This could be accompanied by communities of practice on standardisation, bundling projects and aggregation. The goal should also be to generate and anchor financial skills within the energy communities, this can be facilitated by peer-to-peer communities of practice and working groups. Most important is that such an EU facility or initiative would share best practice and build capacity of national level one-stop-shops that should form part of the enabling framework for RECs.

4. ESTABLISHING REVOLVING FUNDS OR SIMILAR TOOLS TO ACCESS CAPITAL

Once a community energy project has a solid business plan and has successfully carried out a feasibility study, they need to access capital to buy the equipment. This could be done by raising money from members, accessing a loan from a bank or cooperative lender, but sometimes these options are not available. A good option is a European level revolving fund. The model for this is that projects get a low cost loan which becomes a grant in the circumstance that the project does not progress to become financially stable, but is repaid if the project succeeds. Access to this revolving fund can be facilitated by the REC facility and the national one-stop shops mentioned above.



5. PROVIDING EASIER ACCESS TO EFSI AND EIB INVESTMENT TOOLS

In order to facilitate access to the European Fund for Strategic Investments (EFSI) investment tool, it should be possible for small municipalities, cities, islands, SMEs and energy communities to pool their sustainable energy projects. The European Commission and the European Investment Bank (EIB) can help these local players with the financial engineering of their projects need. Access to EFSI and other EIB tools (e.g. JASPERS) can also allow smaller local players to raise money from local citizens, banks, and pension funds. We recommend specific support for bundling schemes for community energy projects to facilitate access to this type of financing facility. Additionally, funding streams need to be small enough and run over a long enough period to be easily usable for community energy.

6. ENSURING STATE AID RULES DO NOT BLOCK DIRECT FINANCIAL SUPPORT TO COMMUNITY PROJECTS

The current revision of the state aid guidelines (EEAG) and the General Block Exemption Rules (GBER) is an opportunity for the Commission to concretely support local communities. Energy communities must benefit from specific and dedicated public support mechanisms (e.g. feed-in-tariffs) due to the economic, social and environmental benefits they provide to the local level in Europe. The energy transition is an urgent objective for the public and social good and State Aid rules should not hamper member states in their attempts to create a climate safe future.

7. DIRECTING RURAL DEVELOPMENT FUNDS TOWARDS COMMUNITY ENERGY

Funding streams that are aimed at revitalising rural areas should recognise the vital role that local rural energy projects can play in this. In 2018 the European Court of Auditors warned that the EU could do more to link its renewable energy policies with rural development. The auditors concluded that countries are either not using the funding to prioritise renewable projects or are investing in schemes with very little impact on rural areas as a whole. Revitalisation of rural communities is an objective where local renewables development has a key role to play.

CONCLUSION

There is no one silver bullet to solve the financing challenge of the citizen-led energy transition. However with the right enabling framework of policies, community energy projects can flourish in every corner of Europe. With citizens and communities in the driving seat, Europe's energy transition can be swifter and more popular. Without them it risks stagnation and failure.

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