



## AN EU BUDGET TO MAKE ENERGY CITIZENS A REALITY

*Proposal in line with the PeoplesBudget campaign*

[www.peoplesbudget.eu](http://www.peoplesbudget.eu)

- Proposal for an Energy Citizens Facility, or targeted programme unlocking innovative and accessible finance in the next MFF.
- Case studies from Central and Eastern Europe illustrating the need for reform of post-2020 cohesion policy to help enable scale up and encourage removal of national barriers.
- Recommendations for specific new ex-ante conditionalities and improved use of incentives in the next MFF to encourage MSs to remove barriers to the clean energy transformation

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## SUMMARY:

This paper sketches a creative policy vision for how the next MFF could best unlock innovative financing and address specific barriers faced by *energy citizens* and *community power projects* wishing to invest in their own small scale RES projects. The solutions advocated in this paper involve two pillars. The first is the creation of an Energy Citizens Facility, or targeted financing programme involving the pooling of a set aside across several existing funds within the MFF, and creating an EU enabling framework to unlock innovative financing, in a geographically equitable way across the Union. Depending on design, such a model could involve a coupling of cohesion policy and the future EFSI 3.0. As the case studies presented demonstrate, EU intervention in the MFF is necessary to facilitate improved access to finance for energy citizens.

The second pillar involves crafting both new ex-ante conditionalities, and new incentive structures within the MFF, to encourage the identification and removal of regulatory, and administrative barriers hindering small scale RES deployment at national level. The case for EU intervention and high added value is outlined and illustrated through specific case studies from selected Member States, in all cases indicative of systemic, and not single country specific problems.

Politically, we consider that the European Commission can leave a great legacy and contribution to repairing the European project, and to reconnecting Europe to its citizens, through innovating in how the next MFF encourages and enables both on and off the grid production, consumption and sale of RES.

The first pillar of this proposal is different from, but complementary to the recent work of Agora Energiewende for a Renewable Energy Cost Reduction Facility (RES-CRF) within the next MFF.<sup>1</sup> That new proposal, soon to receive an impact assessment from DG Clima and Energy, focussed on the potential for EU intervention to reduce the cost of capital for Member States in investing in RES through blending of public and private finance to help de-risk investments through shifting risk to the EU as guarantor. It focussed on large scale RES investments and represents a strategic innovation for the next MFF. Depending on the governance arrangements of any RES-Cost Reduction facility that may be proposed within the next MFF, the Energy Citizens Facility/Programme, focussed on *small scale*, could exist as part of that, or, as what may be the more

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<sup>1</sup> Agora Energie Wender 2016, *A proposal for an EU energy cost reduction facility* available at:

politically realistic option sketched in this paper, within the framework of Cohesion Policy and shared management between Member States, Regions, and the European Commission.

## **PART A. BARRIERS TO THE CITIZEN LED CLEAN ENERGY TRANSFORMATION AND POTENTIAL FOR THE NEXT MFF TO HELP:**

The Commission acknowledges that the majority of investments in the clean energy transformation over the next decade will have to be made by a constellation of local actors: including renewable energy cooperatives, ‘prosumer’ citizens, and local authorities. Regarding renewable energy, all of these actors face challenges that limit their potential to invest in renewable energy generation at the scale needed. While small scale RES projects are increasing in Europe, and some good practice examples exist that have involved ESIF Funds for their realisation<sup>2</sup>, analysis and experience from the ground make clear that replication and scale up is limited unless the EU budget is reformed to improve the accessibility of finance and encourage removal of national barriers.

