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Advancing Renewable Energy Communities

## INTRODUCTION

# Things are moving, let's speed up!

Despite the transposition of the legislation pertaining to Renewable Energy Communities (RECs) and Citizen Energy Communities (CECs) progressing only slowly, we can observe **plentiful and substantial activities** being set in motion in those countries where national authorities have introduced provisions for energy communities. While many projects existing today are pilot sites profiting from and operating in regulatory sandboxes, it is clear that all over Europe, local authorities, citizens, SMEs and other energy market actors are starting ambitious projects in anticipation of the currently developing national enabling frameworks.

There are many reasons for the slow implementation of the European rights into national legislation, not least attributed to changes in government, but also to the fact that **energy communities touch upon several different areas of regulation**, in particular on consumer protection and infrastructure rules, including supplier and network charging arrangements. The diverse roles which energy communities can (rightly) take up, including acting as energy supplier or service provider, fall under the competence of electricity market regulation and go beyond REC and CEC frameworks. Consequently, national regulatory authorities pay particular attention when introducing new business and organisational models and service provisions that

imply increasing the complexity of the energy market. Considerations around new market roles, the complexity of network tariff design, as well as data protection and cyber-security requirements also need to be considered.

However, **the complexity of the energy market cannot be used as an excuse to further delay swift transposition of RED II**; not doing so would continue to hinder the

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business model of already existing energy communities and slow down the emergence of new communities which use the provisions of RED II as their basis. Fortunately, since the previous **COME RES assessment**, several Member States have moved ahead. This policy brief presents insights into the current state of affairs regarding transposition in COME RES countries and specifically Germany, Italy, Belgium and Spain. Detailed assessments of the progress in all COME RES countries will be forthcoming and further insights can also be accessed via the transposition trackers published by project partner [REScoop.eu](https://rescoop.eu) as well as on the **European Community Power Coalition** website.

## GERMANY

Two months after the general elections, Germany's prospective "traffic light" coalition of Social Democrats (SPD), Free Democrats (FDP), and the Green Party unveiled its coalition agreement. Entitled "Daring for more progress - Alliance for Freedom, Justice and Sustainability," the agreement envisages a coal phase out "ideally" to be achieved already by 2030, while keeping the planned nuclear exit by 2022 on track, and a massive expansion of renewable energies. The agreement also sends out promising signals to RECs.

The new government plans to increase renewable energy capacity to reach 80% of the country's electricity mix by 2030. To achieve this target, 2% of the land area shall be reserved for onshore wind power. Presently, 0.9% of the territory has been reserved for wind energy. **The agreement also envisages that municipalities benefit financially from wind turbines and larger ground-mounted solar plants on their territory in an appropriate way.** Where wind farms are

already in place, it must be possible to replace old wind turbines with new ones without a major approval procedure. The capacity of solar photovoltaic (PV) installations is planned to quadruple from 54 GW in 2020 to 200 GW by 2030. **All suitable roof surfaces are to be used for solar energy in the future.** This is to be mandatory for new commercial buildings and the rule for new private buildings. Furthermore, a massive expansion of offshore wind energy is planned from currently 7.8 GW (2020) to 70 GW by 2045.

Although community energy has a long tradition in Germany and experienced a particularly dynamic development between 2008 and 2013, the advancement of energy cooperatives and other community energy initiatives has slowed down considerably in recent years. This is also related to the transition to an auction-based support scheme in 2017. It has become increasingly difficult for community energy groups to compete against commercial developers and larger bidders in the auction scheme which determines the remuneration for wind and solar farms.

The new coalition aims to strengthen community energy as an important element to enhance local acceptance and to improve the framing conditions within the scope of European law. In particular, **the coalition is committed to facilitate energy sharing and examine the possibility of establishing a fund to cover the risks of community energy initiatives.** The new government also plans to **make full use of the de minimis rules as a contribution to reducing bureaucracy.** Furthermore, it aims to **simplify and strengthen the development of landlord-to-tenant electricity models and neighbourhood concepts.**

When examining the prospects of establishing a fund to cover the risks of community energy initiatives, the new coalition does not have to start from scratch. The Federal Environment Agency (Umweltbundesamt) has recently published a study which examines how a funding programme for community energy might be designed in order to maintain the diversity of actors and reduce the risks for renewable energy communities in the auction scheme.<sup>1</sup> **A funding programme for renewable energy communities in the pre-development phase can address multiple financial risks in a tender system.** Funding would have to be paid back by the renewable energy communities whose bids in the auctions are successful. The study also recommends providing free advice to RECs to help plan feasible projects and increase the chances of being awarded a contract.

<sup>1</sup> The study has been prepared by the Institute for Applied Ecology (Öko-Institut) and the Foundation for Research on Energy and Environmental Law (Stiftung Umweltenergierecht). It includes an English summary and can be [downloaded here](#).





## ITALY

On May 8, 2021, Law No. 5317, better known as the “European Delegation Act 2019-2020”, came into force and the government has been charged with transposing the RED II and the IEM Directives. On November 30, Legislative Decree 199/2021 implementing the Red II Directive, was published in the Official Gazette. The decree will come into force on December 15. The measures introduce some important innovations for energy communities, encouraging the development of more complex initiatives in terms of territorial dimension, impact on the electrical energy system and the engagement of local actors. The main novelties are the **increase in the power limit of the plants held by the RECs (< 1 MW) and the connection of plants and users under the same primary substation**. These changes effectively have the potential to meet the energy needs of a community (and not just a few households, as was the case with the constraints introduced by early transposition).

In the coming weeks, the regulation applicable to the RECs and to the collective self-consumption schemes will be updated, according to the extension of the perimeter (and of the relative benefits brought to the grid by the RECs); the incentives will also be updated and may be better targeted at supporting specific technologies used and the sizes of the plants held by the RECs.

