Briefing: Public Financing Opportunities for Energy Communities in Europe

Introduction

The objective of this report is to provide an overview of the development of public financing programs (Cohesion & Recovery and Resilience Funds), in their support to energy communities. Our goal is to provide clarity on the state of play of public finances to community energy organisations, and managing authorities. This report covers 12 countries that were selected based on the capabilities of the CEE Bankwatch and CAN-EU networks, and the availability of information as of the day of publication. This report will explore to what extent Cohesion and Recovery and Resilience policy programs are supporting the development of energy communities in the respective countries. We took a broad approach to energy communities considering both European definitions: Citizen Energy Community (CEC) and Renewable Energy Community (REC)[1]. The present briefing provides a preview into an upcoming, in-depth analysis of 14 Member States and their progress in allocating dedicated funding through various public financing programs, including Cohesion, Modernization, and Recovery and Resilience funds (and the REPowerEU chapters), with a future potential extension covering Just Transition funds. This work will be presented through an interactive tool in the REScoop.eu website, akin to its transposition tracker[2].

State of Play

In the table below, we have grouped countries across three colour-coded categories representing the financing programmes' ambition (red - orange - green). This highlights their progress in earmarking funds within cohesion funds Operational Programs for energy communities. Since the latest analysis by REScoop.eu and CEE Bankwatch Network on the topic[3], progress has been made across several Member States in integrating energy communities in their programs. The major hurdles we had previously identified, such as the lack of effective transposition by Member States, as well as the lack of community engagement and potential of corporate capture[4], all persist today.

[1] https://energy.ec.europa.eu/topics/markets-and-consumers/energy-communities_en
[2] https://www.rescoop.eu/transposition-tracker
[3] https://www.rescoop.eu/toolbox/cohesion-programming-for-energy-communities-a-long-road-ahead
[4] We broadly define corporate capture as a phenomenon whereby non-citizen entities (mainly medium and large sized businesses) set up closed energy communities with the purpose of delivering private profit, rather than social and environmental benefits

Colour Code	Justification	Countries
	We found very limited, or no mentions of energy communities or related concepts in the analyzed operational programs. In these limited mentions, energy communities are not defined as per EU legislation. National authorities are so far neglecting the crucial role that energy communities could play in democratising the energy system and expediting the transition away from fossil fuels.	Bulgaria, Estonia, Romania,
	Energy communities are mentioned in the analyzed operational programs, albeit either with a limited scope of target actors and activities, or in general with very little detail around how the funding will be operationalised. Energy communities were clustered amongst many other targets, thus missing the opportunity to specifically support their development. This approach is still not in line with EU legislation, which explicitly calls for the creation of dedicated enabling frameworks and support schemes for energy communities. Another prevailing risk among the analysed Member States clustered in 'orange' is the potential of corporate capture due to 1) a misguided definition of energy communities, and/or 2) siloed selection of benefiting stakeholders (for example earmarking funds for energy communities consisting only of businesses). This is a clear violation of EU definitions which describe energy communities as open and voluntary entities, whose primary purpose is to deliver social and environmental benefits, rather than financial profits. Finally, in some countries we note an important disconnect between national-level and regional-level programs, with differing levels of support and different definitions for energy communities.	Hungary, Latvia, Poland, Greece, Czech Republic
	Member States included energy communities across different operational programs, at national and regional levels,	Slovakia, Italy*, Spain* (specifically for Italy

	with specific measures designed around their specific needs and unique characteristics. The programs target open, multi-stakeholder energy communities that include citizens, and are open to eligibility for a wide range of activities, thus conforming with the EU definitions of CEC and REC. This approach fulfills the objectives and requirements of EU funding guidelines.	and Spain this is a preliminary assessment and our rankings may evolve as we collect more information from respective Member States, in particular concerning the eligibility of multiple stakeholders)

Zooming in on the Recovery and Resilience Funds (RRF)

Parallel to our analysis of the National Cohesion Funds we examined the RRF plans of Greece, Spain, Italy, Portugal, the Czech Republic, Poland, Slovakia, Estonia, Romania, and Latvia. In the cases of Greece, Spain, and Italy, all had references regarding energy communities in their plans, thus aligning their strategies with Cohesion Funds. The Czech Republic and Poland envisaged investment opportunities within the scope of the RRF, while noting very limited progress within their respective Cohesion Funding Programs (see table above). National authorities should *systematically* include targeted funding for energy communities, thus creating *consistency* and alignment across different programs. Portugal has extensive references to energy communities in its Recovery and Resilience Plan, but our analysis on Cohesion funds is still ongoing.

Good (Financing) Practices

Across the analyzed countries we observe a diversity of public & private initiatives and collaborations to finance energy communities. The following examples provide a snapshot of functional and replicable financial models that managing authorities could emulate.

Revolving Funds for Energy Communities - Energie Samen, Netherlands

The lack of access to financing and specifically the re-risking of early investments, is a key barrier to allow for the development of energy communities. In 2015, the Dutch government recognised the need to rapidly transition the country's energy system. The Netherlands indeed had significant challenges ahead. These included a lack of available lands, a high dependency on natural gas, and an aggressive market which was built on large corporations pursuing a profit-oriented vision of the energy sector. In order to tackle those barriers, and to scale a community-driven transition, the government has implemented several key policy initiatives, including a robust financing infrastructure dedicated to community energy projects.