When speaking of the barriers faced by community power projects and prosumers, it is useful to specify a few distinguishing factors. For example, the challenges faced by on the grid prosumers, or would-be prosumers, wishing to generate, consume and sell surplus to the grid, are not identical to those of off grid installations, who may be relatively unaffected by the problems deriving from unstable policy frameworks and poorly functioning feed in tariffs or other support schemes, yet, depending which Member State they find themselves in, may face prohibitions on selling RES to their neighbour. At the same time, several common challenges and barriers that are well known. These have informed both limbs of this proposal and include the following:

### ***Access to Finance – difficulties in capital cost faced by prosumers, and insufficient or ineligibility of prosumers in EU Funds Operational Programmes***

Cooperatives and charities wishing to generate and/or sell renewable energy face significant challenges accessing finance. Experience on the ground makes

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<sup>2</sup> Some good practice examples are highlighted in story format on the PeoplesBudget campaign website here: <http://www.peoplesbudget.eu/category/stories/>

clear that traditional banks can be reluctant to grant loans to cooperatives or charities who may not have the normal track record, or because Banks are unaccustomed to assessing risk of community power projects with collective ownership and, in the case of coops wishing to sell to the grid, uncertain returns particularly in regions subject to unstable policy frameworks for feed in tariffs or other support schemes. In many cases, parallels may be drawn between off grid locations, vulnerable groups and energy poverty. Grants for RES investment tailored to the socially vulnerable, or loan schemes tailored to the needs of community power projects based on cooperative models instead of selling to the grid are absent from the programmes and thematic objectives of ESI funds and the MFF in general.

The Current EU Budget is not serving to address these problems, and widespread differences exist across Member States. The regional Operational Programmes of the ERDF are funding some community power projects, predominantly in clusters in parts of Europe – but not nearly enough, with great discrepancies in eligibility of project categories across regions, and not in an even geographic spread across Europe. Without EU intervention to facilitate improved and more equitable access to finance, greater inequality will grow amongst citizens wishing to reap the multiple benefits of RES generation.

Case study : Priority for energy clusters in Poland excludes prosumers from EU Funds Operational Programmes.

Priority for energy clusters

The 2016 RES Bill introduced a dedicated formula for distributed energy generation in Poland, known as [energy clusters](#). Clusters are groupings of companies, individuals, municipalities and/or academic institutions who sign a business contract to jointly generate energy (RES and fossil), balance capacity, trade and/or distribute energy. The aim of clusters is to ensure local energy security, integrate renewables and improve air quality. They assume at least some degree of energy self-sufficiency and at first sight might look like a reasonable solution for community energy. However, because of the various restrictions imposed on prosumers under [Poland's current legislative framework](#), they are much more likely to be simply business arrangements involving bigger, corporate players, with only a marginal role for individual prosumers. Also, it has been [argued](#) that as they are designed, the clusters bring the greatest financial benefits to the DSOs involved, while offering nothing to small, neighbourhood-based energy communities.

In the context of the clusters, it is important to note that the funding earmarked for renewable generation in Poland's national EU funds Operational Programme have been reserved exclusively for RES generation *within* clusters. That means RES installations bigger than 2 MW (5 MW in the case of biomass), which are not eligible for support under the regional operational programmes, can only benefit from EU funds if they are part of clusters. The government has also suggested that once grants have been distributed to clusters, the remainder of the RES envelope in the national operational programme will be re-allocated to other objectives, most likely grid development.

Case study: Czech Republic: Banks unfamiliar with loans to NGOs for community power, no guaranteed price for solar and capacity thresholds for individuals generating solar PV RES reduce incentives to invest.

Examples from the ground illustrate the difficulties accessing finance for RES faced not only by individuals, but also by NGOs and charities. To select one indicative project - Marek Černocký, decided to invest in a community RES project as a way to create a finance stream for his educational charity. A small hydro power plant seemed to be the ideal tool for it. In 2001, he chose a place on the river Elbe that already had a weir from 1974 but no power plant. After arranging the project design and ensuring its viability he founded the non-governmental organisation Energieia to realise it.

