

## **Contribution**

### **to the Public Consultation on the revised Climate, Energy and Environmental Aid Guidelines (CEEAG)**

#### **1. About us**

The National Office for Energy Cooperatives at the German Cooperative and Raiffeisen Confederation – reg. assoc. (DGRV – Deutscher Genossenschafts- und Raiffeisenverband e. V.) represents the interests of the 835 German energy cooperatives, most of which are micro-, small- and medium-sized enterprises (SMEs), and their 200,000 members. Energy cooperatives operate systems in the fields of solar, wind, biomass, and biogas in areas as diverse as energy generation and supply through to district heating and marketing activities.

#### **2. Exclusion of Energy Cooperatives**

German competitive bidding procedures for ground-mounted PV installations (and later PV roof installations) with an installed capacity of more than 750 kW were introduced on 1st May 2015. Since then, there have been 24 rounds of tenders for solar plants with an installed capacity of more than 750 kW, with a total of 3.087 direct bids. Energy cooperatives have participated with only 27 direct bids (0,9%). There has been a total of 930 direct awards. Energy cooperatives have received only seven of these direct awards (0,75 %). Tenders for onshore wind energy plants with an installed capacity of more than 750 kW were introduced in May 2017. Since then, we have had 13 direct awards (1 %) for energy cooperatives out of a total of 1.314 awards in 22 rounds.

The figures show that photovoltaic and wind tenders do not allow fair competition between large and small market players. Energy cooperatives are effectively excluded from the photovoltaic and wind market above 750 kW. The threatened lowering of the de minimis thresholds to 400 kW and 200 kW by the CEEAG would strengthen this development further and increase the problem.

#### **3. Market concentration in the solar market**

After six years' experience of German tenders for PV installations a market concentration can already be seen.<sup>1</sup> In the long run, the tender competition will end up in an oligopolistic

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<sup>1</sup> See Katja Weiler, Andreas Weber, Katharina Grashof, Dr. Lars Holstenkamp, Moritz Ehrtmann, [Study of the project "Development and implementation of a monitoring system for the analysis of the actor structure in ground-mounted photovoltaics and onshore wind energy"](#) carried out by IZES gGmbH in cooperation with Leuphana University of Lüneburg for the "Umweltbundesamt", July 2021, page 30.

market with negativ consequences like higher prices and less competition between different kind of companies.

#### **4. Reasons for the exclusion**

Energy cooperatives are not able to attend the German competitive bidding procedure or have an extreme low chance of winning a bid as they cannot spread the risk in tenders.<sup>2</sup> Energy cooperatives like other citizen energy communities are mostly micro or small enterprises. Hence, they only have limited financial capacity and work force. In contrast to big market players, they usually implement only one big local solar or wind power projects at the time. The planning costs for a new 1 mw ground mounted PV installation are between approx. 10.000 € and 72.000 € and for a new wind energy plant (till the final approval under the German Federal Immission Control Act is granted, sort of German planning permission) between around 210.000 € and 300.000 €.

The board of directors of the cooperative must ask its members for this sum as equity. However, the board of directors must tell its members that they cannot guarantee the implementation of the projects as they do not know whether the cooperative will win a bid with the project. If the cooperative does not win any tender the planning costs of up to 72.000 € or 300.000 € are lost. Therefore, the member of the cooperative will not give this sum to the board. Thus, the energy cooperative or other small market actor will not develop the solar or wind project and cannot attend competitive bidding procedures.<sup>3</sup> This is called the 'award risk (Zuschlagsrisiko)'.<sup>4</sup> In contrast big market players can hand in several bids or receive several accepted bids and spread the risk over different projects, direct awards and prices. Moreover, big market players can realise their projects with a lesser share of equity and lower interest on debt capital.

Additionally, the uncertainty about the level of competition i.e., when actors cannot assess the position of their project in the market or can do so less effectively, poses a great challenge to small market actors like energy cooperatives. This is called the 'price risk (Preisrisiko)' and also discourages small actors to attend competitive bidding procedures.<sup>5</sup>

Furthermore, energy cooperatives and other small market actors have a difficult access to venture capital for the project development. Additionally, these small market actors have lower financial strength to prevail in the face of strong competition for land.<sup>6</sup> A lot of

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<sup>2</sup> See Katherina Grashof, Johannes Kochems, Uwe Klann, „[Characterisation and opportunities for small players in the tendering process for onshore wind energy](#)“, carried out by IZES gGmbH for the “Fachagentur Windenergie“ an Land, July 2015, page 25, 26; see Silvana Tiedemann, Fabian Wigand, und Corinna Klessmann, „[Actor Diversity Wind Energy onshore - Challenges, Actor Definition, Special Regulations](#)“, Scientific Paper (Berlin: Ecofys, 24 May 2015), page 12, 13.

<sup>3</sup> See „Characterisation“, page 26; „Actor Diversity Wind Energy onshore“, page 11, 12.

<sup>4</sup> See „Actor Diversity Wind Energy onshore“, page 11, 12.

<sup>5</sup> See „Characterisation“, page 27; „Actor Diversity Wind Energy onshore“, page 11, 12.

<sup>6</sup> See „Characterisation“, page 27.

times a big market player offers a lot more for the land lease than small market actors. With respect to PV installations, small market actors have higher costs for the project development, the plant construction and financing because of e.g., cheaper procurement of PV modules.

#### **4. Position**

**The de minimis thresholds of the current Environment and Energy Aid Guidelines (points 125 and 127) should remain unchanged when revising the Climate, Environment and Energy Aid Guidelines.** This means no competitive bidding procedures for PV installations of more than 1 MW and more than six wind energy plants. Below the thresholds: market premiums and feed-in-tariffs are the best options for the promotion of renewable energies and small market actors like energy cooperatives.

Alternatively, the above-mentioned thresholds could also only apply to renewable energy communities under the Renewable Energy Directive.