Show Me the Money

21 June 2024 - Energy // Opinions

Are public fundings really supporting energy communities?

A permanent joint borrowing instrument; innovative taxes, such as on fossil fuels and wealth; a European Central Bank-led push to introduce preferential interest rates for green investments across the Bloc; the EU is buzzing with ideas on who should fund the climate and energy transition, and how.

These debates come not a moment too soon, as multi-billion funding gaps overshadow the EU's social and climate ambitions. Furthermore, the new EU fiscal framework will likely lead to more austerity in the majority of Member States, foreshadowing a new rise of social discontent. EU voters still rate the climate crisis, next to cost of living, as their top two priorities.

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In a tightening fiscal space, it is therefore worth asking: what kinds of projects should receive priority EU public funding to maximise the positive social impacts of the energy transition?

Energy communities provide 2 to 8 times more benefits to local economies over private renewable projects. Due to their non-profit nature and cooperative governance, they strive for local development and contribute to a just energy transformation.

The Commission's expert report on the future of Cohesion Policy emphasised the need for EU funds to support community-led projects, to ensure a greater diffusion of the energy transition's local benefits across the EU's society and regions. Indeed, unlike large scale private renewable projects, energy communities have scant access to private finance and consequently require preferential access to public financial support.

Are EU funds supporting a green – and just – transition?

REScoop.eu, CAN-EU, and CEE Bankwatch jointly assessed whether the two major EU funds (Recovery & Resilience Funds, Cohesion Funds), are being used by Member States to support energy communities. Results are, at best, mixed: only half of Member States acknowledge energy communities as beneficiaries of EU funds.

Results are even starker when talking one step further by comparing the total EU financial support allocated to all renewables with the specific allocations to energy communities. Using the Cohesion Policy database and through our detailed assessment of Recovery

and Resilience Plans, we were able to measure the proportion of funding targeting energy communities over the total support for renewable energy roll-out in a sample of Operational Programmes and Recovery and Resilience Plans.

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Our analysis suggests that even when countries earmark specific financial support for energy communities, the allocation is only a tiny subset compared to the broader support allocated to renewables (figure 1 and 2).

It is worth noting that the limited sample is due to the fact that several Member States do not report the specific and distinct budget lines allocated to energy communities; indeed, the latter are often financed through broader funding streams (for example, energy efficiency budget lines) which makes impossible to distinguish the amount of finance available for energy communities specifically, especially in Operational Programmes (Cohesion Policy funds).

This issue should be addressed by the European Commission by requiring Member States to report dedicated funding lines.