The next step was secure financing for the project with almost CZK 1 billion (EUR 38.4 million) needed for the investment. By 2014, he collected enough private donations to cover ten percent of the whole sum. EU funding (from European Structural and Investment funds) contributed another CZK 250 million (EUR 9.6 million). A loan was needed to allow his NGO to cover the rest, but the banks did not believe that an NGO could launch and run such a project. Years later, Marek managed to launch a pilot, and by that stage, banks trusted in the project's feasibility but they still did not know how to arrange a loan for such a big investment made by an NGO. They consulted lawyers and financial experts in order to create a new scheme for financing projects of NGOs. The full story can be read here: <http://www.peoplesbudget.eu/renewable-financing-for-charities/>

Grants and capacity thresholds

After the solar boom and a variety of problems, (see case study below) no more public support was given to solar PV since 2014. New solar panel owners cannot sell the electricity for a guaranteed price or get the financial support for clean energy they produce and consume/sell by themselves. The same applies to small solar panels placed on the roofs. But the Czech Republic is still far from using all its solar potential on the roofs. The only way how to build a solar panel which will be financially viable is to get it funded by a grant. Recently, there are new programmes offering such a support for individuals, small companies and municipalities, yet the scale of these is hugely insufficient, especially when compared against the considerable potential for rooftop PV in Czech as described in this study:

<http://www.alies.cz/wp-content/uploads/Potencial-solarni-energetiky-v-CR.pdf> In case of individuals the solar panels cannot be bigger than 10 kw which operates as a disincentive and, for example, this capacity threshold is too small in case the prosumer uses an electric car.

***Unstable policy frameworks and malfunctioning support schemes – failure to ensure returns for investors in community RES or prosumers.***

The well-known problem of unstable policy frameworks for RES leading to high uncertainty for investors is also a challenge for prosumers, as well as the more commonly discussed problem for larger scale RES investments. Changes to feed in tariffs, sometimes even via retroactive legislation, and malfunctioning markets for certificate schemes significantly affect not only larger scale RES

investments but also inhibit prosumers wishing to sell to the grid as well as, community power or off-grid projects wishing to sell wind, solar, or sustainable hydro power to their neighbours. The following case from Czech Republic is familiar in many countries in CEE and across the EU.

***Czech Republic Case Study – unstable policy signals for solar, and the need to improve public perception by the benefits.***

There was a boom of solar panels in 2009 and 2010 in the Czech Republic. There were several reasons for such a high interest in solar panels but the key was that the technologies had gotten much cheaper and the guaranteed electricity price stayed on the relatively high level. As result, there were build many big solar parks on fertile soil. Only during 2010 the capacity of solar panels increased by 1000 MWh. Retroactively, the government took several steps to decrease the profit of speculators were adopted. And four categories according to the size of the source were made to differentiate the financial support. The categories were limited by 5, 30 and 100 kW. In addition, the goal for solar panels was achieved thanks to the boom. So no more support was given to this technology for 2014 and the situation stays same till now. New solar panels owners cannot sell the electricity for a guaranteed price or get the financial support for clean energy they produce and consume/sell by themselves. This includes owners of small solar panels placed on the roofs. The situation is very similar for wind power, where financial support is also decreasing.

Generally, there is dislike with solar among citizens. Czechs talk about solar panels as something negative that takes up fertile soil and makes profit only for few speculators.

The Czech experience underscores not only the need for EU intervention to encourage long term policy stability for RES, but also the need for the next MFF to help bring the benefits of EU funds closer to citizens, as targeted funding for energy citizens would help achieve. Finally, it demonstrates the importance of building in strong participatory elements within local planning for renewables.

***Administrative burden accessing financial support schemes, and legal barriers.***

Another challenge lies not in creating and implementing the projects, but in the intricacy of the paperwork and political affairs. The repeated experience of grass roots networks in Czech Republic, and Slovak republic and elsewhere, is that municipalities, communities, and individuals are greatly hampered or stopped by administrative complications in submitting their proposals, including application for EU funds. Small producers struggle also with big administrative burden which is in general designed for big energy companies.

As one promising solution, best practice Scotland and beyond shows that One Stop Shops for energy citizens financing could be a promising solution at

regional level. The post 2020 Cohesion Policy Regulations, provided that Cohesion Policy remains a pan-European policy, should contain obligations for the establishment of One Stop Shops and ensure that Technical Assistance budget line in post 2020 cohesion policy should be adequate to support their staffing and resources. If desired, these One Stop Shops could be grafted onto the single administrative contact point for permitting applications required in the proposal for the new RES Directive.

