

Contribution

27 July 2021

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

1. About us

The German Citizen Energy Alliance BBEn represents with its 250 members about 500 thousand energy citizens in Germany. Members are engaged as individuals, energy cooperatives, citizen energy communities as well as regional and nationally active associations and networks, aiming to push the energy transition and to fulfill a 100% renewable and decentralized energy autonomy by 2030.

BBEn aims at making citizen energy a main pillar of the energy supply supporting environmental and climate protection as well as the participation of local citizens. Citizen energy can be a successful path to achieve 100% RE in a socially just and affordable way till 2030. This is undertaken by dialogue processes, scientific research, education as well as networking of stakeholders. Citizen energy stands for a regenerative energy transition based on decentralized, autonomous structures, which corresponds to democratic, social and ecological values. This reflects our basic understanding that economic goals should be put in the service of social purposes.

2. Objectives of the Green Deal

Motivated by the same spirit, Europe's Green Deal (EGD) aims to put citizens at the heart of the energy transition by ensuring fairness and inclusiveness. The EGD points out the role of citizens and needs: “the clean energy transition should involve and benefit consumers”. This follows the Clean Energy for All Europeans legislative package (CEP), which acknowledges ‘active customers’, ‘renewables self-consumers’, ‘Renewable Energy Communities’ (RECs), and ‘Citizen Energy Communities’ (CECs) as distinct market actors in the energy transition. Including the needs, rights, and talents of all citizens in their diversity the

EGD will be a great instrument to realise a just and transformative energy transition.¹

Competition policy and State aid rules in particular need to contribute towards the delivery of the Green Deal. In our opinion the latest draft of the State Aid Guidelines on Climate, Energy and Environment (CEEAG) which was published on the 7th of June, is not in line with the objectives of the European Green Deal. This is primarily due to the omission of any mention of Renewable Energy Communities (RECs) in this draft.

3. Positive externalities that can result from citizen inclusion

The European Green Deal promises a new direction for European policy making. The deal stands for an increased ambition of climate and energy policies. To achieve these more ambitious targets, we need citizen and community engagement which is vital to ensure the acceptance and acceleration of the energy transition. This means real agency in participation and recognition of citizen driven concepts to set policy agendas.

The European Commission has previously explained that RECs add value in many different ways, including enhancing local acceptance of new renewables projects, increasing the amount of capital available for local investment, choice for consumers, and greater participation by citizens in the energy transition.² The Directive also notes that RECs help to address socio-economic issues such as energy poverty and women's active participation in the energy transition³. RECs allow groups like vulnerable consumers and tenants to actively participate in it.⁴

Consequently, the CEEAG need to provide clear and positive guidance, so that Member States are able to support energy communities and to provide a minimum guarantee for equal market access. Article 22(7) of the RED II guarantees a level playing field for RECs in national renewables support schemes. Member States are requested to "take into account specificities of [RECs] when designing support schemes in order to allow them to compete for support on an equal footing with other market participants." With regard to the requirements of the RED II, it can

1 WECF (2021): Why the EGD needs ecofeminism, <https://www.wecf.org/de/why-the-european-green-deal-needs-ecofeminism/>.

2 Directive (EU) 2018/2001 on the promotion of the use of energy from renewable sources (recast) OJ L328/82, 21.12.2018 (Recast Renewable Energy Directive), Recital 70.

3 The WWEA has published a project report (2021): <https://wwindea.org/women/>.

4 Recast Renewable Energy Directive, Recital 67.

be stated that Member States have to create an enabling framework to promote the development of RECs. This enabling frameworks must include policies and measures on removal of unjustified regulatory and administrative barriers, tools to help RECs access finance and information, and capacity building for local authorities, among other things.

Unfortunately, the proposed CEEAG draft did not see the necessity to take into account all the above-described risks. The draft does not only fail to include any reference to RECs, but it also makes it more difficult for them to access support schemes. Both the multi-technological approach and the ever more restrictive criteria for bidding exemptions create barriers for energy communities to participate in this sector. This creates additional challenges for RECs to be able to participate on a level playing field with energy incumbents.

4. Facts and Figures from Germany: Exclusion of Citizen Energy Communities

Germany is one of the few Member States being experienced on what happens to Citizen Energy Communities when they are forced to compete for renewables support in competitive bidding procedures. Since 1st May 2015, competitive bidding procedures for ground-mounted PV installations (and later PV roof installations) with an installed capacity of more than 750 kW were introduced. From this moment on, the number of Citizen Energy Communities, often energy cooperatives, operating in the market has shrunk significantly. Statistics proof that 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, there have been only 13 direct awards (1 %) for energy cooperatives out of a total of 1.314 awards in 22 rounds.⁵ Scientific evidence also shows the

