

# Towards Energy Democracy? Four Recommendations for the revised Renewables Directive

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## EXECUTIVE SUMMARY

The 2009 Renewable Energy Directive (RED) has provided a crucial framework and impetus for Member States to enact ambitious national programmes and support schemes for renewable energy installations. Without the RED-mandated national binding targets for renewable energy (RES) and the feed in tariff systems that followed, we would be nowhere near we stand now, especially in terms of technology development and related job creation – for which Europe has played a leadership role.

The EU is keen to maintain this champion title, but is being outpaced by other regions and countries such as China. Maybe this shows the time has come for a new approach to renewable energy development: one that centers on what used to distinguish Europe from other regions of the world: its social model. Building on successful examples from Member States such as Germany (900+ cooperatives, thousands of local utilities), Austria and Scandinavian countries, shouldn't the EU rather strive to become the world number one in *community energy*? Such an ambition would bring with it numerous advantages, an obvious one being more social acceptance towards renewable energy projects. In parallel, the trend of "remunicipalisation" is seeing local authorities – which enjoy greater trust levels than multi-national companies – taking back control of local energy supply and grid management, re-investing profits into local development. Civil society in general is wishing to take a more active role within the energy system. What better opportunity for EU institutions to embrace such a trend, and in the process reconnect disillusioned citizens with the big European project?

To go down that road, Energy Cities has fed the European Commission consultation process with recommendations that can be summarized as follows:

## 1 THINK LOCAL FIRST: WIDENING AND DEEPENING THE ENERGY UNION

Instead of systematically look for new energy import routes and electricity interconnection capacity, wouldn't it make more sense for the EU to first identify what resources – including energy savings – can be tapped locally? Indeed, so far the European Commission's priority has centered on cross-border cooperation between Member States. While this is important, one dimension should not go without the other. The energy transition can no longer be planned top-down. The Commission plans to produce a guidance paper on cross border cooperation as part of the Energy Union governance proposal, why not one on local integration? Adopting a "think local first" approach when designing national energy and climate plans (NECPs) would avoid the funding of unnecessary infrastructure turning into stranded assets.



A telling example of this is the case of the Netherlands, where a project under consideration to tap the waste heat from the Rotterdam harbor would save 12% of gas consumption country-wide! European territories are full of such opportunities, with sustainable energy resources (whether waste heat recovered from industrial processes, geothermal energy, biomass, hydro, wind, solar, etc. or all forms of energy savings) that should be considered and prioritized before wasting crucial investments into mega projects such as the much-debated North Stream II.

The upcoming Heating and Cooling strategy is important in that regard, and the Commission should remove its gas and electricity market lenses in the design of the revised RED to take full account of the heating and cooling demand and supply potential. Local authorities should be integrated within the governance process on an equal footing with Member States, by ensuring representation through the national Covenant of Mayors clubs or city networks at Member State level. With this in mind, the European Commission would go further than only “WIDENING” the Energy Union by «DEEPENING» it through the integration of regional and local priorities in policy planning.

## 2 | OPEN THE CAPITAL AND GOVERNANCE OF RENEWABLE ENERGY PROJECTS TO CITIZENS AND LOCAL AUTHORITIES' PARTICIPATION



**In France, the new 2015-adopted law on the energy transition now makes it possible for citizens and local authorities to make equity investments in companies producing renewable energy on their territory. Although there is no legal threshold, France has put a obligatory requirement upon companies to open the capital of their renewable energy projects to local shareholders (whether citizens or local authorities).**

**In Denmark, “Under the “Buy Legal System,” which took effect in November 2011, developers of on- and offshore wind farms must offer shares worth at least 20% of the total project to local residents. Detailed information on the scheme is available from [Energinet.dk](http://Energinet.dk), which operates the electricity and natural gas transmission grids in Denmark.”**

To guarantee local buy-in – and shared windfalls - for renewable energy projects promoted by professional developers, the European Commission should entice Member States to impose legal obligation to renewable energy (RES) investors to open the capital and governance of their projects to citizens and local authorities' participation. This specific requirement already exists in other Member State like France and Denmark, where, in the latter, developers of new wind turbines are required to offer at least 20% of the ownership to local citizens. Experience has shown people are less likely to adopt a “not in my backyard” attitude when they are involved in the decision making and ownership of new projects. But beyond that, this would contribute to the reinforcement of a new paradigm, where people are empowered to control their energy future.