### Slovak Republic: Building capacities for energy transformation, key changes for healthy buildings and barriers for solar expansion

A decentralised sustainable energy is a new concept for Slovakia. Therefore it is necessary to raise awareness about it among different stakeholders, such as decision and policy makers and regional authorities, especially municipalities. **Educational programmes** for selected target groups with excursions, examples of good projects and twinning activities have proven to be very useful. The Slovak Republic should also update its national energy policy<sup>3</sup> and create new financial and support tools for building capacities of coordinators for energy transformation in the regions. Including low-carbon strategies to the Operational Programme Quality of Environment was a great first step. Slovak Innovation and Energy Agency started expert counselling centres for energy also in regional cities in Slovakia within an EU funded project.<sup>4</sup> There is also a network of informational-counselling centres to assist preparing project proposals for EU funds.<sup>5</sup>

Predictable framework for **RES** is needed while taking into account its sustainable use, especially for biomass. The 'Green to the households'<sup>6</sup> - a national project supporting RES installations in the households decreased administrative burden for small RES installations and stimulates households to start thinking about their own energy production capacities.<sup>7</sup> But the biggest barrier for photovoltaic installations above 10 kWp is reservation of grid capacity.<sup>8</sup> All three Slovak DSOs reject requests for new sources since 2014 due to capacities in the grid and its current state. Last, but not least, a support via feed-in-tariff for electricity from the domestic brown coal is another major obstacle for the energy transformation.<sup>9</sup>

<sup>3</sup> "Energetická Politika." Ministerstvo Hospodárstva Slovenskej Republiky, Web. <<http://www.economy.gov.sk/energetika/energeticka-politika>>.

<sup>4</sup> <http://www.siea.sk/bezplatne-poradenstvo/>

<sup>5</sup> <http://www.partnerskadohoda.gov.sk/informacno-poradenske-centra-objasnia-cerpanie-zdrojov-eu/>

<sup>6</sup> <http://zelenadomacnostiam.sk/sk/>

<sup>7</sup> <http://bankwatch.org/enfants-terribles>

<sup>8</sup> "Slovakia: Residential PV System on Rooftops." PV GRID Database. SAPI, 30 May 2014. Web. 13 Nov. 2017.

<<http://www.pvgrid.eu/database/pvgrid/slovakia/national-profile-13/residential-systems/2679/residential-pv-system-on-rooftops-1.html>>.

<sup>9</sup> "Sustainable Alternatives to Brown Coal Mining in the Upper Nitra Region of Slovakia." Bankwatch, Sept. 2017. Web. 13 Nov. 2017. <<https://bankwatch.org/publication/sustainable-alternatives-to-brown-coal-mining-in-the-upper-nitra-region-of-slovakia>>.

### ***Lack of EU policy attention to de-risking investments in small scale renewables compared to Energy Efficiency sector***

There is significantly greater EU policy attention, in the EU aquis including the MFF, for energy efficiency in households than there is for prosumers. This is despite the fact that energy citizens face a similar set of barriers and challenges of access to finance. Some of the similarities include the often prohibitive capital costs for households or communities, the need to de-risk investments for lenders or would be equity holders, and the importance of finding ways to aggregate financing to help scale up these small scale distributed investments across the EU. In the energy efficiency sector, schemes such as DEEP<sup>10</sup> are helping build confidence for investors by sharing information on returns and risks. Other schemes, such as the Smarter Buildings initiative delivered through EFSI 2.0, pool together projects to help unlock private sector capital. Neither of these are templates that can be directly applied for prosumers, but highlight the gap that exists for targeted support for energy citizens wishing to generate and sell their own RES.

More broadly, it is well known that the current MFF is unbalanced in the sense that it focusses unduly on large scale infrastructure, at the neglect of sufficient support for the distributed localised energy system Europe needs. Flagship programmes such as the Juncker Plan (EFSI) have been extensively critiqued not only for supporting fossil fuels but also for the lack of balance in geographical scope, with the countries most lagging behind in investment in RES and EE (such as much of CEE) receiving only the leftovers.

