

Powering Up Energy Communities in Central and Eastern Europe

Article by Seda Orhan

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With the power not only to counter climate change but also bringing considerable environmental, economic, and social benefits – the number of renewable energy communities and cooperatives in Europe is increasing. In central and eastern Europe, however, prospective energy communities have to overcome significant odds – with a lack of support and investment at the national level. EU-level rhetoric will have to be backed up by real commitments if the targets to boost such projects are to be met.

Many of the issues that Europe is contending with can be attributed to our over-reliance on fossil fuels. Energy shortages, skyrocketing energy costs, inflation and a looming climate crisis are all the ramifications for our fossil fuel dependency. As these threats become reality, it is ordinary people and households who bear the brunt of the impact. Central and eastern Europe provides a stark illustration of this; the countries in this region are now living in this reality. Russia's invasion of Ukraine has brought new challenges to the region. As Ukraine's neighbours deal with the security risk that Russia now poses, homes and communities look to house refugees fleeing the conflict. Moreover, weaning economies of Russian fossil gas is leading to energy shortages which in turn is leading to higher energy prices, making it harder for households to afford the energy needed to power and heat their homes.

While governments may have been slow to react, some citizens and communities in central and eastern Europe have been proactive in their quest for energy autonomy and self-governance over their own energy production and consumption. With the goal of decentralising energy systems and putting power in the hands of people, there has been a slow emergence of energy communities and energy cooperatives across the region. The first energy community in Bulgaria, Izgrei Bg, was founded with this aim in mind. Mihail Georgiev, one of its members, believes that, "Energy communities will be a democratic solution to our energy, poverty and social problems for the coming decades. For us, it was important to start as the energy market in Bulgaria is centralised and just a handful of people control vital resources".

Community energy projects are citizen-led and can be owned and managed by private consumers, municipalities, or small and medium-sized enterprises (SMEs). Their primary purpose is to provide environmental, economic, and social community benefits to its members or shareholders, or to the local areas where it operates rather than to generate financial profits. One of the first energy cooperatives in Poland, Sunny Serock (Słoneczny Serock), was founded by citizens whose main motivation was to reduce their energy bills in the face of continued price increases. No less importantly, however, they also sought to

achieve energy independence and self-sufficiency by producing energy from solar power (PV) systems. The cooperative currently brings together a group of 30 residents interested in producing renewable energy for individual use in their homes and businesses.

In line with their democratic principles and values, energy communities are open and allow for voluntary participation from different consumers and stakeholders. Moreover, the ownership and control of the project belongs to the citizens, municipalities, and SMEs who are involved and have invested in the project. Cooperativa de Energie in Romania had this goal in mind when they launched in 2019. Their aim was to offer Romanian consumers a way to engage in the energy market: “We believe democracy is key to the renewable energy market, and decentralisation gives everyone the chance to pitch in and contribute to a more sustainable world” says Adrian Munteanu, a member of the cooperative. The decision-making in an energy community or cooperative is internal and governance rights should apply to all participants within the project equally – an individual or small group cannot make decisions for the collective group.

An urgently needed alternative

At a time where democracy is under threat, there is an urgent need for an accelerated and just energy transition across Europe. The concept of energy democracy is at the heart of the community energy movement. The current energy prices crisis has further exposed social inequalities. With many low-income and vulnerable households now on the brink of energy poverty throughout Europe, the large profits made by private fossil fuel corporations have not gone unnoticed. Energy democracy seeks to replace the fossil-fuel based concentration of power and wealth with more distributed, locally based energy systems that promote a more equal and just society.

The Union of Community Energy (Unie Komunitní Energetiky) in Czechia was founded on the basis of addressing these issues: “Our goal is to transform the Czech energy sector into a state where local sources of renewable energy are an important part of the energy mix and citizens are not dependent on external supplies of fossil fuels”, says David Blažek, policy and advocacy officer at the Frank Bold Society. For Sunny Serock in Poland, the main benefit of the energy cooperative is access to free energy, as all the electricity produced is owned by the cooperative. Right now, the cooperative consists of 30 residents but there is hope that in the future the community will expand to include municipal buildings and local businesses.

As these projects are not for profit, revenue generated from the renewable energy produced can go back into the community and help address local social-economic issues. This could involve helping to alleviate the most energy poor and vulnerable households within the community through providing free renewable energy or renovating their homes to make them more energy efficient. For example, The Community Energy Service Company (CESCO) in Hungary uses revenue generated from their PV installations to provide energy efficiency advisory services and has created a community energy efficiency fund. This fund allows tenants within the energy community to reduce the heating costs for local buildings.

Of course, there is also the significant environmental benefit that energy communities can bring. Buildings are one of the largest emitters of greenhouse gas emissions as they

account for around 40 per cent of all energy consumed in Europe. Powering and heating homes and businesses through the use of renewable energy, while funding programmes that look to improve energy savings in the community, could have a large impact on mitigating the climate crises. Moreover, as homeowners and communities become more aware of the benefits that renewable energy can bring, public acceptance for renewable projects grows.

