

Summarised comments

on the Public Consultation for the Revision of the Guidelines on State aid for Environmental protection and Energy 2014-2020 (EEAG)

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 843 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 through tenders

Energy cooperatives are de facto excluded from the German market of solar and wind plants larger than 750 kW by tenders. German tenders were introduced on 1st May, 2015. Since then, there have been 23 rounds of tenders for solar plants with an installed capacity of 750 kW or more, with a total of 2,892 direct bids, and energy cooperatives have participated with only 26 direct bids (0.9%). There was a total of 886 direct awards. Energy cooperatives received only seven of these direct awards (0.8 %). In wind tenders for 750 kW installed capacity and above, there were eleven direct awards (1 %) for energy cooperatives out of a total of 1,040 awards (19 tender rounds since 1st May, 2017).

3. Reasons for the exclusion

Energy cooperatives are not able to attend the German bidding process or have an extreme low chance of winning a bid as they cannot spread the risk in tenders. 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 1 mw ground mounted solar system are between approx. 10.000 and 72.000 € and for a wind 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. In contrast big market players can hand in several bids or receive several accepted bids and spread the risk over different projects and accepted bids. Moreover, big market players can realise their projects with a lesser share of equity and lower interest on debt capital.

4. Conclusions for solar energy in the EEAG

Therefore, we strongly suggest that

1. The future state aid guidelines must at least adhere to the principle in paragraph 127 of the current state aid guidelines that aid may be granted without a competitive bidding process to (solar) installations with an installed electricity capacity of less than 1 mw, or demonstration projects.
2. The de minimis threshold in paragraph 125 of the current state aid guidelines that (solar) installations with an installed electricity capacity of less than 500 kw or demonstration projects can get a feed-in tariff instead of a market premium and generate electricity under negative prices must at least be adhered.
3. In context of paragraph 126 of the current state aid guidelines the Member States should get the right to refrain from conducting competitive bidding processes if a bidding process excludes market players or companies of a certain size from a certain market. Or at least the Member States should get the right to introduce bidding processes in which only certain market players or enterprises or power plants of a certain size compete.

5. Conclusions for wind energy in the EEAG

Therefore, we strongly suggest that

1. future state aid guidelines adhere to the principle in the current state aid guidelines in paragraph 127 that aid may be granted without a competitive bidding process to installations in Wind energy with an installed electricity capacity of up to 6 MW or 6 generation units.
2. the de minimis threshold in paragraph 125 of the current state aid guidelines that electricity from wind energy where an installed electricity capacity of 3 MW or 3 generation units applies, can get a feed-in tariff instead of a market premium and generate electricity under negative prices must be adhered. The more market risks are put on micro and small enterprises the less they have access to a market.

6. General Conclusions for the EEAG

Therefore, we strongly suggest that

1. an actual, effective enabling framework for community energy projects as pointed out by the RED II should be recognized as an exception from the prohibition of state aid in the state aid guidelines.
2. in context of paragraph 126 of the current state aid guidelines the Member States should get the right to refrain from conducting competitive bidding processes if a bidding process excludes market players or companies of a certain size from a certain market. Or at least the Member States should get the right to introduce bidding processes in which only certain market players or enterprises or power plants of a certain size compete.
3. Finally, the exclusion of energy cooperatives from the German bidding process for solar and wind plants above 750 kW and this market shows that bidding processes are not the best way to promote renewables in Europe in a way where all market players can participate. The heterogeneity of market players (stakeholder diversity) regarding the size of the enterprise or regional distribution is very important to avoid a distorted market. If you only choose market instruments like bidding processes to achieve cheap prices, you promote big market players which will sooner or later lead to an oligopolistic market structure with higher costs for electricity. If this happens, you will also lose the creativity and flexibility of small market players pushing big market players.
4. Given the urgency of mitigating the climate crisis in line with the Paris Agreement and in the light of the new European climate goals the construction of renewable energy facilities and projects and support mechanisms should be defined as matters of “public interest” from now on. It is therefore necessary that most of these support mechanisms designed in the public interest would no longer need to be examined under state aid guidelines, which would save an enormous amount of time and guarantee security of investments which is crucial for any economy.