## **PART B. THE CASE FOR EU INTERVENTION IN THE NEXT MFF**

While the current programming period demonstrates some EU Funds support being channelled towards community power projects via the Regional Operational Programmes of the ERDF, our analysis and experience makes it very clear that without EU intervention through the next MFF, key barriers to access to finance will not be overcome, and scale up will be greatly impeded in many Member States. These barriers vary greatly across the EU, and ‘clean energy for all’ will not materialise in an equitable way with citizens and small scale producers being disadvantaged from the multiple benefits on the basis of

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<sup>10</sup> <https://deep.eefig.eu/>

which country or region they find themselves in. Last but not least, the characteristics of the financing needs and challenges of prosumers compared to larger actors, and with community owned renewables being distributive by design, offer great potential to unlock innovative financing, such as crowd sourcing and revolving loans, and citizen's investment platforms. Creation of such an EU enabling framework, and incentivising its use in Member States and regions, particularly those lagging behind in the citizen led energy transition, would open up a different kind of 'blending,' allowing a set aside of EU funds to achieve more, by aggregating investments and equity including of private citizens and cooperatives across the union.

Specific new ex-ante conditionalities are needed

Secondly, new ex-ante conditionalities are needed. Cohesion Policy contains the strongest performance framework out of the various funding programmes in the MFF, with the recent introduction of ex-ante conditionalities coupled with the power for suspension of EU funds. Evaluations have proven these to be an effective enforcement tool, and in pushing Member States to achieve faster and more correct transposition of key pieces of the climate and energy aquis, including the 2014 Energy Performance in Buildings Directive, or addressing key gaps or problems hindering the effective use of EU funds. As recommended below, specific new conditionalities are needed to force the identification and, (within the legal limits of subsidiarity and the energy chapter of the TFEU), addressing, of national barriers faced by Energy citizens. In the event that the rights for energy citizens proposed in the new RES and Electricity Directives do not survive the gauntlet of Council and Parliament, the right set of conditionalities and targeted funding programmes within the next MFF will become even more important to drive progress for the citizen led clean energy transformation.

Based on analysis of the current set of ex-ante conditionalities, their formulation and gaps, a couple of specific new conditionalities are proposed further in this paper.

Conclusions on the case for EU intervention and added value:

While the Clean Energy for All Europeans Package, if passed successfully and if transposed correctly and swiftly, will result in progress towards the removal of some of these barriers, the vision of placing energy citizens at the heart of the