⁵ The German Federal Network Agency has published all relevant data on their homepage: https://www.bundesnetzagentur.de/DE/Sachgebiete/ElektrizitaetundGas/Unternehmen_Institutionen/Ausschreibungen/Solaranlagen1/BeendeteAusschreibungen/BeendeteAusschreibungen_node.html

The German Federal Environmental Agency has published monitoring reports: <https://www.umweltbundesamt.de/themen/klima-energie/erneuerbare-energien/erneuerbare-energien-gesetz/akteursstruktur-beim-ausbau-der-erneuerbaren#Berichte>

general decrease of citizen energy projects with open participation due to the change from feed-in tariffs to tenders. For commissioning up to 2016, a fairly broad diversity of actors was identified, with a share of at least 8 percent of citizen energy projects with open participation. During the analyzed tender rounds, regionally anchored actors clearly lost market share. In the 2018 and 2019 tenders, citizen energy projects with open participation only had a share of around 3 percent.⁶ The introduction of auctions resulted in missing cost efficiency. After twelve auction rounds from 2017 to September 2019 there is a cost increase since 2018, the awarded price level has been above the statutory feed-in tariff, e.g. October 2018 was the remuneration for a 70% site 6,97 ct/kWh acc. old EEG, and 8,1 ct/kWh acc. auctions.⁷

These facts indicate clearly that photovoltaic and wind tenders do not allow fair competition between large and small market players and does not lead to decreasing prices. Citizen Energy Communities are effectively excluded from the photovoltaic and wind market above 750 kW. This is due to the fact that Citizen Energy Communities are mostly micro or small enterprises with limited risk financial capacity and work force. That is why they are not able to spread the risk in tenders and therefore they have an extreme low chance of winning a bid.⁸

5. Our Position

We are convinced that increased thresholds are inevitable to prevent that RECs are further excluded from the market. The German experience has already proven that competitive bidding in existing renewables markets has led to the decrease of participation in the market by small and non-commercial actors, while at the same time resulting in market concentration by larger actors.⁹ So we need to exempt

6 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, pages 18-21.

7 WWEA and LEE NRW have published a study, May 2019: <https://wwindea.org/new-study-proves-community-power-is-increasingly-being-marginalised/>.

8 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.

9 See Katja Weiler, Andreas Weber, Katharina Grashof, Dr. Lars Holstenkamp, Moritz Ehrtmann, https://www.umweltbundesamt.de/sites/default/files/medien/5750/publikationen/2021-06-28_cc_49-2021_monitoringsystem_akteursstruktur_wind_pv.pdf carried out by IZES gGmbH in cooperation with Leuphana University of Lüneburg for the "Umweltbundesamt", July 2021, page 30.

RECs and other small renewables production installations from having to participate in competitive bidding procedures.

It is therefore completely incomprehensible that DG Competition proposes to lower the existing thresholds that exempts small installations from competitive bidding under the 2014 EEAG from 1 MW and 18 MW for wind energy to 400 and later 200 kW. Article 5 of the EU Regulation 2019/243 (the Electricity Regulation), which requires electricity production installations over 400 kW to be balancing responsible (this threshold will be lowered to 200 kW from 1 January 2026) serves to underpin and substantiate the Commission proposal. But the balancing responsibility has nothing to do with the requirement to participate in a competitive bidding procedure. While the balancing responsibility relates to system requirements, the competitive bidding is a market-based mechanism, designed to achieve certain economic outcomes.

We recommend instead that the CEEAG allow for the exemption of electricity generation installations with an installed capacity of less than 10 MW, except for electricity from wind energy projects, which should be exempted up to six wind turbines with a total installed capacity of less than 36 MW. At the very least, Member States should be able to exempt REC-owned and controlled installations from participating in competitive bidding. **PV installations on buildings' roofs, façades etc. should generally be exempt from the mandatory auctioning.** Below the thresholds: market premiums and feed-in-tariffs has been shown as the best options for the promotion of renewable energies and small market actors like energy cooperatives.

Furthermore, the continuation of a dedicated chapter for supporting renewable energy is strongly recommended. On the one hand, comingling renewable energy with other so-called "low-carbon" technologies will undermine efforts to decarbonise the energy system and mitigate the rise of global temperatures. So-called low-carbon gases, CCS/CCU and hydrogen from non-renewable sources as well as fossil fuels should not be accepted under the CEEAG as real carbon capture escape rates 2.1-4.5 times those claimed (21-45% versus 10%) and it requires energy to run the equipment for CCS/CCU and it reduces no air pollutants and not all carbon. Because more energy is used, more pollutants are released to run the equipment than with no capture and uncaptured CO₂ is emitted.¹⁰ On the other hand, having to compete

10 Energy Environ. Sci., 2019, 12, 3567: <https://t.co/UDXvhm1M3V?amp=1>.

against “low-carbon” technologies would likely push RECs even further out of the market, if not entirely.

The CEEAG need to strengthen the 100% decentralized renewable energy path to avoid the risk to lose the important backbone of the European Sustainable Energy System.

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