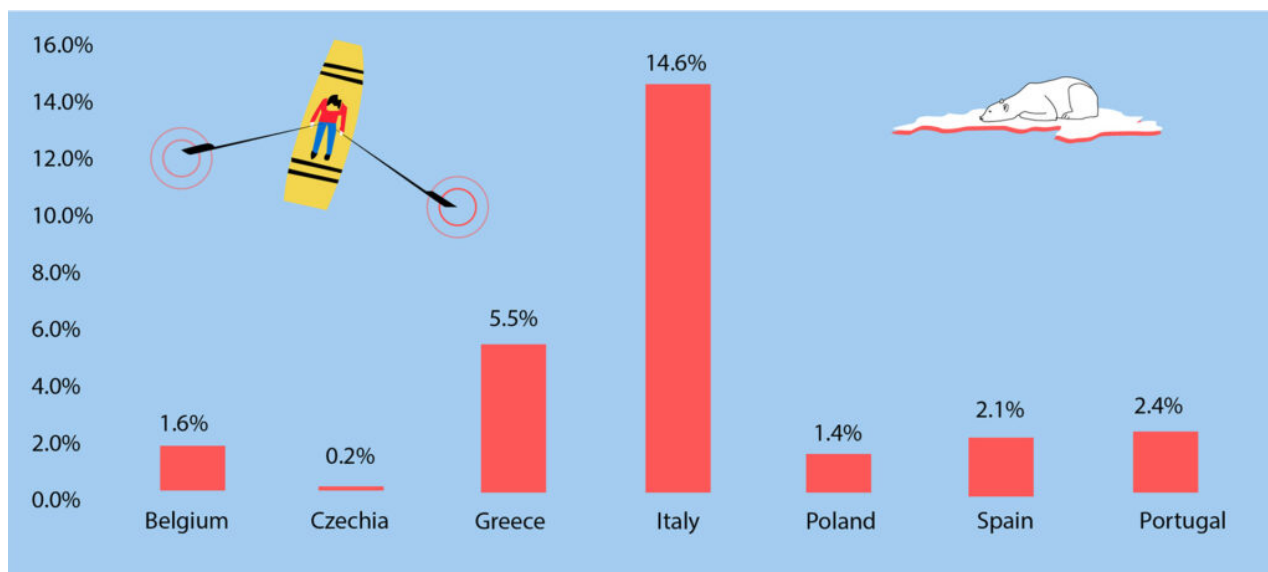

Figure 1: Energy communities budget allocation in percentage of total "power up" budget line in a sample of National Recovery and Resilience Plans. Source: CAN Europe & Rescoop based on Recovery and Resilience Plans. Illustration: REVOLVE

Although with available data it is impossible to undertake a combined assessment of the share of energy communities finance in Recovery and Resilience Plans and Operational Programmes, some Member States (including Lithuania, Italy, Spain, and Portugal) are choosing to mobilise significantly more resources towards energy communities than others.

There is an increasing recognition of energy communities as a tool for social energy policy, manifested through targeted support to Municipalities to enact local collective self-consumption projects (e.g., Lithuania, Italy, and Slovenia). We welcome this

development.