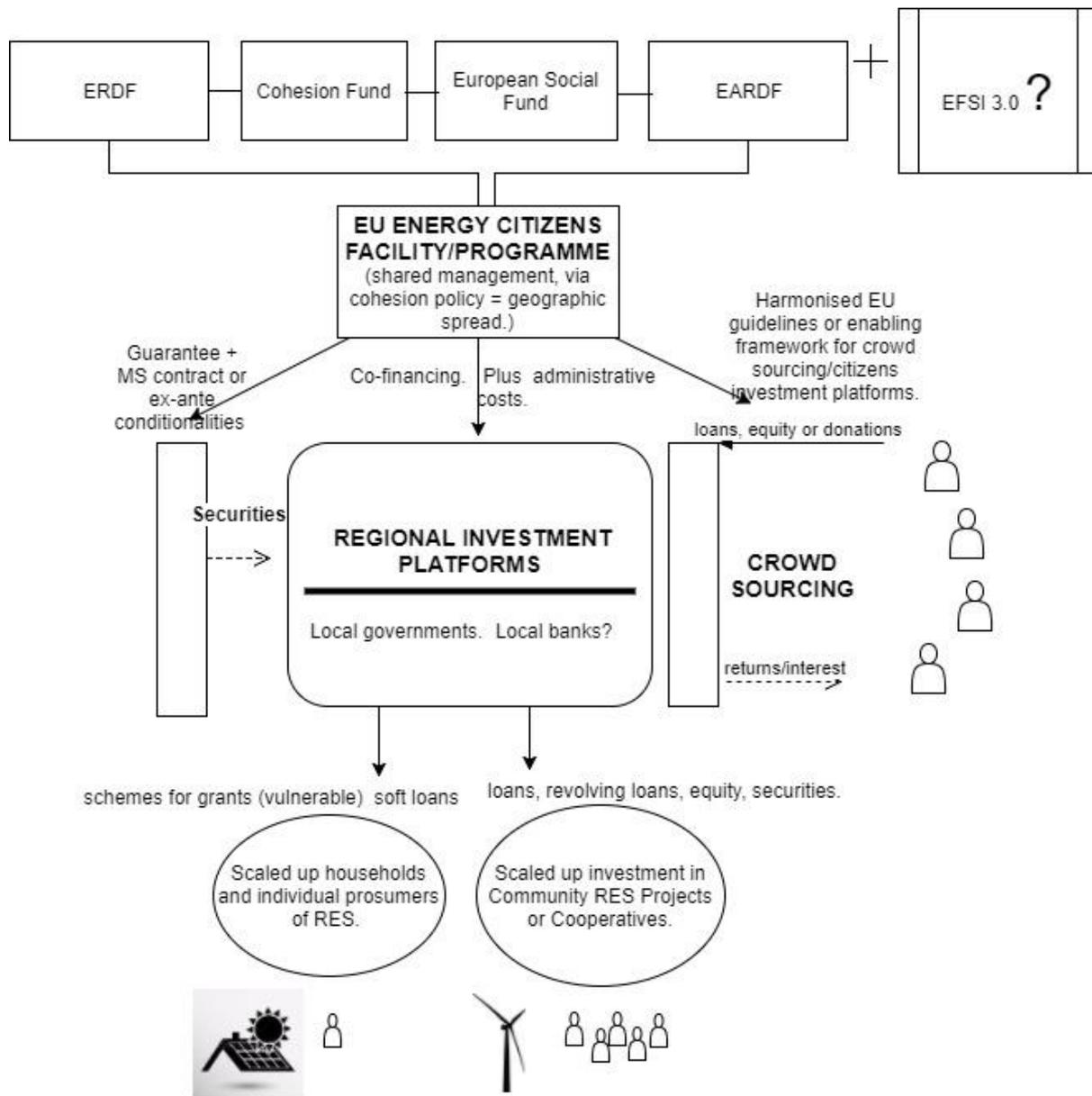
clean energy union simply will not materialise without a targeted financing framework in the MFF that achieves 3 things:

- Creates an EU enabling Framework to pool together existing funds to seed and administer local investment platforms capable of unlock innovative financing such as crowd sourcing to help scale up local RES projects and help remedy the problems of access to finance.
- Drives and incentivises the removal of national administrative and legal barriers for energy citizens through new ex-ante conditionalities and new incentive structures in the post 2020 MFF. Part of this means the formulation of conditionalities to encourage swift and correct transposition of key obligations in the Clean Energy for All Europeans Package, or, in the event those rights for energy citizens do not survive Council, to require Member States to direct policy attention to improving the investment conditions currently hindering effective use of EU financing for the Union objective of the citizen led energy transition.
- Incentivises Member States to utilise the Energy Citizens Facility, or in the event that no such targeted programme is proposed, incentivises or compels Member States to address this priority of the clean Energy Union through adequate and equitable programming of schemes within existing ESI Funding lines, for example through the creation of a new Thematic Objective.

**PART C. RECOMMENDATIONS**

**PILLAR 1: AN ENERGY CITIZENS FACILITY/PROGRAMME TO UNLOCK ACCESSIBLE, INNOVATIVE FINANCING FOR SMALL SCALE RES IN THE NEXT MFF**

*Diagram A. – sketch of possible key policy mechanics*



*How would it work?*

The diagram above, and the description that follows provide a sketch of possible key policy mechanics. This paper does not aim to provide a

comprehensive analysis of how the Energy Citizens Facility would best function. Innovative financing such as crowd sourcing and citizens investment platforms are often discussed as both appropriate for small scale decentralised investments like small scale RES, and needed to scale up access to capital. While traditionally there was a distinction between crowd sourcing where a return or other reward is involved, and co-operative models of community energy where ownership and returns remains firmly in the hands of the owners, the boundaries between the two are becoming blurred.<sup>11</sup> For example, co-operative style community energy projects are now sometimes opening up minority shares to external investors, sometimes through crowdsourcing platforms, in exchange for a return but without ever losing control or ownership of their RES project.

