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MATCHING JUST TRANSITION AMBITIONS WITH COMPETITION RULES

Energy Cities' response to the draft revised Guidelines on State aid for environmental protection and energy

The Clean Energy for all Europeans package has provided a long-awaited boost and recognition to the role local authorities and communities play in delivering the energy transition while contributing to local socio-economic benefits. The recognition of "citizen energy communities" and "renewable energy communities" as per their respective designations in the revised electricity and renewable energy directives provides a strong legal basis to open the energy market to a more diverse set of players, also more likely to put Europe on a sustainable recovery path, leaving no one behind. Aligning this new legal framework with supporting competition rules is of crucial importance to ensure progress in energy and climate policies is not undone by outdated competition legislation.

It is important especially now, in the midst of the Covid crisis and the obvious fragility of a system where everything is outsourced to remote places, to remind that locally-owned, community energy projects create more resilient economic systems with shorter supply chains. Community energy projects are often conducive to innovative partnerships between municipalities and their inhabitants and local SMEs and are purpose-driven initiatives which lead to the re-investment of the proceedings into further sustainable development measures and long-term prosperity building projects.

Competitive bidding processes are not a one-size-fits-all solution

Participating in competitive bidding procedures is a major challenge for smaller and non-commercial energy market players such as citizen energy communities given the comparatively higher transaction costs that these entities need to shoulder and considering the bigger risk they carry in case the bid is unsuccessful. To some extent, the draft guidelines already partly offset this problem by providing a threshold under which smaller renewable energy installations can be exempted from participating. However, instead of focusing solely on the size of the installation, state aid guidelines should allow Member States to exempt locally-owned and controlled projects from competitive bidding procedures given the additional socio-economic contributions that they make to securing a just transition.

Rewarding the contribution to local socio-economic development

An alternative to exempting locally-owned and controlled projects from participating to competitive bidding procedures would be to at least provide the opportunity for specific criteria on local value added creation to be included in tendering processes, without unduly limiting their weighing against other cost-related criteria. Several local authorities¹ across Europe have already applied this principle for their own public procurement rules, like the

¹ <https://friendsoftheearth.eu/wp-content/uploads/2020/11/community-energy-guide.pdf>



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city of Eeklo which called for a minimum 30% citizen ownership in the tendering criteria for the development of its district heating network. In addition, and as echoed by the Centre on Regulation in Europe², the bidding procedures should also make way for the increased involvement of local authorities and local communities, in order to secure additional socio-economic benefits, optimal location and support from the local inhabitants.

Smaller installations need to be able to combine various support mechanisms

In France, members of Energy Cities have reported that a new tariff order is restricting aid to installations having already benefited from a feed-in premium. While this does not pose a problem for large operations with bigger portfolios of projects, local communities – notably from the Strasbourg metropolitan area - have indicated that with the levels of sunshine in their latitudes, small projects and especially citizen projects will have difficulty finding a business model without other aids facilitated by local authorities such as human resource support, free provision of roof space for solar installations, etc. Once again, it is important to uphold the principle that smaller project developers, especially if they are making a tangible contribution to local socio-economic development, should be treated according to their own specificities.

Finding the right balance to support energy performance

The energy performance of buildings needs to be supported taking due account of local contexts and specificities. It is easier to keep windows and doors in check all the time to guarantee the performance of a sophisticated ventilation system in an office building than in a school for example, where children come and go all the time. Similarly, it doesn't always make sense to mandate extremely high energy efficiency requirements in contexts where waste heat can be easily supplied to buildings at a lower cost than additional energy savings measures.

The draft guidelines should thus not make disproportionately high requirements on the levels of energy performance improvements of existing buildings, but should nonetheless ensure that the threshold doesn't lead to shallow renovation levels (i.e. leading to less than 35% of reduction in primary energy demand).

State aid should support long-term, integrated vision for decarbonisation

Local authorities should be supported in their journey towards heat decarbonisation, especially when it comes to moving to 100% renewable heat supply. However, the shift will unfortunately not happen overnight, and imposing very stringent criteria and threshold levels to access state aid might prove counter-productive if not contextualised. Instead, to avoid lock-ins of fossil fuel infrastructure while providing a certain degree of flexibility to transition to new systems, state aid provision should include a conditionality on demonstrating long-term commitments to the decarbonisation and the phase out of fossil fuels.

² <https://cerre.eu/publications/revision-renewable-energy-directive-redii-fit-for-55-european-green-deal/>