

Following the frontrunners: a public financing guide for Managing Authorities

Briefing



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Executive Summary

- The present briefing analyses the **recent calls for funding¹ for energy communities launched under the 'CE Implementa' Program in Spain, under the Recovery and Resilience Facility**, and aims to function as a Guide for Managing Authorities for all public funds, including Cohesion & ERDF.
- Spain has allocated considerable volumes of funding to energy communities, and has **incorporated various social, technological and economic criteria** in its calls for funding. **Other Member States should follow suit with the creation of dedicated funding calls for energy communities.**
- Despite some positive progress, **key challenges remain** in the design and implementation of the calls, particularly around **corporate capture and scalability**
- **Key recommendations** for future calls include:
 - Setting **stricter eligibility criteria** for the calls' beneficiaries
 - **Bringing banks on board** to offer faster and flexible financing. Expand access to **additional financing instruments**, such as loans and guarantees.
 - **Working with community energy intermediary organisations** to keep improving the quality of the calls

¹<https://www.idae.es/ayudas-y-financiacion/comunidades-energeticas/programa-de-incentivos-proyectos-piloto-singulares-de>

Introduction

The present briefing aims to guide **Managing Authorities in the design and execution of public financing programs for energy communities. It's based on an analysis of the recent calls for funding² for energy communities launched under the 'CE Implementa' Program in Spain**, financed by the Recovery and Resilience Facility. Previous joint analysis³ by REScoop.eu, CE Bankwatch and CAN-Europe has indicated that Spain is a clear frontrunner in developing public financing calls for energy communities.

Of its total 'renewable energy' funding envelope, and compared to other European countries, Spain's Recovery Facility has allocated one of the highest absolute (and relative) funding volumes to energy communities.⁴ The calls for funding released so far under the Spanish Recovery and Resilience Plan have explicitly integrated multiple components of social inclusivity, such as promoting gender equality, and promoting measures to tackle energy poverty.

Despite some shortcomings, such as the loose criteria around eligibility which have led to corporate capture of the funds, **Spain's multi-faceted support towards energy communities can serve as a reference for policy makers and Managing Authorities across Europe who are tasked with designing calls for funding for renewables (including energy communities).**

²<https://www.idae.es/ayudas-y-financiacion/comunidades-energeticas/programa-de-incentivos-proyectos-piloto-singulares-de>

³ <https://www.rescoop.eu/financing-tracker>

⁴ <https://revolve.media/opinions/show-me-the-money>

The learnings from this briefing may equally apply to Cohesion and European Regional Development Funds, which take up a large share of public financing budgets in Central and Eastern European Countries.⁵ **This material is also relevant to Managing Authorities in charge of drafting (and implementing) National Social Climate Plans.** The present briefing should be read in tandem with another guide developed by CE Bankwatch with the support of REScoop.eu: "*Selection criteria for energy communities: a practical checklist*"⁶ provides tangible guidance to Managing Authorities who seek to develop relevant supportive calls for energy communities.

⁵ Multiple EU countries such as Czechia, Latvia and Cyprus, are developing or have recently finalized a regulatory framework for energy communities, with calls for funding expected over the next months/years.

⁶<https://bankwatch.org/publication/selection-criteria-for-energy-communities-a-practical-checklist>

Dissecting the recent CE Implementa calls

Call Criteria

Technological components

The CE Implementa Calls 5 & 6 (hereafter 'calls') support a wide variety of renewables technologies (e.g., hydroelectric, biomass, geothermal). This is a step in the right direction, as energy communities have shown that they can develop mature business models beyond just solar. In these calls, support for electrical energy is contingent to the presence of a storage system. This is another welcome initiative, as alleviating congested grids is considered a key priority for the EU to achieve its REPowerEU objectives.⁷ However, considering that storage remains an expensive technology, **it is our recommendation that subsidy rates should be proportional** to avoid undue burdens on (smaller) energy communities. In designing relevant calls, **Managing Authorities should consider also targeting grid upgrade costs as many projects cannot be implemented unless the necessary electrical space is created.**

The calls also provide dedicated support for demand management, including software and equipment costs for real time measurement of energy production and consumption data. This is a welcome step that contributes to grid flexibility, higher penetration of renewables, and lower energy costs for consumers. Various energy communities are already carrying out demand response projects across Europe leading to promising results.⁸

Sustainable mobility, including the acquisition of electric cars and all relevant software (e.g., IT applications) and hardware (charging infrastructure) is also supported by the calls. The calls also explicitly mention e-bikes. Emphasis is given on the sharing component, i.e., that these technologies must be available to *at least* all members of the energy community.

