



# RECOMMENDATIONS FOR SUPPORTING ENERGY COMMUNITIES IN THE CEE REGION

Based on the CEE regional Fit for 55 workshop on energy communities,  
1 June, 2022, in Budapest, Hungary

## BACKGROUND

In the framework of the EUKI project “*Implementing the European Green Deal in Central and Eastern Europe*”, the workshop titled ‘Regional workshop on climate-neutral business initiatives in the context of the Fit for 55 package, with special regard to community energy’ has been co-organised by the National Society of Conservationists - Friends of the Earth Hungary (NSC-FoE Hungary), Climate Action Network (CAN) Europe and Centre for Transport and Energy (CDE) Czechia. The workshop brought together a variety of stakeholders engaged in community energy, including consultants, NGOs, municipalities, and business. More about the workshop here: <https://mtvsz.hu/en/news/2022/06/1-2-june-2022-cee-regional-workshop-bp-fit-for-55-package-community-energy>

## TRANSPOSITION OF EU LEGISLATION

Through the *Clean energy for all Europeans package*<sup>1</sup>, adopted in 2019, the EU introduced the concept of *energy communities*<sup>2</sup> in its legislation, notably as citizen energy communities and renewable energy communities. Member states should have transposed the rules on energy communities of two relevant EU directives by 2021. This process hasn't finished yet, it can be followed by the Transposition Tracker<sup>3</sup> of REScoop.EU.

- The transposition process should be **transparent and iterative**, as the energy market is a new field for consumers, consumers are new players in the energy market and the energy community is a new organisational form in the CEE region.
- **Predictable legal environment** is crucial for energy communities for two reasons:
  - community-based decision making is time consuming but builds trust among members;
  - It increases communities' trust in decision-makers.
- **Regulatory sandbox** is a good tool to test new regulation in favour of local energy sharing. Pilot community energy projects need it to test new rules for permitting, operation, data sharing, contracting, accounting etc. But temporary exemption should

<sup>1</sup> Clean energy for all Europeans package: [https://energy.ec.europa.eu/topics/energy-strategy/clean-energy-all-europeans-package\\_en](https://energy.ec.europa.eu/topics/energy-strategy/clean-energy-all-europeans-package_en)

<sup>2</sup> [https://energy.ec.europa.eu/topics/markets-and-consumers/energy-communities\\_en](https://energy.ec.europa.eu/topics/markets-and-consumers/energy-communities_en)

<sup>3</sup> Transposition Tracker: <https://www.rescoop.eu/policy#transposition-tracker>

be needed not only on technical regulations, but business law, especially on rules of registration, operation or taxation.

- Correct transposition of **definitions** is essential and must not be limited to mere copy-pasting of the RED II language. These definitions should focus on membership principles, effective control, but should not be restrictive on activities, legal forms or territorial activities. Communities should be able to choose from a number of legal forms most suitable for their situation.
- The word 'cooperative' has a different connotation in the CEE region. It is suspicious for citizens and even legislators because of its historical legacy (non-democratic, non-voluntary organisation of cooperatives in the 2nd half of the 20th century), and its general regulation is often too restrictive (e.g. in Hungary it is not possible to recruit members publicly). It would be appropriate for Member States to create **specific rules for energy cooperatives**, which would also help to restore confidence in cooperativism.
- **Detailed rules and implementing regulations are needed.** Business models and plans cannot be made without this. Regulatory sandbox is a good tool to test future options for contracts, measurement, data sharing, billing etc.

## ACCESS TO GRID

- **Grid improvements.** Limited access to the grid is a huge barrier for energy communities. The integration of more renewable energy needs investments to increase the flexibility of the electricity grid. These should be supported by public funds, just like in Hungary from the Modernisation Fund<sup>4</sup>.
- **'Fast green lane' for Renewable Energy Communities.** Energy communities with common decision-making process and lower risk-taking capacity cannot compete with private companies, so they should be prioritised in auctions, e.g. in dedicated calls, like in Ireland<sup>5</sup>.
- **Grid tariffs should incentivise local energy sharing**, based on the cost-benefit analysis of distributed energy. These analyses are still missing in the CEE countries; this is an important and urgent task of national energy authorities required by RED II.
- Clear rules for **relations of energy communities with DSOs** are crucial to create adequate access to the grid and the related services. RED II states that the Enabling framework shall ensure that the relevant distribution system operator cooperates with renewable energy communities to facilitate energy sharing.

## TARGET NUMBERS IN POLICY DOCUMENTS

- EU Solar Energy Strategy<sup>6</sup>: Set up at least one renewables-based energy community in every municipality with a population higher than 10 000 by 2025.

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<sup>4</sup> ref. MF 2022-1 HU 0-003 Investment Proposal: Energy storage instalments for grid security: <https://modernisationfund.eu/wp-content/uploads/2022/06/MF-2022-1-HU-0-003-Energy-storage-instalments-for-grid-security.pdf>

<sup>5</sup> Renewable Energy Support Scheme (RESS) in Ireland: <https://www.seai.ie/community-energy/ress/overview/>

<sup>6</sup> EU Solar Energy Strategy: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A221%3AFIN&qid=1653034500503>

- Hungarian energy strategy target by 2030: At least one renewable energy community (managed by an independent aggregator) should operate in each (175) microregion of Hungary.

