



**European Committee
of the Regions**

ENVE-VI/032

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OPINION

Models of local energy ownership and the role of local energy communities in energy transition in Europe

THE EUROPEAN COMMITTEE OF THE REGIONS

- recommends streamlining the various national support schemes as far as necessary at European level in order to ensure that they can contribute to reaching the Sustainable Development goals, the Paris Agreement targets and the objectives of the European energy Union;
- calls for non-discriminatory rules on market access for local energy communities, for local energy communities to be promoted by means of policies and legislation recognising their role and specific needs, for policies and rules promoting local and regional cooperation, for the adoption of simplified and proportionate regulatory and administrative procedures, and for ready access to technical and economic information, guidance and finance;
- recognises that European legislation must establish a level playing field and minimum requirements for the promotion of local energy communities, so that the EU can lead by example;
- recalls, that it is important to ensure that clear definitions and rules provide certainty to ensure that LECs can play a positive role in a just energy transition and calls on the Member States to exploit their full potential. This includes the need for them to have access to financial instruments and/or partnership schemes in order to mitigate the risks accompanying investments in LECs, as well as correcting any negative bias against them;
- recommends that dedicated finance support schemes be set up for local energy communities, particularly during the planning and set-up phases, with ready access to technical information and guidance about setting up, financing and operating community projects;
- considers that LRAs have a key role to play in creating awareness among their citizens about the opportunities of becoming involved in the local energy sector and distributing relevant information.

Rapporteur:

Mariana GÂJU (RO/PES), mayor of Cumpăna in the county of Constanța

Reference document

Letter of referral from the Austrian presidency

**Opinion of the European Committee of the Regions –
Models of local energy ownership and the role of local energy communities in energy transition
in Europe**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

Key findings

1. recognises that the energy sector plays a pivotal role in economic and social development, and that quality of life, economic growth and the competitiveness of the national economy require affordable energy that has a minimal impact on the environment;
2. reiterates that energy is important for the economy of local communities, because it is factored into the production costs of local industry and services and is reflected in households' purchasing power as the provision of energy covers basic needs such as heating, hot water, air conditioning, the preparation and conservation of food, and access to information;
3. points out that community initiatives based on local collaborative solutions can be set up by individuals or groups of individuals, small businesses, local authorities or households, acting on their own initiative or as part of a coordinated group; local energy communities can shoulder an important role in the energy transition and spur on the development of sustainable energy technologies, for the benefit of local communities and the European Union as a whole;
4. would point out that the regional and administrative entities can only assume (even partial) control of energy systems through re-municipalisation, decentralisation of services or participatory governance in the form of partnerships or energy cooperatives which prove their value by promoting public initiatives in the field of energy;
5. notes that there are many possible organisational structures for community energy initiatives, such as partnerships with local authorities (including public-private partnerships, or PPPs), cooperatives, community foundations, limited liability companies, non-profit customer-owned enterprises, housing associations or municipal ownership;
6. points out that local energy communities can be an efficient way of managing energy at community level, by generating, distributing and consuming electricity or centralised heating and cooling, whether or not they are connected to local distribution networks;
7. considers that energy communities can offer leverage for involving individuals in the energy transition and, thereby, in the sustainable economy, and promote the roll-out of sustainable energy technologies which will be beneficial for local communities and take ownership of their carbon footprint;

8. would point out once again that local energy ownership is part of a political commitment to the energy transition, with a system of policies dedicated to developing renewable energy sources at every tier of governance;
9. welcomes that a regulatory framework to govern the establishment and operation of local energy communities, along with their access to the energy market is being put into operation at EU level; recalls, that it is important to ensure that clear definitions and rules provide certainty to ensure that LECs can play a positive role in a just energy transition and calls on the Member States to exploit their full potential. This includes the need for them to have access to financial instruments and/or partnership schemes in order to mitigate the risks accompanying investments in LECs, as well as correcting any negative bias against them;
10. points out that energy cooperatives (a community initiative, which is a form of organisational structure), an ownership model which is unique both economically and legally, aim to secure advantages at local level. Such cooperatives can provide energy services, such as generating energy from their own or acquired renewable sources for their own use or for sale, owning and operating storage systems, micro-grids and distribution infrastructure, and implementing energy efficiency measures;
11. considers that energy cooperatives can contribute to the decentralisation, opening up and democratization of energy systems and thus can have a positive impact on sustainable local economic and social development, and can thus also contribute to tackling energy poverty and promote job creation within the community;
12. points out that the development of renewable energy sources is encouraged by support schemes geared to the local and regional level in most Member States. Some countries allow priority access for renewable energy, while others guarantee access under reasonable conditions. There are also a number of other ways of supporting and simplifying administrative permit procedures for smaller renewable energy plants, albeit within the framework of regional and national programming;
13. recommends streamlining the various national support schemes as far as necessary at European level in order to ensure that they can contribute to reaching the Sustainable Development goals, the Paris Agreement targets and the objectives of the European energy Union;
14. recognises that a better policy is needed to optimise the efficient use of biomass, thereby reducing greenhouse gas emissions; recommends promoting optimal use of biomass waste from all economic and social sectors to generate energy in the medium and long term;
15. recommends that the policy framework for converting energy infrastructure needs to keep evolving, along and in dialogue with the legislative framework, in order to extend connections at local, regional and cross-border level, greater energy storage capacity and smart networks able to manage the demand for energy in a system weighted towards renewable energy;