The calls also provide dedicated financing for energy efficiency, specifically measures to improve the thermal envelope of buildings that are public, 100%

⁷ <https://www.iea.org/reports/is-the-european-union-on-track-to-meet-its-repowereu-goals>

⁸ <https://op.europa.eu/en/publication-detail/-/publication/ocd22fbo-1989-11ef-a251-01aa75ed71a1/language-en> and <https://dr-rise.eu/> and <https://www.rescoopvpp.eu/>

owned by members of the community, or are owned by the community itself. This is a welcome measure, but the strict eligibility criteria around the buildings' ownership could dissuade communities from applying.

Overall, promoting the role of energy communities in the energy efficiency sector is a highly welcome step. Indeed, the role of citizens in housing renovations is now institutionally recognised through the recast Energy Efficiency and Energy Performance of Buildings Directives.⁹ **Managing Authorities should encourage energy communities to undertake energy saving and sufficiency measures, including implementing housing renovations, bulk buying of equipment, and awareness raising campaigns.**

Thermal energy technologies (e.g., solar thermal) are rewarded with a higher aid intensity over renewable electricity (80% to 60% respectively). With the cost of renewable electricity collapsing over the past decade, this is a sensible choice. The share of renewables in heating and cooling in Europe remains significantly lower compared to electricity (e.g., in Spain it stood at 18% in 2020¹⁰), with higher funding costs. Decarbonising the heating and cooling sector is essential to progressing towards climate neutrality and is key for the EU to achieve its Green Deal goals. The extension of the Emissions Trading System into the H&C sector from 2027 further underscores the importance of frontloading decarbonisation measures as soon as possible. Lastly, regrettably the calls do not target district heating and infrastructure management as eligible technologies. This is a missed opportunity and should be included in future calls. The inclusion of citizens in heating and cooling projects is already a mature concept in various EU countries (e.g., Denmark, the Netherlands, Belgium) and such business models should be further scaled up¹¹.

Lastly, the calls provide additional support to **projects that combine different technologies** (e.g., solar PV & storage, coupled with demand response). In addition, the coupling of electricity with thermal energy projects also is awarded with extra points in the selection criteria.

⁹ <https://www.rescoop.eu/toolbox/second-generation-eu-legislation-for-energy-communities>

¹⁰ <https://www.rescoop.eu/uploads/rescoop/downloads/Guidelines-on-CHC.pdf>

¹¹ *ibid*

Economic components

This is the most important component in the call, awarding up to 70 points. The calls strongly reward mature, financially viable projects that require less public financing. Specifically, 1.5 points are awarded for every 1% reduction in economic assistance requested by the beneficiary compared to the maximum available amount (1 million euros for CE Implementa 5 and 30 million euros for CE Implementa 6). Except for awarding more financially sustainable projects, this award may also promote the spreading of funds to a larger pool of end beneficiaries.

However, this may skew the balance against smaller energy communities with smaller capital levels. Smaller communities might not be able to co-finance the project, thus relying on the maximum amount of financial assistance possible. The strong emphasis on economic criteria might also lead to the exclusion of projects that integrate various (potentially more expensive) socially and technologically innovative components. **Future calls should consider balancing the social - economic - technological criteria, while also integrating environmental criteria (e.g., biodiversity and land restoration activities).**

Social components

Some points (15/100) are awarded to community energy projects with positive social externalities. These include:

- Inclusion of households facing energy poverty;
- Proven measures to boost gender equality;¹²
- Projects developed in Municipalities facing demographic challenges; (thereby creating decentralised economic opportunities in an effort to bridge the urban-rural divide);
- Municipalities in Just Transition areas (which is a welcome step as it creates consistency with other mechanisms, like the Just Transition Fund);