## 3 | SET LEGAL SUPPORT AND TARGETS FOR THE DEVELOPMENT OF COMMUNITY AND MUNICIPAL ENERGY

Scotland has committed to a target of 500MW of community energy by 2020. The European Commission should heed the Scottish model and promote similar objectives at EU level, setting a long term trajectory to boost investors' confidence at citizen, local authority and community level. In an era of perceived remoteness from top down decisions on the energy system, this would help turn the tide and fully unleash the “power” of civic energy. In this context, both the development of renewable energy cooperatives and local energy companies should be supported by an enabling legal environment. Cities wishing to become energy providers or take control of the local grid should not be hampered in the process. And the good news is: Energy Cities' members with experience in setting up such companies are keen to share their experience with their EU neighbours!

# 4

## SECURE A FAVOURABLE ADMINISTRATIVE AND FINANCIAL FRAMEWORK FOR SMALL-SCALE GENERATION

### Financial framework: The market is not working any magic!

A **level playing field** needs to be established, not only across renewable technologies with different maturity levels, but also **across market players**. Phasing out feed in tariffs hoping for market-dependent mechanisms to fill the gaps would have disastrous consequences for small-scale energy projects. Price volatility is a risk citizens and local authorities cannot bear at the same level than large private investors. In 2003, when Denmark imposed on all new producers to market their electricity directly on the wholesale market, the consequence was stark: no new cooperatives were created between 2003 and 2008, while many of the existing ones dissolved. Similarly, the implementation of State Aid rules on energy and environment (competitive bidding procedures for solar installations above 1 MWh and wind projects above 6 MWh) has cut in half the number of new energy cooperatives in Germany. Not to mention that in the present context of low oil prices, it is even more unrealistic to expect the market alone to make the economic case for all renewable energy investments. Along the same lines, the move to technology neutral tendering is a worrying development, as it should be left to the discretion of local authorities to assess what forms of renewable heat or electricity is best suited to the local context and specificities of their territory, while preserving solidarity between urban and rural areas.

### EU funding support: Shift the focus

EU funding support should accelerate this trend rather than remain narrowly focused on interconnecting imported energy supply across Member States. The **Connecting Europe Facility** should also fund smart grid extensions for renewable energy uptake. In parallel, using the vastly untapped potential of structural funds, a **“Community Power Facility”** should be created as a logical complement to large infrastructure projects. In general, the EU funds (structural funds, Smart Cities and Communities programme) should be used to a greater extent to build local authorities’ capacities in identifying and tapping the energy resources of their territory, implementing sustainable mobility plans (through an **“ELENA 2.0”** facility), developing innovative joint public procurement schemes and benefiting from increased innovation in RES technologies (SET plan) fit for small-scale generation. Last but not least, in this COP21 area, ETS revenues feeding the Modernization Fund would be put to better use if they were for example allocated to sustainable district heating and cooling networks in Eastern and Central Europe, rather than in the modernization of fossil fuel plants.

### Small to medium-scale renewable energy projects: Time to lift the barriers!

Too many technical and administrative barriers still hurdle the development of local RES projects. Ways to address this include **simple notification procedures** for small-scale project while authorizations for other local RES projects should be automatically given within a three month timeframe. Beyond that, priority access to the grid ought to be maintained and fiscal conditions should encourage rather than deter the selling of excess power to the grid. To avoid citizens having to deal with multiple permits and lengthy administrative procedures, Member States should be encouraged to set up **one-stop shops for local RES projects**, a responsibility which could be delegated local or regional energy agencies. The revised RED should also enable the Commission to step in when Member States make counter-productive changes to their regulatory framework, like happened in Spain or the UK.

**Renewable energy policy made its way through the internal market door. It is about time to link it to other EU policy objectives to ensure the post COP21 momentum paves the way for a societal – rather than climate-focused- transition!**



**In France, single authorizations are granted to renewable energy installations. If the competent administrative body does not provide any feedback within a two month timeframe, the authorization is deemed automatically approved.**

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