



Advancing Renewable  
Energy Communities

## INTRODUCTION

# Renewable Energy Communities – Are we nearly there?

Community energy has come a long way in Europe and is promising to become a backbone for a more decentralized and flexible Energy Union in which citizens increasingly play an important role. Enshrined in the **Clean Energy Package** and especially in the revised **Renewable Energy Directive** (RED II), community energy and collective self-consumption should now receive a boost. While the **Internal Electricity Market Directive** (IEMD) with its relevant provisions on Citizen Energy Communities (CECs) already had to be implemented until December 2020, Member States still have until June 2021 to transpose the European legislation for Renewable Energy Communities (RECs). This includes establishing enabling frameworks allowing energy communities to become active and unrestricted players in the energy markets. This process, however, is proving to be tough and not every Member State is equally ambitious in implementing these regulations. This is due to many factors and reflects the different interests between policy makers, energy market regulators, energy suppliers and other market actors.

Some countries, traditionally forerunners of community energy, now lag behind those who have started later. These are proving to be innovative and more resourceful

when it comes to promoting community-based energy approaches. While REDII and IEMD reflect an overall consensus at Member State level, the reality of transposition and implementation is much more complex and depends on a lot of socio-political as well as technical conditions. We can therefore expect that there will be diversity in enabling frameworks, but it remains to be seen whether this will create hindrances for a swift enhancement of community energy as part of an integrated Energy Union.

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A recurring concern by electricity market regulators is that RECs could lead to an unfair distribution of costs and that introducing decentralized community-based approaches is bending the rules of existing market logics. Their slow development seems, however, striking when considering the overall merits which RECs bring to the energy system and society in general.

#### RENEWABLE ENERGY COMMUNITIES:

- can help raise local acceptance of renewable energy technologies.
- raise private capital to finance projects and circle financial and social value back to the local community.
- facilitate more choice for consumers and greater participation in the energy transition.
- unleash the potential of renewable energy technologies in urban as well as rural regions.
- facilitate closer participation of local stakeholders, especially local governments.
- can delay grid expansions as they help balance supply and demand locally (thus reducing peak loads).
- promote the upscaling of smart technologies increasing overall system flexibility and can even contribute to local autarky.

The benefits of RECs appear self-evident if Europe is ever to achieve a citizen-centred energy transition in line with the European Green Deal and the Clean Energy Package. Still, there exists considerable discrepancy between Member States on, if and how RECs should be actively supported.

This brief is **primarily targeted at policy makers engaged in the transposition and implementation process**. It provides a snapshot of where Member States currently stand and inspires through good examples.

At the time of writing Member States still have some time to adjust regulations before the deadline in June 2021. This brief is equally a **call on the European Commission** to be critical in its review of Member State's transposition processes, perhaps even more so than during its previous review of the NECPs.

#### WHERE DO WE CURRENTLY STAND?

The relevant EU legislation (RED II (Art. 22 and IEMD Art. 16)) provides a number of requirements on how greater citizen participation should be facilitated. As a common denominator, EU legislation requires that community energy presupposes **open, voluntary participation** of citizens, small or medium enterprises and local authorities. Energy communities should be based on democratic principles, where control and decision-making are distributed among the members with the main objective to provide social, environmental or economic benefits for the local community. Member States are required to carry out an assessment of the barriers RECs are facing and the potential for their development, to ensure that they can compete with other market participants on an equal footing and to create an enabling framework for RECs.

The COME RES project has carried out an initial **assessment of the current state of transposition** of relevant provisions for RECs contained in RED II in eight EU Member States plus Norway, and found that there are significant differences in how this is being approached.

The table below gives an overview of where Member States stand regarding the transposition of a number of key provisions and requirements referring to RECs.



	BE*	DE	ES	IT	LV	NL	PL	PT	NO
Is there a legal definition of RECs?									
Is the definition of RECs in compliance with RED II?									
Are final customers, in particular household customers, entitled to participate in a REC?									
Are RECs legally entitled to produce, consume, store and sell renewable energy and share, within the REC, renewable energy that is produced by the REC?									
Does/did the national or regional government(s) carry out an assessment of the existing barriers and potential of development of REC?									
Does the government provide an enabling framework to promote and facilitate the development of REC?									
Does the government take into account specificities of REC when designing support schemes in order to allow them to compete for support on an equal footing with other market participants?									

\*Flanders

sufficiently transposed  
 partly transposed or transposition ongoing  
 no or insufficient transposition

Not all of the EU criteria appear to be met by Member States, in some cases an enabling framework is missing completely. Naturally, the discussion around such enabling frameworks is complex and has to balance out the interests of many different energy market actors, regulators and political views.

