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## **Contribution to European Commission's public consultation on the Guidelines on State aid for climate, environmental protection and energy**

Herein we share the Green Tank's<sup>1</sup> contribution to the European Commission's public consultation on the revised Climate, Environmental protection and Energy Aid Guidelines.

The effort to align all existing funding schemes with the targets of the European Green Deal is crucial for its success. Just Transition is a cornerstone of the European Green Deal. The provision of state aid can contribute its attainment, acting in support of other European funding sources.

Hence, the revision of the guidelines on State aid was expected to provide more and more explicit tools, which within the framework of competition rules, for those member states aiming to support the transition away from fossil fuels, the shift of local economies to sustainable economic activities and initiatives of local communities to participate in the deployment of renewable energy. Specifically, the participation of local communities in the energy transition through Renewable Energy Communities (RECs) is acknowledged in both the Clean Energy Package and the Renewable Energy Directive (art.22 RED II) as an important tool for transition to clean energy. In fact they recommend to member states to create a supportive framework for the RECs' deployment, recognizing the particularities of such schemes and the need to safeguard them from the competition with large renewable energy producers.

We believe that the suggested guidelines on State aid do not acknowledge the specific characteristics and the important role of RECs and do not correspond to the aforementioned EU policies. This is reflected in the lack of provisions for supportive measures for the RECs' projects, at a time when Just Transition is one of the greatest challenges for the whole Europe.

To ensure just energy transition the participation of local communities is necessary. Specifically, from article 33 of the suggested guidelines, where the policy orientation for the application of State aid guidelines to certain categories of aid is presented, the social role of the local communities' investments on renewables, mainly through RECs, is absent, although it is the basic positive externality of these investments.

The State aid should support nonprofit schemes of RECs by giving incentives for their deployment and through the reinforcement of the participation of many and differentiated players in the electricity market. In this way the market competition can work properly by avoiding the

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concentration of benefits from investments in renewables to few and big players of the market. This is the reason why we believe that the guidelines should explain explicitly that state aid can be provided to support projects of nonprofit RECs, a reference that is currently not included in the draft guidelines. We suggest that it can be added and defined in articles 66 and 83.

In article 92, where the thresholds exempting small renewables production installations from the requirement to participate in competitive bidding are set, the draft guidelines propose to lower the existing threshold to 400kW. This change can lead many small renewable energy projects from local communities to no longer be eligible for state aid. However, it is vital for the small and nonprofit renewable energy investment schemes to be supported in order to fulfill their targets. To achieve the participation of local communities in the energy market and ensure that the market itself includes several and differentiated players, the thresholds should be increased.

In sum, the explicit mention of RECs in the guidelines as an emerging business sector that can benefit from state aid under specific restrictions and requirements would be truly supportive for their reinforcement and their recognition as a crucial lever of Just Transition.

On the aforementioned basis we propose that the guidelines:

1. Should provide for the use of state aid specifically for nonprofit RECs that aim to cover the energy needs of their members. Specifically, the guidelines could for the use of subsidies to cover part of the installation cost of renewable power generation systems or heating systems from RES or energy efficiency projects or small scale energy storage projects for the non-profit RECs that aim to cover their own energy needs. The reason for this is the fact that such schemes have practically no access to funding while members of the energy community are not able to self-finance or find other own resources to cover the corresponding cost.
2. Should allow the design of specific competitive scheme for renewable energy projects only for energy communities. With such a scheme equitable terms of their participation in competitive bidding procedures among energy communities will be ensured while creating a safety net to help their development and possibly avoiding problems that emerged in several member states. The experience from Germany, where the implementation of competitive bidding procedures since 2016 has actually driven RECs out of the energy market, can offer useful conclusions on how to improve the competitive bidding schemes. In this direction the Irish Renewable Electricity Support System, could serve as a prototype to be integrated in the revised guidelines showing the way that the member states should follow in order to establish a custom renewable energy supportive scheme with citizens' participation.

3. Should increase the threshold exempting small renewables production installations from the requirement to participate in competitive bidding to 1MW until the aforementioned special schemes for competitive bidding procedures for RECs are established and become operational. This provision should be included under the condition that all the projects of this category should have a capacity lower than a threshold that is defined by each member state.