Seizing the Potential of Community Energy
10 Tools for Policy Makers

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Clean energy together

Policy recommendations to seize the potential of community energy in the Baltic Sea region

Community energy – people coming together to build clean energy projects – can strengthen communities and enable the energy transition.

However, many barriers keep holding the development back. A set of recommendations at different levels of policy can accelerate progress – and unleash the potential of community energy in the Baltic Sea region.

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Co-producing and co-financing renewable community energy projects

Barriers to community energy

Community energy (CE) is held back by various barriers. These include policy, regulatory, financial and even cultural barriers.

Despite the strong role of CE in the EU Renewable Energy Directive, most countries and regions lack a **CE vision or targets.** The potential of CE is not reflected in energy strategies, often designed more with large incumbents in mind.

Unstable policies disrupt communities' and investors' trust and long-term planning. Unpredictable changes to support mechanisms can be particularly harmful.

In some countries, **regulation prevents self-consumption** of solar power from becoming economically feasible. For example, self-consumption is limited only to powering the shared parts of the apartment building, but not the apartments themselves.

Another barrier is **lengthy, complex and costly paperwork.** This includes for instance building permits for wind turbines.

Especially for wind power, the **costs of grid connection** may be high. Additional system costs may come from strengthening the grid where it needs upgrading.

Low energy prices reduce the attractiveness of CE in some countries. In regions like Northern Germany and Sweden, one challenge at times is the over production of electricity and lack of grid and storage solutions.

Often there is a **lack of knowledge** about CE, its possibilities and successful examples. Local people may also have limited skills related to energy technology, financing and policies.

Local groups tend to have difficulty **accessing affordable financing.** Financial institutions may not be familiar with CE projects, loans may not be available for local groups or the price of capital may be prohibitively high.

Some countries do not provide **attractive support** for CE projects. Mechanisms such as renewables auctions may only serve big projects and institutions. Investment grants may not be available for community groups such as local cooperatives or housing associations.

There are also **cultural barriers** especially in the eastern parts of the region. These are rooted in the bad experiences in the socialist past and a lack of trust in the authorities.

Policy proposals

Barriers to community energy can be removed with determined political action at all levels. Next we present key policy levers that can form an effective policy mix, tailored to the conditions of each country and community.

1. Set targets and plans

Adopting ambitious targets – like 500 MW of community energy capacity by 2020 in Scotland –

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can focus the attention of policy makers, investors and the general public. The targets should be accompanied with roadmaps to reach them.

2. Create a stable policy framework

Energy policy and other relevant policies (such as taxation) should be kept stable to provide a long-term outlook for investors. Necessary changes should be phased in over time.

3. Eliminate regulatory barriers

Authorities need to remove regulatory barriers such as levying electricity taxes and grid fees on the self-consumption of solar power within an apartment building. Permitting and grid connection procedures can also be streamlined, including setting targets or limits for process lengths and establishing a one-stop shop for permitting projects.

4. Involve local people

Energy projects could be required to open up their shares to the local people to increase acceptance. A successful model is the Danish Renewable Energy Act which requires offering at least 20% of the shares to the local community.

5. Ensure access to funding

Dedicated schemes could be set up to provide early-stage funding for e.g. feasibility studies and technical expert services. CE projects should be guaranteed access to affordable financing, including loan guarantees, risk-sharing tools or low-interest loans. One option is a fund guaranteed by state, with proceeds feeding back to finance new projects.

6. Provide targeted support

CE would benefit from a support scheme for distributed energy, such as feed-in tariffs or green certificates targeted at small projects. One model is the Dutch postcode regulation with a tax discount on locally exchanged energy. When considering the costs and benefits of such a scheme, broader benefits to society should be factored in.

7. Phase out harmful policies

Fossil energy and large incumbents benefit unfairly from legacy measures, making it more difficult for CE to compete. Outdated policies such as fossil fuel subsidies and monopoly rules for energy utilities should be phased out. Emissions from fossil fuels need to be priced according to the damage they cause to people and the environment.

8. Provide platforms for community energy

Public authorities can enable progress by sourcing their own energy from CE projects, e.g. through power purchase agreements. Publicly owned utilities can host CE projects and provide a platform for selling the energy.

9. Create awareness and provide training

Local communities and the general public need information about the benefits and potential of CE. A network of regional energy advisors can be maintained with public funding, helping CE projects with getting technical training and finding financing, for example.

10. Improve the knowledge base

To better understand the current situation and to follow progress, authorities need to fund CE research and promote dialogue between researchers and policy makers. Energy statistics should incorporate the share of CE.

About community energy

What is community energy?

Community energy (CE) refers to energy projects in which local people play an active role together. CE covers the local production, distribution and storage of electricity, heat and fuels from renewable sources.

The role of local citizens can include initiating, owning, running and controlling the projects through various models, including cooperatives and SMEs.

Benefits of community energy

Community energy has three primary advantages:

1. CE provides economic opportunities to the local community, including investment, jobs and tax revenue.

2. Projects strongly rooted in the local community are more likely to gain acceptance, reducing resistance holding energy projects back.

3. CE can strengthen social ties, local identities and autonomy – especially important in communities that may feel marginalised and left behind.

The transition to a climate-neutral energy system requires significant investments in renewable energy. CE can enable the transition by ensuring the support of local people.

Community energy in the Baltic Sea region

The status of community energy varies widely within the Baltic Sea region (BSR). Traditionally Germany and Denmark have been considered to lead, while the situation has been more challenging in the Baltic States and Poland.

However, the untapped potential is likely to be very large. For instance, every second household in the EU – around 113 million – may be able to produce energy. Countries in the region can realise the potential by taking determined action.

For more information
Visit the Co2mmunity project website:
co2mmunity.eu

English
Policy recommendations to seize the potential of community energy in the Baltic Sea region

Polish
Rekomendacje dla wykorzystania potencjału energetyki obywatelskiej w regionie Morza Bałtyckiego

Finnish
Politiikkasuosituksia yhteisöenergian mahdollisuuksien hyödyntämiseen Itämeren alueella

Swedish
Policyrekommendationer för mer Community Energy i Östersjöområdet

Lithuanian
Politikos rekomendacijos, kaip išnaudoti bendruomenės energijos potencialą Baltijos jūros regione

http://co2mmunity.eu/outputs/download-area

Why policy paper?

- Community energy has a large potential in the Baltic Sea region

- Development is held back by policy, regulatory, financial and cultural barriers

- Barriers can be removed with determined action at all policy levels

- Many policy recommendations already available, but not necessarily specifically
  - on community energy
  - in the Baltic Sea region
  - in a concise and accessible form

How policy paper?

The recommendations in the policy paper are derived from and refined based on

- research literature

- project publications

- practical experiences on the ground

- workshop discussions

- an online survey

Who is the paper for?

Policy makers and other people involved in policy at all levels, including

- MEPs

- members of national and regional parliaments

- local councillors

- civil servants and staff in ministries, parliaments, municipalities etc.

- experts and stakeholders

- NGOs and local activists who want to influence policy making

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10 policy proposals

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2. Create a stable policy framework
3. Eliminate regulatory barriers
4. Involve local people
5. Ensure access to funding
6. Provide targeted support
7. Phase out harmful policies
8. Provide platforms for community energy
9. Create awareness and provide training
10. Improve the knowledge base

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How to use the proposals?

- Most proposals are relevant for all levels of policy making, but some are specific to only some (e.g. national), depending on the competences

- Policies tend to be more effective if they are applied as part of a coherent portfolio of measures

- While the proposals are broadly applicable in the Baltic Sea region, policies need to be tailored to the needs of each country and community

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