## BELGIUM

Belgium, and specifically Flanders, can be considered as a good example with regards to the transposition progress of the two definitions. An Energy Decree was published framing “energy communities” as a single concept, with CECs and RECs representing slightly different notions of it. Both definitions are framed under the umbrella concept of ‘energy communities’ and coherency is maintained. The preamble of the Energy Decree further clarifies that the purpose of energy communities is to strengthen the involvement of citizens, local authorities, non-commercial institutions and companies in order to accelerate the social acceptance of the energy transition and the further development of renewable energy projects.

The principles listed in the EU Directives are included in the Flemish Energy Decree, but are not always elaborated in detail. RECs are instead required to elaborate in their articles of association the rules governing control, autonomy, as well as rights and obligations. **Furthermore, participation is limited to members that do not participate in energy communities as a primary professional activity**. The Decree also does not define which legal entities are allowed to form



### THE RENEWABLE ENERGY COMMUNITY OF MAGLIANO ALPI:

The town of Magliano Alpi, located in the southern Piedmont region, accounts for around 2,200 inhabitants and has established Italy’s first Renewable Energy Community, after the country introduced elements of the “enabling framework”, as requested by the EU. Initiated by the town’s local authorities and mainly driven by local SMEs, this first REC started operating under the name “Energy City Hall” in the form of 20kV PV rooftop installations connected to five households, the school and the library. The Magliano Alpi model is thus based on collective self-consumption and electricity-sharing among the buildings and parties who are members of the REC, who benefit from reduced energy bills by consuming the electricity generated. In addition, charging points for e-vehicles are made available for community members free of charge. The municipality enabled the instalment of smart metering and data management systems that allocate and control electricity flows between production and consumption points.



CER Magliano Alpi, Comunità Energetica Rinnovabile



an energy community, but it is most likely that only cooperatives and not-for-profit organizations will comply with the criteria that apply to RECs.

Lastly, the legislation introduces monitoring and oversight. Specifically, each REC shall notify the Flemish regulator (VREG) of the activities it carries out and any changes to the way in which it is composed or to the way in which it interprets the concept of technical or geographical proximity. The regulator then publishes this information on its website. **This will help ensure that the concept is not abused, and enhance trust.** One drawback, though, is that there is no procedure in place requiring the regulator to assess whether the reported energy communities meet the requirements of the Energy Decree.

## SPAIN

Despite the lack of a fully compliant set of ‘enabling frameworks’ in line with the RED II expectations, both public and private interest in RECs is significantly growing in Spain. National and regional administrations have been carrying out important actions to foster the development of RECs in their territories. Consequently, RECs are starting to be considered as an integral part of strategic and political plans, such as Spain’s Recovery Plan, National Energy and Climate Plan and the Spain 2050 strategy for a circular and carbon-neutral economy. Nonetheless, there are still important obstacles to the development of Spanish RECs.

Spanish law simply translates the RED II definition of RECs and incorporates them as market actors. Although the transposition process is very much ongoing and expected to continue, the lack of legal clarity on the definition itself, as well as the regulatory absence of specific rights, makes legal uncertainty one of the main obstacles on the path to REC development.

Another barrier concerns the limits on the distance between generation and consumption units to 500 meters and restricting self-consumption to installations in the low-voltage grid. These limitations stem from a law regulating collective self-consumption that is now being used by RECs, due to the lack of full transposition of the EU directive. The distance restriction makes it very difficult to establish RECs covering a significant number of households, and the voltage limitation leaves out buildings connected to the medium-voltage grid, such as certain businesses, the industry or public authorities.



### HACENDERA SOLAR RENEWABLE ENERGY COMMUNITY:

Operating since 2020, Hacendera Solar was Spain’s first rural REC. Set up by the Spanish Transmission System Operator (Red Eléctrica de España, or REE) and the Mergara energy cooperative as a pilot project, the REC is located in the small village of Castilfrío de la Sierra. The prototype for the rural energy community is based on a participative model; it involves the town hall and the local population (of 37 inhabitants). The establishment of Hacendera Solar will test the viability of RECs in rural areas, based on collective self-consumption in combination with network backup. The core group has been set up by the local authorities and is in charge of assessing the further potential of the REC and of exploring previous community participative initiatives. The core group also identifies relevant stakeholders and has created a network of allies, and assesses potential citizens’ resistance to the REC’s implementation.



Red Eléctrica de España

Despite this there is currently a significant push by national and regional governments to support the development of RECs. These efforts are especially important with respect to taking the particularities of RECs into account when competing for access to remuneration frameworks. For example, a national renewable energy auction held in October 2021 reserved 9% of the allocated capacity (300MW) to installations with “strong citizen participation”.



The steps taken by national and regional administrations to establish a support framework for the development of RECs has also increased in importance during the last year. For example, **the Ministry for Ecological Transition has released €100 million in subventions to foster RECs. To further illustrate, the Basque Country government gives comprehensive technical, legal and financial help to incipient RECs.**

## MORE PROGRESS NEEDED

As shown through the above examples, the development of citizen-based, decentralised, democratic and digital forms of producing and consuming (renewable) energy is about to spread out wide and is likely to see rapid

growth throughout the upcoming years. It will be essential that new enabling frameworks and financial support ensure that also already existing energy communities can use funding programmes and subsidies to develop new activities and create additional economic, social and environmental benefits. Significant steps in the right direction can be seen and it is now crucial that all Member States join the sprint and send clear and encouraging signals to current and up-and-coming energy communities. Specifically, national governments are well advised to thoroughly consider, as done for instance by Italy, dedicating resources stemming from the EU's considerable Recovery and Resilience Fund to further benefit, establish and improve RECs across Europe.

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### Partners