Amongst the countries analysed, Italy has made the most progress in transposing and implementing the provisions of RED II that apply to RECs. Germany, despite its long-running lighthouse position in the global energy transition, being one of the pioneers in the field of community energy, has made comparatively little progress so far. **Italy and Belgium (Flanders) are the only countries to have either fully or partly addressed all of the requirements.** The Netherlands, Spain and Portugal have generally made good progress, but all three have RED II provisions which have yet to be transposed and implemented. In Latvia, the preliminary drafts and amendments to relevant laws in principle contain the definitions and rights of RECs, however many details are unspecified. In Poland, while an assessment of barriers has been carried out, the remaining requirements are only partly addressed or not addressed at all. In Norway the requirements of RED II do not apply directly, but the country is far behind what would be required.

While all nine countries are to some extent ensuring that final customers are entitled to participate in RECs,

**none of these countries have yet fully developed an enabling framework<sup>1</sup> to promote and facilitate the development of RECs which satisfies the minimum requirements listed in REDII.** In several countries there are promising developments at the sub-national levels. In Germany, a number of federal states have set up measures to enhance community energy including citizen energy funds in Schleswig-Holstein and Thuringia (under development) or dialogue and networking platforms for community energy and energy cooperatives (North Rhine- Westphalia).

**None of the analysed countries have sufficiently considered the specificities of RECs when designing support schemes.** Currently, collective energy actors are often required by national regulators to adhere to the same red tape and administrative hurdles as larger energy market actors. This is highly questionable and is not reflective of the broad consensus that RECs have a special place in Europe's energy transition to foster public acceptance. They must be supported accordingly.

Currently, Spain, Italy and Portugal have enshrined a **legal definition of RECs** into national law. In Belgium, Latvia and the Netherlands such a definition is currently being drafted or under review. No legal definition, that complies with EU law, yet exists in Germany, Poland and Norway.

<sup>1</sup> RED II goes in depth into what an "enabling framework" should mean. An overview can be found in the [abovementioned report](#).



**GOOD EXAMPLE:**

In Spain, article 4 of the Royal Decree-law 23/2020 defines RECs as legal entities based on open and voluntary participation, which are autonomous and effectively controlled by partners or members who are located near the renewable energy projects owned by the legal entity. The primary purpose of a REC is to provide environmental, economic or social benefits to its partners or members (individuals, SMEs or local authorities, including municipalities) and/or to the local areas where they operate, rather than financial gains.

It can be expected that similar legal definitions will be established in other countries over the next months. Care needs to be taken not to rely on older definitions which are no longer compliant with RED II.

RED II requires Member States to **ensure that final customers, in particular household consumers, are entitled to participate** in a renewable energy community, provided that their participation does not constitute their primary commercial or professional activity. Such rights can be considered as mostly granted, at least implicitly, in all nine countries at focus in COME RES.

**GOOD EXAMPLE:**

The Portuguese NECP refers explicitly to the importance of energy communities to contribute to national RES targets. The promotion and dissemination of decentralised electricity generation from RES and energy communities are mentioned as particularly relevant for the achievement of RES targets on solar PV. Energy communities are actively acknowledged as contributing to national targets to increase participation of consumers in the energy system and to reduce energy poverty. Tax exemptions for renewable energy communities (incl. exemptions from fixed costs with electricity transmission and distribution infrastructure) are also mentioned.

**BAD EXAMPLE:**

In Germany, RECs as defined in RED II have no explicit equivalent in German law. Since 2017 there exists a definition of “*citizen energy companies*”, but it is limited to wind energy without an equivalent for the other RES, or the heating/cooling sector. The scope of eligible actors forming a citizen energy company is broader than in the case of a REC as defined by RED II, and the rights and possible activities of RECs specified in Art. 22,1/2 are not explicitly defined in German law.





## ARE TARGETS BEING SET?

Although not explicitly requested by RED II, the Governance Regulation encourages Member States to specify additional national trajectories and objectives. These include dedicated targets for RECs. Currently, none of the final NECPs contain quantitative trajectories or objectives for REC development. Only Italy, is hinting at the possibility to set such targets. The Italian NECP emphasises the country's **investment in the development of self-generation systems and the development of energy communities**, noting that a study is currently underway that will contribute towards a better definition of achievable targets and the most appropriate policies. The Dutch NECP refers to the goal in the **2019 Climate Agreement** of **50% local ownership** (citizens and businesses) of onshore RES projects by 2030. Spain at least acknowledges the importance of community energy and so does Portugal. In the latter case the trajectories for the electricity sector indicate an increase in decentralised PV from 0.5 GW in 2020 to 2.0 GW in 2030. The Polish NECP contains a goal of further developing RES-based micro-installations (notably prosumer installations) in the electricity sector in the period 2020-2030.