¹² The Inclusivity Guide by REScoop.eu provides concrete measures that energy communities can undertake to boost their social inclusivity.
https://www.sccale203050.eu/wp-content/uploads/2024/01/Inclusivity-Guidebook_SCCALE203050_updated.pdf

- Use of European components / services / technologies;¹³
- Adaptation towards, and alignment with, regional and local priorities. This is another very welcome step, as it promotes the collaboration of energy communities with local authorities.¹⁴

While the points for social components should be higher in future calls, all the above measures may help trigger a 'race to the top', with (scarce) public financing being directed to projects with the highest social (and environmental) impact. However, key challenges remain specifically around **scalability** and **corporate capture**.

Corporate Capture

This phenomenon is broadly defined as the co-opting of the community energy concept by large market actors to reap special benefits that energy communities enjoy, such as dedicated funding or priority access to the grid. In other words, private investors, companies, or other market entities set up 'community energy projects' with little to no alignment with the relevant EU Directives¹⁵ on elements such as ownership, effective control, proximity, autonomy, and a not-for-profit nature.

Due to its large community energy movement, the phenomenon is particularly evident in Spain, where large companies like Repsol's subsidiaries have been documented to siphon up to 30% of the Recovery Funds hitherto allocated to energy communities.¹⁶

¹³ The use of non-price criteria for choosing renewable energy projects aligns with the recent Net Zero Industry Act, which aims to reinvigorate European manufacturing through preferential localised procurement

¹⁴ The LIFE LOOP project is helping to facilitate the collaboration of energy communities and local authorities for the implementation of public-benefit projects.
<https://energy-cities.eu/project/lifeloop/>

¹⁵ The recast Directive 2018/2001 (Renewable Energy Directive II, or REDII) and the recast Directive 2019/944 (the Internal Electricity Market Directive, or IEMD), that legally established CECs (Citizens Energy Communities) and RECs (Renewable Energy Communities) as the two legal definitions covering energy communities

¹⁶ El negocio privado, a la caza de las subvenciones de la energía comunitaria, El Público, Available at:
<https://www.publico.es/sociedad/negocio-privado-caza-subvenciones-energia-comunitaria.html>

Until now, Spain has not elaborated a national level renewable energy community or citizen energy community definition in any concrete detail, electing simply to copy-and-paste the definitions from EU legislation. A clear articulation of the principles that are included in the EU energy communities definition is a basic building block towards developing an enabling framework for energy communities.¹⁷

Setting stricter eligibility and exclusion criteria in such public financing calls (next to rewarding criteria, like the technological and social ones analyzed above), and aligning them with a more detailed definition in national legislation that is properly overseen by the national regulator, could contribute to tackling corporate capture, ensuring that only EU-definitions-aligned, citizen-led energy communities ultimately benefit from public funds. To this end the Spanish Community Energy Federation (Unión Renovables) contributed with detailed comments in the May 2024 public consultation on the CE Implementa program, providing guidance to Spanish Managing Authorities on how to tackle corporate capture. Many of these comments are relevant across different European contexts. These include:

- Legal entities with a commercial and dominant position in the energy market should be excluded as beneficiaries of the calls;
- Benefiting energy communities must prove their effective control and autonomy in line with the EU Directives: this would entail ensuring a cooperative governance system (i.e., 1 member = 1 vote) as well as a cap on the number of shares that any one member can hold in the community (max 20%);
- Placing limitations in the dividends that energy communities can pay out to their members (effectively maintaining all/most of the financial gains within the community, to be reinvested in socially and environmentally beneficial purposes);
- Inclusion of the candidate beneficiary energy community in a Social Economy public registry (or other associative structure). Certain Member States, like Ireland, have opted for creating dedicated registries for energy

¹⁷ Energy Communities Repository (2024). A Roadmap to Developing a Policy and Legal Framework that Enables the Development of Energy Communities (Building Block No 1: A Clear definition), p 15.

communities, entrusting a public authority to monitor their registration and lawful operation (e.g., monitoring membership composition, and dividend distribution);

- Ensure that the autonomy principle is respected, avoiding that subsidiaries and other empty corporate shells are included as potential beneficiaries; and
- Ensure a minimum amount of citizen participation, with greater points awarded to communities with a higher number of citizens, as well as other legal persons (e.g., Municipalities, SMEs, NGOs etc.).

