



Community power: why, how and what for?

How is France sitting compared to the leading countries?

Executive summary – November 2019

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Executive summary

Almost everywhere in the world, from developing to developed countries, provinces, cities or rural areas, citizens are moving away from dependency on large electrical grids to localized energy production - a move that goes hand-in-hand with renewable energy development.

Although in a quite uneven way across countries, this decentralized way of investing, generating, self-consuming, and /or supplying energy on a municipality, regional or local community basis, is booming, introducing new opportunities and challenges to the energy systems and, more specifically to the electricity market and distribution grids.

From a diversity of definitions, legal forms and business models...

Surprisingly, until mid 2019, very few countries had clearly defined the concept of “Energy community”.

In some examples, “Community energy” is understood as ‘community as network’, simply bringing benefits to shareholders (who might be far away from energy generation), whereas in other cases, “community” will more often be apprehended as place-based, with a location focus. These numerous possibilities to interpret Renewable Energy Community inevitably result in a wide array of models.

In Germany, although citizens and local authorities are involved in a variety of energy projects (supply, storage, energy efficiency but also district heating), generation limited partnerships with a limited liability company as a general partner (GmbH & Co. KG) and energy cooperatives, that are respectively involved in solar and wind power plants or hold investments in companies that operate them, constitute the most frequent form of citizens ownership.

In the UK, community groups have typically invested to generate a return to support their community’s development. Many community projects are motivated by social objectives and fuel poverty reduction. As such, in the UK, and, most notably in Scotland, development trusts or community benefit companies are prominent.

In Spain, although not as developed as in other countries, community energy is growing quite rapidly despite a quite hostile environment thanks to innovative approaches from the main renewable energy cooperatives and a strong citizen movement promoting an alternative energy model. A recent shift in the Spanish government’s energy and climate change policy is likely to bring new opportunities for community energy projects especially as regards shared self-consumption projects.

In France, where energy has traditionally been highly centralized, the increase citizen participation in energy has mainly translated into a great interest for crowdfunding in renewable energy projects initiated by municipalities or local citizens. However, successful “real” community projects, with citizens governance, have also been developed thanks to local networks and associations such as “Energie Citoyenne en Pays de Vilaine” or specialist companies such as Energie Partagée Investissement.

...towards a common European principle

Until recently, despite over 3 000 renewable energy cooperatives throughout Europe and the singular political commitment of Scotland, the Netherlands, Greece and Wales¹ in developing community energy projects, Europe had no guidelines, no targets, no specific legislation and even no definition of “energy communities” to assist citizens or local authorities involvement in energy projects.

But, since 2018, thanks to the work carried out on the ‘Clean Energy Package’, setting a new framework for climate and energy until 2030, the situation is changing. In its revised Renewable Energy Directive (REDII)

¹ Scotland was the first in 2011 to set targets of community and locally owned renewable energy capacity / In 2018, the Netherlands have reached a new Climate Agreement, including a community energy target that requires all new wind and solar projects to be at least 50 % owned by the local community / Greece is the only Member State allowing “virtual net metering” system, which allows benefits generated by renewable electricity to be shared across buildings in the same municipality – even though they may be situated kilometers apart / The Welsh Government’s renewable energy targets has two objectives related to local ownership for its renewable energy projects.

adopted on the 11th of December 2018, art 2 (16), the European Commission defines “renewable energy community” as a legal entity:

- ☞ (a) which, in accordance with the applicable national law, is based on open and voluntary participation, is autonomous, and is effectively controlled by shareholders or members that are located in the proximity of the renewable energy projects that are owned and developed by that legal entity;
- ☞ (b) the shareholders or members of which are natural persons, SMEs or local authorities, including municipalities;
- ☞ (c) the primary purpose of which is to provide environmental, economic or social community benefits for its shareholders or members or for the local areas where it operates, rather than financial profits;

Art 22 of the same directive details the renewable energy communities’ rights and obligations as well as responsibilities of Member states for providing them an enabling framework to facilitate their development.

How to unleash community energy potential?

According to a Delft study, “The potential of energy citizens in the European Union”, almost half of EU households could produce renewable energy by 2050, about 37% of which could come through involvement in a cooperative. The study concludes that when demand response, energy storage and energy efficiency are included, 83% of Europe’s citizens could participate in the energy sector by 2050.

However, in most European countries, after a growth in the period 2010-end of 2017, community energy projects are declining. Low prices, FiTs decrease, high risks during the development phase, lack of security for investors, complicated permissions process, grid connection costs and general profitability difficulties are typical challenges that community projects have been used to coping with and adapt to, but, since very recently, they have to face, in Germany, Denmark, the UK, France and may other Member states, the removed of FiTs in 2019-2020 and the obligation to participate in auction prior to building permissions.

As a result, there has already been a significant drop off in the number of community projects in many countries, not to talk of a dramatic stop of wind community projects in Germany. This raises questions: how to adapt community power in a post-subsidy business environment without Feed-in Tariff? Are community projects doomed to remain small capacity and small investment projects?

In Scotland, where the situation remains generally better than the rest of Europe, four main success factors can be stressed out:

1. A strongly supportive government (who has set and even increased its target to 1 GW of community and locally owned renewable energy capacity by 2020, and 2 GW by 2030) with a continuity of support through CARES – the Community and Renewable Energy Scheme.
2. A strong tradition of community organization, especially in the more marginal / peripheral areas, along with strong economic drivers to identify sustainable economic activities
3. A highly committed and supportive community energy membership body, “Community Energy Scotland”, which has continuously sought ways to help community groups overcome funding, policy and technical obstacles to development
4. Strong interest in innovation, in part driven by large areas where the electricity network is weak, driving innovation to develop direct local supply options (storage, flexible demand, collective aggregated smart projects, etc.)

In 2019, citizen participation has become a governing principle of Europe’s energy market. Over the coming months, EU countries will have to continue modifying their respective national policy in order to allow more room and a greater role to citizens. Amongst the actions to implement to achieve far more citizens participation, the following should be considered in priority:

- Adopt and share a clear definition of “Renewable Energy Community”
- Setting national objectives and targets to boost the uptake of community:
- Create a specific tranche for community energy generation projects in the Contract for Differences (CfD) mechanism/ guaranteed direct contracting system (guichets ouverts).
- Better inform common citizens about their potential role in the field of energy and electricity.