In 2021, the Dutch government, supported by EnergieSamen (the Dutch federation of citizen energy cooperative), established several financing tools dedicated to energy communities. EnergieSamen is systematically involved with the support of banking partners to manage those funding instruments.

The Development Fund (DF)

The Development Fund[5] is dedicated to financing the early-stage development for wind and solar production projects, which are owned and developed by cooperatives in the Netherlands. The tool is meant to finance pre-development and development costs, which are often the most risky yet lowest cost of the project development. The fund works according to a "no gain, no fee" principle, also called a "loan to grant" scheme. Cooperatives can apply to get a loan from the fund to finance those early-stages. If the project is indeed successful, the cooperatives will reimburse the investment made by the fund, with interest. If on the other hand the project is unsuccessful for reasons outside of the control of the cooperative, the loan will be waived.

Since its establishment in 2021, the fund today represents 12 million euros of public money. Those funds are split at 50% between the budget of the Dutch federal government (ministry of the economy), and 50% from provincial funds from 4 of the 12 country's provinces. The fund is therefore active, and finances projects only in those provinces. The development fund has triggered a potential additional 100 million euros of debt financing in projects from ethical banks, however none of the projects currently funded reached financial close, as the scheme is still at an early stage. The fund has supported 23 projects across the 4 funding provinces.

The development fund was developed through a partnership signed by the Federal Government, the Green National Fund (NationaalGroenFund - NGF) and EnergieSamen (ENS). This partnership describes the responsibility and modalities of loans for this tool.

The NGF is tasked with controlling the fund, as it is working with public money. EnergieSamen is tasked with managing the funds, and assessing potential investments. In order to do so, ENS is assessing the success rate of projects based on 4 stages of pre-development. They are offering capacity building to project owners and overseeing key project development milestones.

A key lesson to be drawn here is that public financing can help de-risk the first project stages of (new) energy communities, helping them to build up their project portfolio. This will also help cultivate more awareness and trust between the community energy sector, and private financial institutions.

[5] https://energiesamen.nu/pagina/77/ontwikkelfonds-voor-energiecooperaties

(Social) Tendering Designed Around Energy Communities - Italy

The National Recovery and Resilience Plan of Italy earmarks 2,2 billion euro in support for energy communities, setting a target of 2,500 Gwh of clean, community-led energy produced in Municipalities with less than 5000 inhabitants. These funds are further devolved to local Regions and Municipalities. As highlighted in REScoop.eu's procurement guide, local authorities should target energy communities when designing tenders by using social criteria[6]. The Lazio region stands out in the holistic support it offers to energy communities[7] consisting of: 1) awareness raising and facilitation of events for the creation of new energy communities. 2) one million euros in support for feasibility studies and legal costs, subdivided into 100 grants. 3) 20 million euros in grants earmarked for new project installations.

Translation of the criteria, sub-criteria and scores – Call for application Lazio (IT)

Criteria	Sub criteria	value	Score of the sub-criteria	Score max for criteria
1) Size and organizational structure of the REC	Number of subjects involved	From 2to 7	5	30
		From 8 to 20	10	
		Above 20	15	
	Citizens participation (families)	yes/no	3	
	SMEs participation	yes/no	3	
	Local authorities participation	yes/no	3	
	Other actors participation (associations, etc.)	yes/no	3	
	REC registered	yes/no	3	
2) Energy benefits	New installed renewable energy (RE) capacity (kW)	Up to 50kW	8	40
		Between 51 an 200 kW	14	
		More than 200kW	20	
	Projected size of coverage of the actual consumption by the installed new RE capacity (%)	Up to 10%	8	
		Between 11 and 30%	12	
		Above 30%	20	
3) Social benefit	Participation in % from all members of the REC of the families with conditions of economic disadvantages (number of families), physical disadvantages (number of families), young couples up to 35 yeas old.	Up to 10%	10	30
		Between 11 and 30%	20	
		Above 30%	30	

Credit: CEE Bankwatch Network

[6] https://www.rescoop.eu/toolbox/procurement-guide-for-community-energy. Page 27 specifically zooms into what these criteria could look like.
[7] https://www.lazioinnova.it/bandi/avviso-pubblico-per-la-realizzazione-di-studi-di-fattibilita-tecnico-economica-delle-comunita-energetiche-rinnovabili-nel-lazio/

In addition, the selection criteria for tenders is multifaceted, including: a) multi-stakeholder participation in the energy community (local authorities, small and medium-sized enterprises (SMEs), citizens, associations, and other entities), b) total installed capacity and % capacity allocated to self-consumption, c) participation by people suffering from energy poverty, or otherwise financially disadvantaged households. This program is unique in ensuring that public funds reach energy communities, as it actively encourages broader inclusion of (disadvantaged) stakeholders, and community building. Finally, it should be noted that support schemes for renewable energy communities, such as exemptions from tendering and feed in tariffs, are in line with the Commission's updated Climate, Energy and Environmental Aid Guidelines (CEEAG)[8].