Unfortunately, none of the above recommendations were taken into account by the Spanish authorities, potentially paving the way for the further continuation of the corporate capture phenomenon.

Scalability

EU Member States are facing increasingly constrained public finances: the Recovery and Resilience Facility is finishing at the end of 2026, while the Stability and Growth Pact regrettably limits the available fiscal space for climate investments. **Beyond grants, Managing Authorities should consider additional financing instruments, such as grants-to-loans and similar revolving structures that can achieve scalability and long-term operational sustainability. This diversity of product options is highlighted in the fi-compass platform.**¹⁸

The Access to Capital for Community Energy (ACCE) project investigates the development of integrated financial value chains, bringing together public and private forms of financing for energy communities. The project illustrates that Governments can work with financial institutions to create permanent financing instruments for energy communities. The best example of this type of integration is the Netherlands. The Dutch government, partnering with EnergieSamen (the National Federation of cooperatives), has created the Development Fund. This revolving fund allows energy communities to secure de-risked development loan-to-grant products. Building on this tool, EnergieSamen created the Realisatie Fund with a consortium of 3 private banks,

¹⁸ <https://www.fi-compass.eu/>

which provides expedited project financing for energy communities. This funding is complemented by dedicated grant programs for the initiation of small cooperative projects through EnergieSamen's capacity building operation. Together, these tools provide an integrated solution for stakeholders looking to build energy communities in the Netherlands.

Case example and lessons learned: Energía Bonita

Energía Bonita is a Spanish energy cooperative, operating since October 2021, currently numbering over 200 members. The cooperative is involved in various solar energy sharing projects, and is planning to expand on additional renewable technologies. These include a geothermal project, in partnership with the local Island Council of Cabildo, as well as an e-car sharing project. The cooperative is also working on energy efficiency projects.

The cooperative applied for the Spanish NextGeneration funding through IDAE in 2022. The process was long and complicated, requiring a large amount of documents. The application was related to solar energy sharing installations of a total 900 kWn capacity, as well as 7 electric cars, and the software to manage the energy community.

Having managed to apply and receive a positive evaluation, the cooperative had to raise the capital for its project, and then be reimbursed for its expenses ex-post. The final project cost was over 1,100,000 euros, and IDAE granted the community 500,000 euros. Energía Bonita reached out to a cooperative bank to match the IDAE grant through a bridging bank loan. However, as most banks in the region are unfamiliar with the energy cooperative model, the bank took over 1 year to finally agree on providing this loan. In fact, various local actors, including from the regional Government, had to step in and educate the bank about the added social value of the cooperative model. This is a transversal problem encountered with many private financial institutions, who do not recognise the not-for-profit business models of energy cooperatives.

Making the funding available in advance (or at least part of it) would be a major improvement, especially for smaller actors like cooperatives and SMEs. There's already national funding schemes that frontload the funding, such as one by the Regional Authority of the Canary Islands¹⁹. This model could be emulated in EU funding processes.

¹⁹ <https://sede.gobiernodecanarias.org/sede/movil/tramites/6952>

The application process should also be simplified and expedited, requesting a smaller and more targeted amount of documents.

A percentage of public funds, such as from the Recovery Fund, should be earmarked for guarantees by a public institution (e.g. a national development bank), so as to ease and streamline the private bank lending process for smaller actors that banks don't (yet) recognise or trust.

In Spain, credit institutions linked to the social economy, such as Fiare Banca Etica and Coop57, provide bridging loans to social and solidarity economy organizations so that they can meet the costs of their projects until they receive the capital from the grant. Although such loans are not yet common in community energy projects, a number of Energy Communities are starting to finance their projects in this way.²⁰

Perfect is the enemy of good: Recommendations for future funding calls

It's clear that Spain is one of the frontrunning Member States in dedicating public EU funds to support a democratic energy transition. However, challenges persist which could be resolved through ongoing dialogue with civil society and community energy stakeholders.