Conclusions and recommendations

16. calls for more stable policies on renewable energy and the energy transition, with guaranteed financial support mechanisms for renewable energy, so that local energy ownership can be placed on a more secure footing;
17. calls for a closer coordination between the EU's and the Member States' regional and energy policies in order to harness the substantial benefits for sustainable regional development that can be gained from the renewable energy transition including decentralisation of the energy systems, and the reduction of dependency on (mostly imported) fossil fuels;
18. calls for non-discriminatory rules on market access for local energy communities, for local energy communities to be promoted by means of policies and legislation recognising their role and specific needs, for policies and rules promoting local and regional cooperation, for the adoption of simplified and proportionate regulatory and administrative procedures, and for ready access to technical and economic information, guidance and finance;
19. calls on the Member States to propose and implement various shared forms of local energy ownership, as local energy communities in a number of Member States face a number of challenges in terms of operational matters and securing advantages at local level. These challenges include inconsistent and atypical rules as the market develops, incomplete national strategies and programmes supporting local or regional energy communities, and a complex administrative and regulatory framework for new energy market participants;

A. Recommendations for EU-level policy makers

20. recognises that European legislation must establish a level playing field and minimum requirements for the promotion of local energy communities, so that the EU can lead by example;
21. recommends that EU policy instruments and national legislation transposing or complementing EU legislation should have a beneficial effect on the development of local energy communities, including energy cooperatives;
22. recommends that the definitions of "renewable energy community" and "local energy community", or of other functional concepts such as municipal energy companies, cooperatives, associations, etc., be transposed in a constructive and effective way at Member State level, so that these organisations have access to the energy market and their needs are properly recognised (for instance, some of them may need support and additional incentives);

Maintaining a stable policy environment for the promotion of renewable energy

23. notes that local energy communities are often involved in generating, supplying, distributing and using renewable energy;

24. recognises that local energy communities systematically operate on the basis of public support mechanisms for renewable energy to finance their operations and manage risk, although EU policy makers have announced a shift away from non-premium based and market-independent support mechanisms (such as fixed tariffs);
25. recognises that the shift towards support schemes and bidding processes could reduce the financial resources available to local energy communities or even exclude them from the market by introducing complicated requirements in the bidding processes;
26. is in favour of the establishment of specific support mechanisms remaining in the hands of the Member States, and considers that EU legislation and policies should certainly not curb support for renewable energy in Member States through market-based and market-independent financial mechanisms;

Establishing energy market rules to support the energy transition throughout the entire system

27. calls for retail electricity markets to become more dynamic and competitive and underlines that in order for energy consumers to reap the benefits of energy market deregulation, and for local energy communities to be able to contribute to a more diversified and flexible market, it is important to monitor the concentration levels of wholesale and retail electricity markets and check the economic and financial power and influence of different market players;
28. is pleased that as a result of the improvements to the current EU legislative framework brought about by the proposals in the new legislative package on clean energy, including the proposals on the new internal energy market directive, the role and involvement of local energy communities in the operation of the energy system as energy producers, distributors and consumers will be recognised. In addition, the rules will be extended to cover the full range of services provided by local energy communities, such as energy efficiency, storage, management of local distribution networks and network balancing;
29. recommends simplifying the rules and administrative procedures for small renewable energy producers and local energy communities, to ensure that explicit or implicit administrative burdens and costs do not discriminate against these market participants which are, as a rule, energy companies in their own right;
30. considers that the rules and regulations should not limit the possibilities for small renewable energy capacities or local energy communities to aggregate their production and supply energy in the same way as companies specialising in this area, including through the use of novel approaches such as virtual power plants;