These targets are very important to focus activities in future investments, technical and financial support, but they should be well defined as important target areas (rural territories) or activities may fall out of the scope.

## ENABLING FRAMEWORK

- **Capacity building** for municipalities, authorities and citizen-led initiatives is essential to engage consumers in the energy transition. **Technical assistance programmes** like the European Commission's **Rural Energy Community Advisory Hub**<sup>7</sup> (RECAH) and **Renewable Energy Repository**<sup>8</sup> should be extended after evaluation of their pilot phase.
- **National support schemes and one-stop-shops** for energy communities like in Scotland (CARES by [Local Energy Scotland](#)) or Austria ([Österreichische Koordinationsstelle für Energiegemeinschaften](#)) should be adapted and supported in the CEE region.

## ACTIVITIES

CEE energy communities should be able to consider their local needs and opportunities and choose one or more activities from the following list:

- **Electricity production** from renewable sources is the most typical activity of energy communities; it should not be limited to collective self-consumption. **Selling renewable energy** has a faster return of investment and it creates opportunities for progressive development for energy communities.
- The next level of activities of energy communities like **energy storage** either for the optimisation of consumption or as part of **electromobility** infrastructure, or the **aggregation** of production and consumption in order to provide flexibility services require more experience; thus, energy communities need progressive support.
- **Renewable-based heat production** and consumption has so far been less in the focus of the energy communities (e.g. they were excluded from the list of possible activities of energy communities in Hungary), but they have a great potential in the CEE region. Local pilot community renewable heat initiatives that meet the sustainability criteria could be supported (from public funds) as heating (and cooling) accounts for the majority of residential energy use in the CEE region. All renewables, especially conditionally renewable biomass need to come from local, sustainable sources and undergo strict sustainability criteria case by case; community heat projects relying on these renewables must be sized and adapted to the local needs and conditions.
- **Reinvestment** and sharing profit to increase energy efficiency and reduce energy poverty is essential **to avoid rebound effect** and realise real energy consumption reduction in the energy community.

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<sup>7</sup> Launch event of the Rural Energy Community Advisory Hub: [https://ec.europa.eu/info/events/launch-rural-energy-community-advisory-hub-2022-jun-17\\_en](https://ec.europa.eu/info/events/launch-rural-energy-community-advisory-hub-2022-jun-17_en)

<sup>8</sup> Renewable Energy Repository: [https://energy-communities-repository.ec.europa.eu/index\\_en](https://energy-communities-repository.ec.europa.eu/index_en)

# STATE AID SUPPORTING ENERGY COMMUNITIES

The recently adopted EU environmental, climate and energy State aid guidelines<sup>9</sup> allow supporting renewable energy communities in line with the enabling framework of RED II. Hungary has some examples supporting pilot community energy initiatives from the Modernisation Fund<sup>10</sup>; some lessons are collected from the first calls and grantees:

- **Non-refundable grants must be targeted more precisely:** a too low-level/intensity of support is insufficient, but excessive support is inefficient as support would reach fewer applicants and cheaper energy or larger income would not motivate grantees to use energy more wisely and efficiently.
- **Refundable grants** would be more effective in supporting investments that pay back. It can be secured as seed money for a **revolving fund** for further investments in the community.
- **Supported activities** should not be limited to technical innovation and installations; **social innovation** should also be supported. In the CEE region, the culture of systemic/community cooperation and of collective decision-making must be strengthened/developed, the organisation and promotion of energy communities should be also supported as a capacity building activity.
- **Tax reduction:** As financial benefits in cost reduction of energy communities are limited in the energy supply system, their social and environmental benefits should be rewarded through tax incentives such as lower VAT.

*Disclaimer: This list of recommendations is based on the experience of the participants of the workshop; thus, the list is not exhaustive but gives an overview about the challenges and needs related to community energy in Central and Eastern Europe (CEE).*

Supported by:



Federal Ministry  
for Economic Affairs  
and Climate Action



European  
Climate Initiative  
EUKI

on the basis of a decision  
by the German Bundestag

This project is part of the [European Climate Initiative \(EUKI\)](#). EUKI is a project financing instrument by the German Federal Ministry for Economic Affairs and Climate Action (BMWK). The EUKI competition for project ideas is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. It is the overarching goal of the EUKI to foster climate cooperation within the European Union (EU) in order to mitigate greenhouse gas emissions.

The opinions put forward in this paper are the sole responsibility of the authors and do not necessarily reflect the views of the Federal Ministry for Economic Affairs and Climate Action (BMWK).

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<sup>9</sup> Guidelines on State aid for climate, environmental protection and energy 2022:

[https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_22\\_566](https://ec.europa.eu/commission/presscorner/detail/en/qanda_22_566)

<sup>10</sup> MF 2021-1 HU 0-001 Hungary Investment Proposal: Development of energy communities:

<https://modernisationfund.eu/wp-content/uploads/2021/12/MF-2021-2-HU-0-002-Development-of-Energy-Communities.pdf>