A key lesson to be drawn here is that support schemes, much like tenders, should be designed specifically around energy communities, while the setting of strong social criteria can ensure that only genuine, citizen-led communities will benefit from the process.

Citizen-led financing models - Greece

When there is a lack of dedicated public financing programs, EU citizens organise from the bottom-up, offering grassroot solutions to democratise the energy system. Genervest is designed to catalyse, accelerate, and democratise the transition towards renewable energy – giving back the control of the energy sector to a broader section of society, to mitigate and stop climate change. Genervest refers to Genervest SA (based in Greece), Genervest SCE Limited (Based in Croatia), Genervest BV (Based in the Netherlands), Stichting Genervest (Based in the Netherlands), the Website, and the Platform. Genervest operates currently under the SCE - European Cooperative Society - legislation and it is expecting to be an European Crowd-funding Service Provider (ECSP) compliant via Genervest SA in 2023. Genervest is currently raising funds for energy community projects; it has so far successfully financed 3 community solar PV projects in Greece, and Africa (Burundi). Through the platform, citizens can invest in renewable energy projects with a secure and attractive return on investment, thus creating a bottom-up alternative financing model for energy communities. In 2023, Genervest is becoming a European Crowdfunding Service Provider under the ECSP regulation[9]. This will allow Genervest to finance energy communities across Europe, providing them with a new financing vehicle that will be fully transparent, decentralised, inclusive, and interoperable to all European citizens. A truly citizen-led financing alternative.

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[8] https://www.rescoop.eu/toolbox/how-can-the-state-aid-guidelines-help-energy-communities-address-the-energy-crisis

[9] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52018PC0113

A key lesson to be drawn here is that direct dialogue with energy communities can help managing authorities better understand their needs and challenges, so that they may tailor support schemes around these communities' unique characteristics. National Authorities should also ensure that there is legislation in place that allows for innovative (citizen-led) financing instruments, such as in this case crowd-investment.

Moving Forward

As the shockwaves of the war in Ukraine and the energy price crisis are still reverberating, European policymakers and citizens are scrambling for long term solutions to achieve strategic (energy) autonomy. Energy communities are well placed to deliver energy sufficiency and security, boost local economies, and accelerate the renewables transition. Our research shows a positive trend: energy communities are receiving growing recognition across several European and national funding programmes. This creates an unprecedented opportunity to place citizens, SMEs, and municipalities at the forefront of a just energy transition. The REPowerEU chapters that Member States are adding to their Recovery and Resilience Plans presents another important opportunity to democratise energy. As per the Commission's updated guidelines in February 2023[10], Member States should design concrete support schemes for energy communities as a vehicle to tackle energy poverty. Since they are primarily community driven, many energy communities have developed poverty alleviation programmes, using profits from renewables projects to support vulnerable households.

To design effective and inclusive financing schemes for energy communities through Public Financing Programs, we recommend the following:

- **Effective transposition**: As many countries still have not finalised defining Renewable Energy Communities and Citizen Energy Communities, there is a severe possibility of misallocation of funds and corporate capture. Public finance should only be targeted towards RECs (and CECs) that are citizen-led, open and voluntary, and whose main purpose is to deliver social and environmental benefits, not profit - as per existing legislation.

- **Designing *for* energy communities**: Given their unique characteristics, public financing programs should consistently and systematically include energy communities as separate targets, providing support for a wide range of activities

[10] https://commission.europa.eu/publications/guidance-recovery-and-resilience-plans-context-repowereu_en

(as defined in the EU Directives). To maximise social and environmental impact, preferential support should be given to energy communities fulfilling certain social criteria (like a minimum number of citizen participation, the inclusion of people suffering from energy poverty and disadvantaged households, and/or self-consumption and other not-for-profit projects). Building on the Italian example, support towards energy communities should be multifaceted, including administrative, technical, legal, and direct-financing support if it is to be successful.

- **Transparent and decentralised financing:** for public finance to be truly effective, transparency and multi-stakeholder active participation is key. National authorities should decentralise and delegate the financing process, with the active involvement of local and regional authorities. Citizens should be able to keep track of emerging national financing opportunities, and hold national authorities accountable for the timely and transparent disbursement of relevant funds.

- **Monitoring:** Operational Programs should be dynamically and systematically reviewed by the Commission (DG-REGIO), in collaboration with national Monitoring Committees to ensure that funding is transparently spent, and that it actually reaches its intended beneficiaries, i.e. energy communities, as defined in the Electricity Market Design (EMD) and REDII Directives.

The unprecedented flow of public financing creates a unique window of opportunity to supercharge the renewable democratisation of the energy transition. The next step of this research project is the creation of a detailed tracking instrument which will allow community energy stakeholders and decision-makers alike to quickly and transparently scope the availability of public funds in each Member State. The goal is for this tool to bridge potential financing gaps, facilitate knowledge sharing, and increase accountability.