Ensuring consistency and coherence between different policies

31. calls for the provisions in the various EU legislative documents to be consistent in their treatment and promotion of local energy communities, so as to integrate the definitions of "local energy community" and "renewable energy community";

B. Recommendations for national policy makers

32. strongly recommends that EU legislation be transposed swiftly and the common energy policy implemented, and that national policy makers define specific national objectives and incentives for local energy communities;

Acknowledging the role and specific needs of local energy communities in relevant national policies and legislation

33. recognises that the proposals set out in the legislative package on energy in general, and clean energy in particular, highlight measures to recognise the role played by local energy communities in the EU's energy transition, and points out that in this context, the Member States should adopt similar legislative provisions on local energy communities, but which take account of specific national requirements;

Establishing policies and rules that promote local energy communities and local collaboration

34. calls for national policy makers to establish accessible policies/rules to promote local energy communities; these rules could:
 - a) ensure that small energy producers have guaranteed access to the energy market and dedicated infrastructure;
 - b) promote at local level energy projects run by small local/regional producers;
35. stresses that rules can be defined about the potential benefits to ensure they remain within the local community and support the social and economic development of the community rather than the project shareholders;
36. recognises that national policies can incentivise the sustainability and environmental aspects of community energy projects by providing financial incentives (such as tax relief and investment aid) or reductions in energy charges. They can also provide additional incentives for projects that are self-sufficient or provide multiple services and benefits;

Adopting simplified and proportionate regulatory and administrative procedures for local energy communities

37. supports the requirements for setting up "one-stop-shops" for permit procedures for projects as proposed in the new renewable energy directive; these are an appropriate basis upon which Member States can build solutions tailored to their national and local context;

Ensuring local energy communities have access to technical information, guidance and finance

38. recognises that the projects operated by a number of local energy communities and energy cooperatives used the financial options available to them, through public support systems, finance available through EU initiatives or commercial banks;

39. recommends that dedicated finance support schemes be set up for local energy communities, particularly during the planning and set-up phases (such as grant-to-loans, guarantees or cheap credit opportunities), with ready access to technical information and guidance about setting up, financing and operating community projects;

C. Recommendations for LRAs

Adopting local policies for the development of local energy communities

40. points out that LRAs can complement EU and national policies by adopting further objectives for the contribution of local energy communities to local energy targets. For instance, many cities are taking part in the Covenant of Mayors initiative where local sustainable energy and climate action plans have been established;
41. calls on LRAs to identify local or regional energy communities which can contribute to meeting local energy goals and social policy goals, and to identify mechanisms that support their development and advisory services, where this is necessary and can be achieved in a non-discriminatory manner;

Exploring the opportunities to partner with or establish local energy communities

42. considers that in order to strengthen the contribution of local energy communities to local policy goals, LRAs can partner with existing communities or establish new ones in cooperation with local people;
43. points out that LRAs and local energy communities are suitable partners as the authorities provide a framework for renewable energy projects, administrative support and preferential rates, while local energy communities provide technical expertise and economic and financial assistance during implementation;

44. considers that LRAs play a significant role in the energy transition by taking on responsibilities for local energy distribution networks and owning or managing them through subsidiary services and utility companies; LRAs have a key role to play in creating awareness among their citizens about the opportunities of becoming involved in the local energy sector and distributing relevant information.

Brussels, 6 December 2018

The President
of the European Committee of the Regions

Karl-Heinz Lambertz

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

II. PROCEDURE

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|---|--|
| Title | Models of local energy ownership and the role of local energy communities in energy transition in Europe |
| Reference | Letter of referral from the Austrian presidency |
| Legal basis | Article 307(4) TFEU |
| Procedural basis | Rule 41(b)(i) RP |
| Date of Council/EP referral/Date of Commission letter | – |
| Date of Bureau/President's decision | |
| Commission responsible | Commission for the Environment, Climate Change and Energy (ENVE) |
| Rapporteur | Mariana Gâju (RO/PES), Mayor of Cumpăna in the county of Constanța |
| Analysis | |
| Discussed in commission | 29 June 2018 |
| Date adopted by commission | 27 September 2018 |
| Result of the vote in commission (majority, unanimity) | Unanimity |
| Date adopted in plenary | 6 December 2018 |
| Previous Committee opinions | |
| Date of subsidiarity monitoring consultation | – |