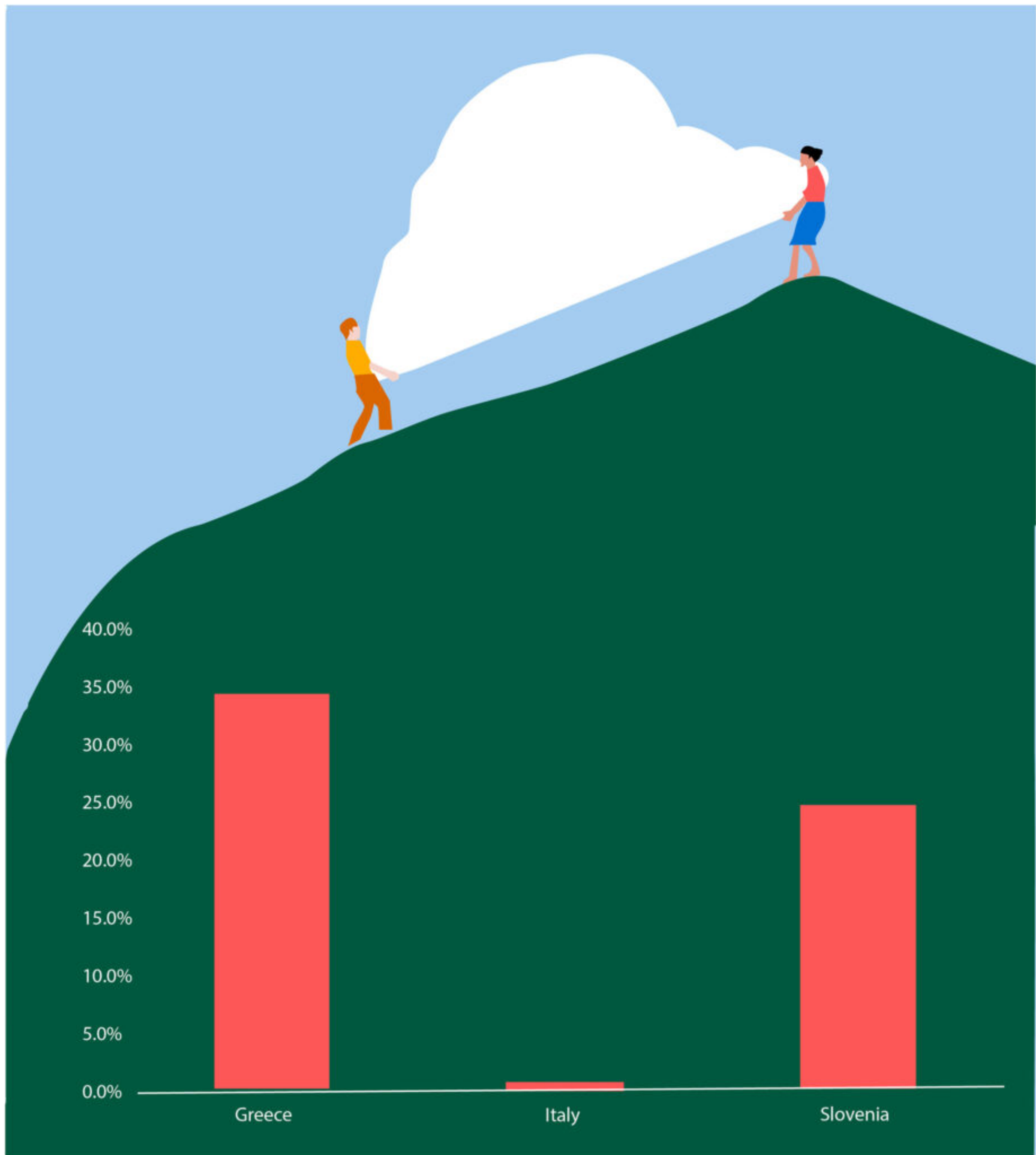

Figure 2: Energy communities budget allocation in percentage of total renewable energy finance in Operational Programmes for a sample of Member States. Source: CAN Europe & Rescoop based on Operational Programmes and Kohesio database. Illustration: REVOLVE

However, even in those countries a large percentage of the funds is ultimately absorbed by private companies and even in some cases large companies, instead of genuine citizen-led energy projects. Such in the case, for example, in Spain and Greece.

Squaring the circle: designing the right public financing programs for energy communities

It is not just about local energy sharing projects. In a flurry of Fit for 55 Revised Directives – the so called "Second Generation Legislation"- the Commission acknowledged the right of energy communities to participate in all activities of the energy sector: building renovations, electric mobility, agrivoltaics, district heating, even offshore wind.

It is now up to the Member States to create a level playing field in these hard-to-finance activities by leveraging the right financing tools: green loans for collective energy efficiency investments, guarantees for large scale heating and cooling works, and grants-to-loans revolving schemes.

Growing support towards energy communities will prefigure more attempts at corporate capture by large companies. Public financial support for such projects should be contingent on various social criteria, such as a minimum inclusion of citizens, limitations in share dividends, awarding cooperative governance, and re-investment in local development.

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It is worth remembering, that the Commission has repeatedly stated that designing financing programs specifically dedicated to energy communities, is in line with State Aid Rules.

We are halfway through the current EU budget (for example, the 2021-2027 Programming Period), with two key strategic moments ahead of us. Member States will over the next months:

1. Revise their Cohesion programs, for example, the billions of euros handed out to every European region to promote smart, green, and inclusive growth

2. Draft their national "Social Climate Plans", for example, a reform and investment plan detailing how countries will recycle revenues from the new emissions trading system, into among others renewable energy investments for tackling energy poverty.

REScoop.eu, CAN-Europe, and CEE Bankwatch Network will be working with our members and partners to demystify all these arcane EU processes, and ultimately ensure that Member States' spending plans genuinely support bottom-up projects, such as energy communities.

The next few years will be consequential for climate and social policy in the EU. In the face of growing socio-economic inequalities, a democratic deficit and urgently needed energy sector transformation, we must go back to the roots and find those solutions that re-ignite direct citizen participation, and socio-economic co-benefits.

The views expressed in this article are the author's own and do not (necessarily) reflect REVOLVE's editorial stance.