Establishing clearly defined targets and objectives nationally and at the regional level can help **signal political commitment** to the development of RECs and guide the development of enabling frameworks. Clearly defined targets could moreover help **monitor the progress in developing RECs going forward**.<sup>2</sup>

At a regional level, target setting for community energy is more common.

<sup>2</sup> Petrick et al. 2019 Principles for Prosumer Policy Options. Recommendations to strengthen prosumers and energy communities in NECPs and other EU, national and local policies. [www.proseu.eu](http://www.proseu.eu)



### GOOD EXAMPLE:

Since December 2020, the **Local Energy Plan in Flanders** states that by 2030 there should be one extra cooperative/participative RES project per 500 inhabitants, with a total of 216 MW installed capacity which means 12.000 additional projects. Public buildings, properties and infrastructure will be made available to cooperatives for solar, wind and energy-efficiency projects. Municipalities will buy the green electricity and cooperative projects will install, finance, monitor and control the installations. After 20 years, the installations become property of the municipality.



### GOOD EXAMPLE:

Article 49 in the Balearic Law 10/2019 states that the public administration will encourage local participation in RES installations and promote empowering citizens, local RECs and other civil society entities to promote their participation in the development and management of RES. It is compulsory for projects above 5MW to open themselves to investment from neighbours. The government of the Balearic Islands will create a land exchange where owners can make land available for the development of RES energy projects.



## WILL COMMUNITY ENERGY RECEIVE “SPECIAL TREATMENT” IN SUPPORT SCHEMES?

The variety of different remuneration and support schemes for renewable energy projects can be overwhelming. RED II envisages that **Member States shall consider specificities of RECs when designing support schemes in order to allow them to compete for support on an equal footing with other market participants.** To that end, Member States should take measures such as providing information, providing technical and financial support, reducing administrative requirements, including community-focused bidding criteria, creating tailored bidding windows for renewable energy communities, or allowing renewable energy communities to be remunerated through direct support where they comply with requirements of small installations.<sup>3</sup>

Countries, represented in the COME RES consortium, currently have no specific regulations for RES communities in place which comply with these requirements. Currently, only the two COME RES target regions Limburg and West-Flanders anticipate specific regulations with privileges and requirements.

The general trend in Member States and Norway seems to go towards remuneration through auctioning schemes in which the lowest bidders receive the go-ahead. All of these countries have had national renewable electricity support schemes in place, but these have been or are being phased out. Auctioning for larger RES projects appears to be the most favoured option since the resulting market-competition can lead to lower electricity prices per kWh.

However, there is overwhelming evidence that purely **auction-based remuneration leaves smaller/community actors at a huge disadvantage.** This is because the participation in such schemes requires too much professionalisation, transaction costs and risk-bearing. Most existing and planned regulations and support schemes also do not take RES communities into account, but relate to household or commercial

### GOOD ENOUGH?

In its assessment of the German NECP, the European Commission implies that the country's regulatory framework for RECs supports their development. Reportedly, the regulatory framework ensures that participation in RECs is open to end consumers in a non-discriminatory manner, and the non-discriminatory access of RECs to existing support schemes. However, in reality, community-based wind energy projects are facing considerable challenges, despite the uniform pricing privileges provided to them (as citizen energy companies) under the auctioning scheme. The administrative burdens are just too large for community actors to carry, and an equal playing field is nowhere to be seen. Surely, the German support scheme cannot be considered as being non-discriminatory based on such evidence.

electricity prosumers. This means that citizens, small and medium enterprises or local authorities that want to initiate RES community energy initiatives need to invest considerable time to understand what regulations apply and where one might seek support (if support schemes are available).

Currently, it seems that most regulatory support will be based on activities to be performed in the energy market, and not on the identity of the specific actors that engage in these activities. This means that free market competition rules would still apply to energy community actors.

<sup>3</sup> (RED II, recital 26)



## WE ARE NOT QUITE THERE YET

It is clear that the current conditions for renewable community energy in the COME RES countries are **still challenging**. While important progress is being made, most regulatory frameworks and relevant support schemes are not yet designed with community energy in mind. Current support schemes aim mostly at promoting renewable energy in general (financed through the energy market)

rather than being specific to renewable energy communities. None of the final NECPs currently contain any quantitative trajectories or objectives for REC development. In order to ensure that RECs are mainstreamed to their full potential, national legislations still need to **properly adapt to the provisions of RED II, create concrete targets for community energy and set up the right enabling frameworks as well as support schemes** which are conducive to renewable energy communities.

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### Partners