To address issues around corporate capture, Managing Authorities are advised to:

- **Involve community energy expert intermediaries in the design and implementation of calls for funding.** This would ensure the setting up of robust criteria that would boost social and environmental co-benefits, while limiting corporate capture. Community energy actors can also contribute in coaching citizens and other energy communities in their respective country, raising awareness about the existence of the funds and the application process.

This model of cascade funding is currently being implemented by the

²⁰ <https://coop57.coop/es/noticia/la-apuesta-por-la-transici%C3%B3n-energ%C3%A9tica>

European Commission through the LIFE-CET program. The ENERCOM FACILITY project, will provide dedicated grants to energy communities targeting the development of their business plans. It will be enhanced by a dedicated capacity building support program which will ensure a qualitative approach to project development. National community energy expert organizations in the target EU27 countries (+Iceland and Ukraine) will help implement the capacity building program coaching energy communities on how and when to apply for funding.

- Eligibility for receiving funds under these calls should also be **attached to a well defined national definition that clearly articulates the principles of ownership, effective control, autonomy, and commitment towards socio-economic benefits over profit.** Such a national definition should be fully in line with the EU level definitions, and be overseen at national level (ideally by a national regulator) to avoid abuse.
- **Include community energy intermediary organisations in relevant Monitoring Committees or other oversight structures/fora** where stakeholders can monitor the use of the funds, and provide input on a regular basis (outside of regular public consultations).
- **Ensure that funding goes to the intended beneficiaries.** Based on the assessment of the previous calls of CE Implementa, a significant part of the funding went to subsidiaries or companies controlled by large energy sector businesses. Ensuring that projects are held by energy communities that comply with the principles of autonomy and the focus on co-benefits is crucial to avoid the misallocation of funds. We recommend controlling the shareholder registry of the beneficiaries to ensure that no single entity controls a major share of the final project, while improving on communication around the expected outcome of projects. **Utilizing social economy registries is also an easy way to check for the final purpose of the beneficiaries.**

To address issues around scalability, Managing Authorities are advised to:

- **Include re-investment rates in their Financing Gap Calculation to ensure that energy communities grow and scale.** Beneficiaries in future public financing calls should be using the resources allocated to build structural projects allowing for the scaling of their organization. Re-investment rates can ensure the organization's structural sustainability and growth, and can also be used to ensure that investors do not get large pay-out from the investment.
- **Expand cooperation models with ethical and cooperative banks, creating guarantee schemes to secure bridge funding for energy communities.** This would act as a 'bike-lane' for quicker and flexible financing to smaller social economy actors, like energy communities, who often cannot absorb all the investment costs for their projects upfront.

The Investors Dialogue on Energy working group meetings highlighted the successful use of financial instruments, like green loans, through the European Regional Development Fund. Particularly, the BiznesMax and EkoMax scheme in Poland combines guarantees and interest rate subsidies to support SMEs in energy efficiency and renewable energy investments. Such schemes could be replicated for energy communities, providing an additional (and revolving) instrument to grants.

Conclusion

The community energy movement in Europe is growing and deepening, while also expanding to new activities, including energy efficiency, demand response, and large/industrial-scale projects²¹. The growing mobilization of EU funds to support energy communities is a welcome development, but challenges around scalability and corporate capture persist. In the context of a tightening fiscal space, it's essential that Managing Authorities make the best use of EU funds, creating the highest social and environmental co-benefits.

Public financing calls should be designed with stricter governance, social, and environmental criteria, to target only energy communities that align with the EU's Directives. Community energy expert intermediary organizations should be meaningfully included and consulted in the design process of the calls. Lastly, alternative financial tools, such as guarantees and grants-to-loans should be further developed, so as to scale up the Programs' impacts.

²¹<https://www.euronews.com/business/2024/06/03/not-just-for-hippies-energy-communities-should-be-the-drivers-of-the-eus-re-industrialisation>