The creation of a targeted financing programme for energy citizens within the MFF should not only pool together funds and establish local or regional investment platforms, (ideally at the local level with a strong role for local authorities in their administration,) but should also create an enabling framework for crowdsourcing to expand the capital pool, and build the strongest sense of ownership by citizens in the clean energy transformation.

These local or regional investment platforms, which could interact with other types of innovative funding (such as crowdfunding, local revolving funds, etc.), would be in a suitable position to help aggregate small-scale projects contributing to fostering energy citizens. Among local and regional authorities, EU-supported integrated “Transition agencies” (i.e. an upgrade of local and regional energy agencies created under the European SAVE programme) can be tasked with managing these local or regional investment platforms.

The EU level pilot project Citizenergy<sup>12</sup> has proven the potential of crowdsourcing for local RES projects, but recognises the complexity of different national legal frameworks as a limiting factor. In its greatest ambition and complexity, the Energy Citizens Facility could even enable cross border investments in local RES projects as part of crowdsourcing. Here, a citizen in France could acquire a share, or place a portion of their savings to contribute to a loan for a RES project in Poland, with a contractually agreed return. The cross border dimension would help satisfy the legal tests of subsidiarity and the requirements of the energy chapter of the TFEU. However, such an approach is

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<sup>11</sup> See Citizenergy: [https://citizenergy.eu/how\\_it\\_works](https://citizenergy.eu/how_it_works)

<sup>12</sup> <https://citizenergy.eu/>

unlikely to be politically realistic in the short term. It may be that the next MFF introduces an Energy Citizens facility that operates within national borders, and ushers in a harmonised set of guidelines and requirements for national or regional crowdsourcing investment platforms.

Another important design consideration is de-risking. In addition to pooling funds and projects together, and establishing the technical and administrative requirements, the role of the EU in the energy citizens facility could also extend to providing securities as one category of financial product. Here, a portion of EU Funds within the programme could be set aside to create guarantees to ensure a period of minimum return for investors in certain categories, or all local RES projects benefiting from the Programme, in the event the project failed, or to help shift risk deriving from unstable energy prices. Securities would be especially important in helping prosumers obtain loans from local banks.

*Synergies with the EU's Digital Innovation Agenda – transparency of risk and benefits for investors, and connecting citizens to the European project through the clean energy Transformation.*

Another important part of de-risking is ensuring the user friendly and transparent flow of information to citizens and other would be investors. Project successes, returns, risk assessment, as well as the social and environmental benefits from successfully launched projects must be made easily accessible. This is part of broader theme of reform of the next EU budget, and one that holds potential to work hand in hand with the EU's priority of investing in digital innovation. Existing online portals may allow for arduous research to find out where EU money is going and how the project went, but most programmes are far away from having the sort of user friendly online applications necessary to encourage investors and to build confidence among EU citizens that EU money is being well-spent.

*Governance, and how to ensure equitable geographic spread*

Regarding governance, two broad options present themselves. The first, and less realistic option, would be the creation of a centrally managed programme by the Commission, similar to the connecting Europe facility. This would have the advantage of helping overcoming reluctance from Member States that are opposed to decentralised energy, and minimise this risk of poor absorption of funds, yet appears politically unrealistic, particularly if the rights for energy

citizens in the Winter Package become heavily compromised. Even if these rights do survive the legislative process, legally, such an option would only be likely to pass legal thresholds of subsidiarity and the right for Member States to determine their own energy mix if its design involved strong cross border investment elements, such as a common EU framework to allow crowdfunding contracts where projects and investors/donors exist in different member states. This option would also raise significant administrative challenges.