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Prospective energy communities have a mountain to climb

The slow growth of energy communities within Europe can be explained by political, economic, and social barriers. Limited access to finance and a lack of recognition and strategy from national governments in supporting energy communities make it much more difficult for these projects to get off the ground. Rather than being incentivised through financial support in the form of schemes, grants, and tax exemptions, energy communities starting out must instead face burdensome and restrictive regulation in the form of strict licensing requirements, connection rules, and tariffs. This can be incredibly discouraging to citizens and communities looking to start their own local energy projects that promote a more equal society.

Moreover, many communities and municipalities lack the experience or knowledge to establish an energy community. There is a major need for expert knowledge on how to implement, operate, and maintain these types of projects. On top of this, a lack of public awareness, education, and information around what energy communities are and their benefits can result in citizens not being empowered to take on local energy initiatives.

Since its formation, Izgrei BG has encountered many of these challenges. They have self-financed their first project but are now struggling to find an installer and developer to help them with the installation as it is only 4 kilowatts. Moreover, they lack sufficient funds within the energy community for a potential next project which makes financing for the future of the project difficult. “Currently, there is no definition in the country of what an energy community is and there is little consideration when it comes to commercial financing through banks. Lastly, the general population in Bulgaria is not familiar with energy communities, the Green Deal, EU-level policies, and their rights when it comes to being able to play more of an active role in the coming decades within the energy market on the continent”, says Mihail Georgiev.

The Sunny Serock energy cooperative faces the same issues. In addition, they must also contend with legal and regulatory barriers. According to Polish law, a minimum of 70 per cent of the electricity produced must be consumed by its members and the cooperative isn't allowed to trade its energy. Instead, the excess energy produced must be fed back into the national grid. Confusing regulations and the lack of expert authorities makes discussions with distribution system operators (DSOs) difficult. Moreover, difficulties with grid connection for cooperative installations are a strong barrier in growing new organisations in Poland.

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Empowering energy communities requires real investment

Moving forward, more support is needed from governments and national authorities to mobilise funds for investment and change laws and regulation to be more favourable to citizens and communities looking to form energy communities and energy cooperatives. Member States need to work on transposing the definitions of energy communities set out in the Renewable Energy Directive (RED) and the Internal Electricity Market Directive (IEMD) in order to update national policy frameworks that assist in the establishment and introduction of energy communities into the energy market.

The CESCO in Hungary has had some initial success with the support of the Hungarian government. Grants provided by the government have been used for the establishment and operation of energy communities. CESCO not only organises the implementation of these grants, but also provides the financing of renewable energy investments through community involvement. Bence Kovács, Energy Campaigner at Friends of the Earth Hungary, says, “The EU’s Renewable Energy Directive and the Hungarian government’s support for tenders have enabled us to move from theory to practice. Transposed definitions and grants dedicated to establishing pilot energy communities is a good starting point, but unpredictable regulations make planning business model very difficult.”

Improvements in national grids to increase the capacity and flexibility for renewable energy production is needed. Moreover, clear rules for relations between energy communities and DSOs are crucial to ensure adequate access to the grid and the related services.

In parallel, more technical expertise and knowledge around the establishment and operation of energy communities in the form of technical assistance programmes like the European Commission’s Rural Energy Community Advisory Hub (RECAH) and Renewable Energy Repository are needed. National support schemes and one-stop-shops for energy communities can provide guidance and necessary resources for citizens and communities and should be adapted and supported in the CEE region. For the Union for Community Energy in the Czech Republic, establishing close cooperation with partners that understand all aspects of energy transformation and combining know-how from the fields of law, environmental protection, technology, and economics was crucial for their success.

As the number of energy communities grows, there will be high demand for technical expertise and knowledge, resulting in job opportunities. Specific training programmes and apprenticeships should be created to ensure that the technical expertise is there to fill these positions. Public awareness campaigns should be launched to disseminate the benefits that energy communities can bring to the countries of central and eastern Europe and make available information on how individuals and communities can begin in setting up their energy cooperative or energy community.

The EU Solar Energy Strategy has set the target of having at least one renewables-based

energy community in every municipality with a population higher than 10,000 by 2025.

The challenges outlined above are just some of the key priority areas that have to be addressed in order for this target to be achieved. For an energy transition to be successful, involvement from citizens and communities is crucial. Energy communities and energy cooperatives tick all the boxes, allowing countries to reduce their dependence on fossil fuels while providing citizens with autonomy over their energy and access to cheaper electricity and community services, all while helping to mitigate climate change.

For central and eastern European countries especially, increasing local and community-owned energy generation will help reduce their dependence on fossil fuels. Investing and supporting local energy initiatives, rather than relying on undemocratic states for their energy supply, could be a major step towards creating a safer future for the people of the region and Europe as a whole.



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