The second option, and the one recommended in this paper is to graft the Energy Citizens Facility within the framework of cohesion policy and shared management. An interactive role with EFSI 3.0 could also be envisaged – allocation through cohesion policy helping ensure the fair geographic spread that has been sorely missing in the portfolio of the Juncker Plan thus far. If the allocation of cohesion policy funds evolves to be partially based on the location of policy challenges, like social inclusion and decarbonisation, not merely GNI or GDP, then the amount of EU funds available to seed and establish the regional investment platforms for the Energy Citizens Facility could also be split on the basis of those regions most at risk of lock in to high carbon pathways.

*Incentivising MSs to use the Energy Citizens Facility, and to increase thematic concentration of ESI funds on clean energy transformation.*

Depending on the policy design, it may be necessary to consider incentives to encourage reluctant Member States to allow their citizens to make use of the Energy Citizens facility. For example, if the programme was proposed as the financing engine to facilitate access to finance for a new thematic objective (TO) within cohesion policy, (prosumers and community energy), how might we design the MFF so as to best incentivise Member States to address this TO?

One option would be for the Commission to propose a set aside, or performance reserve, within the performance framework of Cohesion Policy, where upon a portion of funds would only be released where defined milestones were achieved. These milestones could be defined according to an increase in the numbers of citizens, communities and cooperatives generating, consuming and/or selling their own RES, including among low income and vulnerable groups and demographics.

This approach aligns with the idea signalled in the Reflection Paper on the Future of EU Finances – to allocate Cohesion Funds not only on the basis of

GDP/GNI, but also based on the location of policy challenges, or to reward Member States for undertaking politically or economically costly reforms. Such milestones for energy citizens could exist within the framework of a performance reserve or set aside for climate and energy (linked with National Climate and Energy Plans.)

Alternatively, the Commission could propose more generous co-financing rates for other programmes within cohesion policy (or the MFF more broadly) for Member States opting in to utilise the EU energy citizens facility.

### Ensuring strong participatory elements and local ownership

The Energy Citizens Facility/Programme should ensure, and only support, projects with local ownership. Criteria for this should be included within the legislation governing the programme (for example, within the Common Provisions Regulation, or delegated act giving rise to the Energy Citizens Facility). Complementarity with Community Led Local Development spending tools (currently underused within ESI Funds) should allow local action groups wishing to implement renewable energy projects to benefit from the local investment platforms, and financial products, facilitated by the Energy Citizens Facility.

## **PILLAR 2: NEW EX-ANTE AND EX-POST CONDITIONALITIES**

The Commission will need to propose specific new ex ante conditionalities within the next cycle of ESI Funds. In some cases, this will mean backing up key elements of the climate and energy acquis, and new legislation requiring transposition in the early years of the post 2020 programming period. In other case, we urge the Commission to consider the formulation of specific new conditionalities to fill gaps and force national policy attention to address key gaps hindering the effective spending of EU Funds towards the Union objective of the citizen led clean energy transformation. Finally, as an improvement of the current system, the law in the Common Provisions Regulation should be clarified to ensure the Commission retains power to suspend EU Funds if, after an ex-ante conditionality is in place, a Member State rolls back on it later in the programming period.

3 specific new ex-ante conditionalities are proposed for the energy sector as follows.

- A) A Renewable Energies Investment Environment Test, requiring a regularly updated identification of the impact of national legislation and policies, including in MFF programming, on RES investment. The test should also assess impacts of national policies and legislation on prosumers wishing to generate, storing, or sell their own renewable energy, and be accompanied by planned policy measures to mitigate negative impacts on affected categories of investors.
  
- B) Requirements for energy poverty Action Plans containing a needs analysis of housing stock identified as at risk of energy poverty, as well as measures for how Member States propose to address this, including through the use of EU funds for grants for thermal renovation, and small scale RES to vulnerable households and communities, the setting of affordable levels of co-financing for loan schemes to low to middle income families, and fairer eligibility for households, including single family dwellings, to benefit from EU funded schemes.
  
- C) National Climate and Energy Plans in place, accompanied by Strategic Policy Framework. The strategic policy framework should ensure the achievement of defined milestones and criteria from National Climate and Energy Plans. The strategic policy framework should also be accompanied by national measures put in place to remove barriers for energy citizens and set national goals for an increase in the amount of citizens and communities generating their own RES by the end of the next programming period.

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